Belt and Road Initiative: Defining China's Grand Strategy and the Future World Order

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Belt and Road Initiative:
Defining China’s Grand Strategy and the Future World Order

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Abstract

The current U.S.-China relationship involves grand strategic rivalry. China launched its grand strategy of Belt and Road Initiative (BRI) in 2013, connecting 65 countries along the Asia Pacific through China-led infrastructure initiatives. The BRI contends two objectives. One is a modernization objective for regional countries to “jump onto China’s economic bandwagon.” The other is a “Common Destiny” objective to foster a China-led regional community. This thesis agrees with the probable success of the first objective, but challenges on the formation of the second by developing a political philosophical argument in understanding China's view of common destiny and world community.

The thesis is composed of six chapters. Chapter 1 gives a comprehensive profile of China’s BRI. Chapter 2 analyzes its geostrategic significance. Chapter 3 introduces a political economic view of the forthcoming of China’s BRI.

Chapter 4 analyzes empirically the causality between modernization and democratization. If it were true that there were a positive causal relationship, BRI countries would turn towards democracy as they modernize. Empirical data does not show such causal significance. Therefore, the two-pronged BRI objective could be inherently accommodating.

Chapter 5 defines Xi’s BRI “Common Destiny.” This common destiny is illuminated by nationalism, authoritarian capitalism and civil order, in contrast to democracy, free market capitalism and civil liberty of the liberal West.
Chapter 6 envisions the strategic power transformation in Eurasia and
maritime Asia Pacific, and a possible Pax-Sinica world beyond 2050.
Acknowledgements

When I grew up in the northeastern corner of China, Harvard University was a distant dream and a lifetime ambition.

With my deepest gratitude, I would like to thank Professor Anthony Saich for the time and dedication he has placed in my thesis, the passion for China and a future world he shared, the tears he did not stop me from shedding for China, and the academic depth he has introduced me to.

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# Table of Contents

Acknowledgements...........................................................................................................v

Preface .............................................................................................................................1

Chapter 1. Introduction .................................................................................................6

1.1 Two-pronged BRI Vision .........................................................................................8

1.2 BRI Vision Examined in the Context of Modernization-Democratization Theory .........................................................................................................................9

1.2.1 Modernization-Democratization Theory Explained .......................................9

1.2.2 Significance of Modernization-Democratization Theory on the BRI Vision ......................................................................................................................... 11

Chapter 2. Geo-Dimensions of China’s “One Belt, One Road” Initiative ..................16

2.1 Geographical Background on the BRI ..................................................................16

2.2 Geo-economic and Geopolitical Profile of BRI ......................................................18

2.3 Geo-economic Scale of BRI ..................................................................................18

2.4 Geopolitical Implications of BRI ..........................................................................19

2.5 Multilateral Architecture within the BRI Region ..................................................20

2.5.1 16+1 Cooperation ..............................................................................................21

2.5.2 ASEAN+3: .........................................................................................................21

2.5.3 Regional Comprehensive Economic Partnership (RCEP) ......................... 21

2.5.4 Shanghai Cooperation Organization (SCO) ............................................... 22

Chapter 3. A Political Economic View of China’s BRI ..............................................24
3.1 Domestic Economic Perspectives ..............................................25
3.2 Domestic Political Perspectives ..............................................28
3.3 International Economic Considerations ................................. 30
3.4 International Political Considerations ....................................32

Chapter 4. An Empirical Study of China’s BRI ..............................35
4.1 Modernization Hypothesis .......................................................35
4.2 Common Destiny hypothesis ....................................................38
4.3 Conclusions on Xi’s Modernization-Common Destiny hypothesis...44

Chapter 5. Defining Xi’s BRI “Community of Common Destiny” .........49
5.1 A Critical Review of the “Silk Road Spirit” ...............................53
5.2 Searching for the Substance in BRI’s “Common Destiny” ............57
  5.2.1 Defining What the “Common Destiny” Is Not .................57
  5.2.2 Defining the Substance of the “Common Destiny” ..........58
  5.2.3 Envision the Form of Xi’s “Community” .........................70
5.3 Is China Qualified to Be a Leader without Being Democratic? ......81

Chapter 6. The China-US Dichotomy and the Future of World Order ........83
6.1 Future Transformation of the China-US Dichotomy ..................84
  6.1.1 Return of Mackinder’s Eurasian Heartland Pivot ..............84
  6.1.2 Tension in the Maritime Asia Pacific ...............................89
6.2 The Future of the World Order ..................................................92
6.3 A Pax-Sinica beyond 2050 ......................................................94

Bibliography .................................................................................95
List of Tables

Table 1: Xi’s Regional institutions in comparison to current global order..................33
Table 2: Regression on comprehensive infrastructure development and GDP ............36
Table 3: Regression on Traditional Infrastructure Development and GDP..................37
Table 4: Democracy Index of BRI countries post Global Financial Crisis .................39
Table 5: Regression Results between Economic Growth and Political openness for BRI countries........................................................................................................................................42
Table 6: Economic Growth and Political Openness globally .........................................43
List of Figures

Figure 1: Economic corridors along the “One Belt, One Road”.................................17

Figure 2: Size of U.S. and China’s GDP (in current U.S. Dollars) .........................31

Figure 3: Political Systems in the BRI Region ...............................................................39

Figure 4: Correlation between Economic Growth and Political Openness ..............41
Preface

“China’s greatest fear is American ideas.”

– Stefan Halper

We are likely to see a paradigm shift in the world order in the coming three decades. Belt and Road Initiative (BRI) will serve as China’s transitory grand strategy between 2013 and around 2050, when China reaches its modernity, according to Chinese President Xi Jinping’s “Two One-hundred Year Plans.” If BRI were executed successfully over the coming three decades, China’s ultimate grand strategy by 2050 would be to govern the world with its version of a global order. BRI is China’s grand strategy, but not the end in itself of China’s grand strategy, rather a means to its end, i.e., Pax-Sinica.

As history shows, there are only two ways of achieving global hegemony. One is achieved by combining military might with the hegemon’s economic power. Pax-Romana and Pax-Britanica both fall into this category. The other is by combining the power of the “ideas” with the hegemon’s economic power. Pax-Americana is a living example.

I argue that Pax-Sinica, should it appear, will opt for the second alternative of hegemonic rule, a combination of economic power and the power of the “ideas.” The cost of ensuring world order today through a country’s military means will be way more costly and way more dangerous than what it was in the 19th century for the U.K. The hard power hegemony in a nuclear world is no longer viable. The power of the
“ideas” becomes a necessary component to a rising global hegemon.

China does not possess the power of the “ideas” yet. With all the rising global economic influence, China has yet formulated a normative set of ideational values that the rest of the world would aspire to follow. As Halper said “China’s greatest fear is American ideas.”1 Equally true, America’s biggest fear should be China’s ideas.

Before China defines its power of the “ideas,” China’s economic interest in the region would inevitably be protected and secured by its rising military strength. There are no other means for China to ensure its regional economic interests beyond its borders, other than the ready use of military means. To paraphrase, China’s military rise is inevitable, and its foreign policy, realist-based.

Xi’s vision of the BRI is two-pronged. One is to “jump onto China’s economic bandwagon.” The other is to “build a Community of Common Destiny.”

Of the 65 countries in the BRI region, one country is a full democracy, and 64 countries range from flawed democracies to autocracies, according to the Economist Intelligence Unit.2 Empirical analyzes suggest that there is no clear tendency towards democracy as they economically develop. This is disappointing for the liberal world, but makes it possible for Xi’s “Community of Common Destiny.”

In what Form and of what substance would the “Community of Common Destiny” be?


I argue that the China-led BRI “Common Destiny” will stand on three key pillars: nationalism, authoritarian capitalism and civil order. Nationalism is the political pathos. Authoritarian capitalism is the economic logos. And civil order is the social ethos. This serves as an alternative to the Western manifest destiny on the basis of democracy, lassie fare capitalism, and civil liberty.

Spatially, Xi’s “Community” will be most likely structured in the form of power concentricism, with China at the center. The Western world is structured in the form of power linearity, with the U.S. at the top. Although *Five Principles of peaceful coexistence* has been overemphasized in Chinese foreign policy, essentially a China’s version of Westphalianism, such a power structure that is decentralized and compromises absolute sovereignty is inconceivable in Chinese thinking. Xi’s “Community” is a revival of China’s “All Under Heaven” (天下). *Five principles of peaceful coexistence* has been relevant in China’s recent past, will become a mere ethical statement as China seeks to revise regional order.

BRI Grand Strategy, and along with it, China’s world ambition, will reshape the future U.S.-China dichotomy.

The power dyad is likely to enter into rivalry on two geopolitical fronts in the Asia Pacific. One is the continental Eurasian “heart-land,” which returns once again to its weight as the world’s geopolitical pivot according to Mackinder. The other is maritime Asia Pacific. I predict that continental Eurasia will be the game-changing

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front, and maritime Asia Pacific will remain largely status quo.

There is likely to be a change of leadership in continental Eurasia. China is already the economic leader and an indigenous continental power. The U.S. has had a lackluster geopolitical presence, and failed to maintain geopolitical and military stronghold in Afghanistan. The relative power shift is not to the advantage of the U.S.

China knows fully well that its naval strength is to no avail to that of the U.S. yet. China will not provoke direct military confrontation with the U.S. on the sea. Instead, it will adopt a defensive posture. There is not likely a change of leadership in the Maritime Asia Pacific, or an elimination of the rising power in the foreseeable future. The relationship of the power dichotomy in the maritime Asia Pacific will be categorized as one of status quo, despite of the spite of verbal tensions.

If BRI’s two-pronged strategies are successfully carried out, at around 2050, it is likely that there is a future world order governed by China. Pax-Sinica will be different from the current global order, with all signs showing that China is revising the existing global order and initiating counterparts of its own. The 2050 Pax-Sinica, should it appear, will be dominated by China’s economic primacy and China’s version of an ideational value system seen as universal. It remains uncertain what the power of the “ideas” offered by China will be beyond 2050. Would Pax-Sinica world remain democratic or authoritarian? Would the world economic structure still be capitalism? Would China transform into a different polity, over the next three decades, and with it, itself, into a global leader? What is certain is that this set of “ideas” will
not be ideological, because socialism with Chinese characteristics will not be transferable, or universal.

This thesis tries not to pass normative judgments on the virtue or immorality of BRI’s essence. As a transitory grand strategy, BRI will rewrite the post-"End of History" history, and profoundly change the world order in which we live today.
Chapter 1

Introduction

In March 2013, a speech by Chinese president Xi Jinping in Astana, Kazakhstan, initiating the strategy of the “Silk Road Economic Belt,” and in November, 2013, a sequential speech by President Xi in Jakarta, Indonesia, launching “the 21st Century Maritime Silk Road,” together marked the birth of the grand strategic vision of the 5th generation of Chinese Communist leadership. This vision is commonly referred to as the Belt and Road Initiative.

“The Silk Road Economic Belt” and “21st Century Maritime Silk Road” (One Belt, One Road, 一带一路, or “BRI” hereafter) encompasses 66 countries across Central & Eastern Eurasia and maritime Asia Pacific, 63% of the global population, and over 1/3 of the world’s GDP. BRI is China’s unilateral vision on the future structure of the greater Eurasian region. It attempts to promote infrastructure connectivity and investment through land-locked continental Eurasia, propel maritime transport expediency from the South China Sea through Africa to Western Europe, and hopes to exert China’s regional economic, strategic and military influence in the region.

In 2015, “One Belt One Road, China’s Top National Strategy” by President of

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the Asian Infrastructure Development Bank, the Hon. Liqun Jin, and former Chief Economist of the World Bank, Dr. Justin Yifu Lin, was published with Chinese official endorsement. BRI was officially positioned as the top National Strategy of China. I equate China’s BRI to the Grand Strategy of the U.S. post 1945 (post WWII), in its international strategic significance and objectives. The U.S. over this period of time established multilateral financial institutions such as the IMF, and the World Bank, and supranational institutions including the United Nations, initiated the Marshall Plan to promote regional economic growth, and the Bretton Woods system to establish the U.S. Dollar-standard in global monetary system. China has attempted to establish multilateral institutions including the Asian Infrastructure Investment Bank, the Silk Road Fund, and regional multilateral initiatives and investment corridors along the BRI region. Other than a parallel institution for the United Nations and the IMF, as the lender of last resort, China has built a comparable multilateral regional framework, similar to the grand strategy of the U.S. post-WWII.

“All Under Heaven” (天下, or tian-xia) was China’s first iteration of a grand strategy from antiquity. Communist China’s leader Mao Zedong also uttered a notion of building a class-based proletariat community of the world. BRI is the third attempt by China at organizing the world order. Of all three subjective China views of the world, “All under Heaven” is what I call ideational under Confucianism, the second ideological under communism, and the current one of realpolitik, under the camouflage of its search for idealism.
1.1 Two-pronged BRI Vision

Xi’s BRI was postulated with a two-pronged vision.

One is that regional countries will “jump onto China’s economic bandwagon.” To paraphrase the jargon, BRI countries will participate in China’s economic prosperity through infrastructure development made possible by China. This refers to the idea that infrastructure investments initiated by China through funding by its multilateral financial institutions and policy bodies, and infrastructure construction undertaken by Chinese companies in the designated 65 BRI countries bring economic prosperity and enhance the living standards of these countries.

The second vision President Xi articulated is that regional countries build a ‘Community of Common Destiny.’\(^5\) During the speech in Davos in 2017, Xi’s regional vision further transcended to a grander “common destiny as humankind.”\(^6\) This vision captivates a moral ideal, which invites much more complex dialogues than simple understanding of the BRI as a common economic policy prescription for the region. “A community of common destiny” elevates the BRI to similar significance as the manifest destiny, a founding principle of the U.S. foreign policy. This mention of a China’s version of a global destiny deserves much debate in both its essence and its global policy implications.

Of the two-pronged BRI agenda, the first claim that infrastructure investments

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and long-term financing accessibility will have a positive effect on economic growth, therefore enhance the living standards of BRI countries, is largely in congruence with understanding of developmental economics. An empirical study conducted will further validate this causal relationship particularly within the framework of the 65 BRI countries.

The second claim that BRI countries will come to form a “Community of Common Destiny,” as they economically develop, is complex and serves as the main focus of debate in this thesis. First, if BRI countries have a tendency to become democracies, as they economically develop, there would be no common destiny between China under the current regime and BRI countries. Xi’s “Community of Common Destiny” would fail. Next, if BRI countries do not have a tendency to become democracies as they economically develop, Xi’s “Community of Common Destiny” would be possible. It becomes crucial to define two elements of Xi’s “Community of Common Destiny.” One, what would the “common destiny” be? Two, in what structural order would the Community form?

1.2 BRI Vision Examined in the Context of Modernization-Democratization Theory

In understanding the political-economic relationship of nations, the Modernization-Democratization Theory comes to light.

1.2.1 Modernization-Democratization Theory Explained

Political scientist Lipset managed to test the causal relationship between a
country’s economic development and its political openness.\textsuperscript{7} He further advanced the debate that democracy is the outcome of economic development in 1959.\textsuperscript{8} This theory has been tested, contested, hence generated a large amount of political analyzes in the field over the past few decades.

Przeworski and Limongi\textsuperscript{9} concluded that the level of economic development (a threshold) does not cause transition to democracy. The reason that most economically developed countries are democracies does not indicate a causal relationship between a country’s economic development and its political openness. The highly robust econometric sample presented by Lipset can be explained by the fact that democracies survive best in countries that are modern. Democracies can also happen in fragile economies, but sometimes do not survive well, and could retrench as witnessed in post USSR Eastern European bloc. They concluded that democracy is not a causal outcome of economic development. Both are heterogeneous factors to each other. In fact, Przeworski and Limongi drew the conclusion that if the political structure of a country survives in the form of dictatorship as a country economically develop, when its GDP per capita hits above $6,000 threshold, dictatorships also become more politically stable.\textsuperscript{10}


\textsuperscript{8} Lipset, “Some Social Requisites of Democracy,” 80.


The debate on Modernization-Democratization Theory is a debate on the causal claim on the basis of an obvious set of data correlation. The countries that are selected are labeled either as a “democracy” or “non-democracy.” There is a correlation between economic development and democracy, but this does not conclude that economic development causes democracy. If the theory were to explain the cause of democracy, country sample gathered ought to include the “moment” of transition to democracy. These “moments” would be valuable in understanding whether per capita GDP is a significant variable in causing a country’s transition to democracy, in words by Przeworski and Limongi, the endogenous explanation.\textsuperscript{11} Therborn pointed out that many European countries democratized because of wars, not because of economic development\textsuperscript{12}. Many Eastern European countries post-1989 democratized because of the fall of the Communist regime, not out of economic development. In explaining the fall of dictatorial regimes and establishment of democracies, economic development plays a no more significant than random role. Therefore, the correlation of the data only attests that democracy survives better when a country is “modern,” but is not a product of “modernization,” therefore the exogenous explanation.\textsuperscript{13}

The causal relationship between economic growth and democracy is significant in envisaging the future of the BRI, in particular the second hypothesis of the


\textsuperscript{12} Göran Therborn, “The Rule of Capital and the Rise of Democracy,”

\textsuperscript{13} Przeworski and Limongi, “Modernization: Theories and Facts,” 156
consummation of the “Community of Common Destiny.”

1.2.2 Significance of Modernization-Democratization Theory on the BRI Vision

There is ample support to the notion that BRI countries will economically develop with infrastructure investments. If it is true that there were a positive causal relationship between economic development and political openness as measured by democracy, BRI that China launched will eventually help facilitate these BRI countries to turn towards democracy. Democratized BRI countries will share a similar set of values as the democratic West, marked by market liberalism, individual rights, and civil liberty. Assuming China will remain a major global economic power run by its authoritarian regime, which itself is explained as a sample outlier to the endogenous development-induced Democratization Theory, a “Community of Common Destiny” would not occur amongst China and these BRI countries, based on the fundamental ideological value differences. Therefore, Xi’s two-pronged BRI vision would succeed with its first, but fail at the second.

Two empirical analyzes are conducted in this thesis to test the Modernization-Democratization Theory. The first empirical analysis will use the same research technique as Lipset’s, but with a different sampling frame by selecting panel data only restricted to the 65 BRI countries. A second empirical research is conducted on countries using time-series data available from 2000 to 2015, to capture the “moments” of transition to democracy by countries to examine the causal relationship between economic growth and its transition to democracy. This data set is
not restricted to BRI countries, because many of the BRI countries have been underdeveloped economically over the past 15 years and most of them are still not democracies. Data restricted to only BRI countries would show neither a significant economic growth, nor a substantive transition towards democracy over the time period. World data would be more meaningful in this undertaking. Different from the first empirical analysis where countries are studied in a static state, the second regression is run on a time series basis over 15 years, during which many world countries adopted democracies. It is used to identify if indeed economic development suggests a threshold, above which it causes countries to turn towards democracy.

If Modernization-Democratization Theory were held true, the thesis would infer that democracy would become the “Common Destiny” of the BRI countries. Yet this alternative common destiny would be neither the intention nor the desirable outcome in Xi’s vision. The thesis further concludes that Xi’s grand vision of a “Community of Common Destiny” would fail. Thus, BRI would only achieve its first vision, and not the second.

If Modernization-Democratization Theory were not held true, Xi’s “Community of Common Destiny” would be possible.

These 65 countries under the BRI are mostly “the other” nations, with very few of them traditionally or currently adopted the demo-liberal form of political governance. Few of the 65 countries are developed countries, with only one full democracy, Czech Republic, 24 flawed democracies, and 17 hybrid regimes in this geographical frame.14

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14 Source: Democracy Index 2010, Economic Intelligence Unit, *The Economist*. 
BRI encompasses the world’s largest continental hinterland where the US influence has not fully penetrated, either before the Cold War or post the Cold War.

BRI, if theoretically viable and properly executed, can form a challenging regional bloc post the Cold War on the peripheries of the West. China’s BRI has not generated sufficient academic and policy research due to lack of policy clarity and difficulty of implementation strategies from Beijing, an economically fragile U.S. post the Global Financial Crisis, the opaqueness of the Chinese media and the discreet nature of China’s policy making. Although there is no official claim by the Chinese media, leadership or think tank that the BRI goes beyond simple economic considerations into geopolitical and geostrategic sphere of interests, BRI, given the status of a Top National Strategy, or what I call an equivalent of the US Grand Strategy, will have to be constructed in the top leadership’s mind with an overarching national thinking, a comprehensive vision to deploy China’s hard and soft power, and an ontological justification of a China-centric regional, even a world order. Xi’s vision of a “Community of Common Destiny” articulated at the launch of the BRI is a clear gesture of the telos of this very Initiative.

In-depth academic research on and strategic response to this paradigm shifting initiative by China from the U.S. policy and academic community may lead to prepared strategic response, in confronting or accommodating the unique political model and geostrategic rise of the second largest economy in the world. This most important power dichotomy of the world in managing its strategic rivalry in the BRI region will largely portray the global geopolitical and geo-economic nature of the first
half of the 21st century and the future of the world order that we are about to see.
Chapter 2
Geo-Dimensions of China’s “One Belt, One Road” Initiative

The Silk Road Economic Belt extends from Eastern China, along the Yangtze River, to China’s northwestern city of Xi’an, the starting point of the ancient Silk Road, through China’s Muslim Xinjiang Prefecture, central Asia, peripheries of Russia, all the way to Eastern and Central Europe, the former Soviet Bloc.

The 21st-Century Maritime Silk Road links the South China Sea to the Indian Ocean, to oil countries in the Middle East, and another route through Africa to destinations in Western Europe.

2.1. Geographical Background on the BRI

China sets up the vision of a revived regional economic entity based on the ancient concept of the Silk Road.

BRI countries currently include:

- 10 ASEAN countries: Singapore, Malaysia, India, Myanmar, Thailand, Laos, Cambodia, Vietnam, Brunei, the Philippines;
- Mongolia and Russia;
- 18 West Asian and Mediterranean countries: Iran, Iraq, Turkey, Syria, Jordan, Lebanon, Israel, The Palestinian Territory, Saudi Arabia, Yemen, Amman, United Arab Emirates, Qatar, Kuwait, Bahrain, Greece, Cyprus, Egyptian Sinai Peninsula;
- 8 South Asian countries: India, Pakistan, Bangladesh, Afghanistan, Sri Lanka,
Maldives, Nepal and Bhutan;

- 5 Central Asian Countries: Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and Kirgizstan;

- 6 Former USSR countries: Ukraine, Belarus, Croatia, Azerbaijan, Armenia, and Moldova; and,

- 16 Central and Eastern European Countries: Poland, Lithuania, Estonia, Latvia, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Albania, Romania, Bulgaria, and Malta

BRI aims to construct the world’s largest network of economic corridors, including China-Mongolia-Russia, China-Central Asia-West Asia (Middle East), China-South Asia corridors, along with China-Pakistan, and China-Bangladesh-India-Pakistan Economic corridors.

Figure 1. Economic corridors along the “One Belt, One Road”

Source: www.economist.com
2.2 Geo-economic and Geopolitical Profile of BRI

China’s new Grand Strategy for Central & Eastern Eurasia and Maritime Asia Pacific, also referred to as BRI, is as follows:

• It is the first Grand Strategy deliberation by China since China’s Reform and Opening-up.

• BRI will encompass more than 60% of humanities and 40% of the world’s GDP.

• Economically, BRI is crafted to facilitate infrastructure-led economic expansion through China-led regional infrastructure investment mechanism, including AIIB, NDB and the Silk Road Fund, in aggregate asset size of $240 billion, larger than the size of the World Bank.

• Militarily, SCO is founded on the basis of security and military cooperation among eight member countries, and will soon expand to more member countries in the region.

• Geopolitically, Chinese President Xi Jinping calls for building a “Community of Common Destiny” among BRI partners.

2.3 Geo-economic Scale of BRI

The BRI was officially presented as a regional economic and trade development strategy. China calls for China-led multilateral regional infrastructure development along the BRI economic corridors to build common economic prosperity. However, many in the West suspect that it goes beyond simple economic initiatives. China has
initiated the establishment of Asian Infrastructure Investment Bank (AIIB), with funding of $100 billion, to exclusively develop infrastructure within this region. China has also established the Silk Road Fund with $40 billion in asset, to add to the infrastructure and key development project investments to the countries in the region. In addition, the New Development Bank (NDB, formerly known as the BRICS Bank) with an asset size of $100 billion aims at providing development funding to BRICS countries (Brazil, Russia, India, China and South Africa.). In May 2017, Xi Jinping announced at the Belt and Road Forum that China Development Bank will provide 250 Billion RMB (approx. $38 Billion) in debt financing to Belt and Road countries. Over half of this sum has been invested in BRI countries so far.\textsuperscript{15} Direct investment into BRI countries by Chinese enterprises totaled $14.5 Billion, representing 8.5% of China’s total ODI in 2016.\textsuperscript{16} In addition to expansion of trade, these financial institutions, with an aggregate capital size of $280 billion, are all designed with authority from the supreme Chinese leadership, with the aim of extending China’s economic prowess in the region.

2.4 Geopolitical Implications of BRI

The sheer economic mass of China would guarantee its sure economic sphere of influence in the region at the systemic level. At the dyadic level, China is the largest


economy in the region with tremendous economic bargaining power, with a compelling domestic market, and enormous state economic machine to export its capital, and sometimes, human capital and technology to a neighboring country. This would help shape and reshape the power dynamics in the region on both a dyadic and a systemic level.

Additionally, I would argue that China is looking to shape its version of a regional order through its BRI on the peripheries of the West. China’s top leadership has never been clear with his true intention on the BRI, albeit clarity about its economic intentions. China’s top leader Xi Jinping has articulated, “Asian affairs should be managed by Asians.”\(^\text{17}\) and “ASEAN Common Destiny.”\(^\text{18}\) This rhetoric all go beyond considerations of a single economic dimension to a comprehensive regional geostrategic dimension in constructing possibly an Asian version of the “Monroe Doctrine,” and eventually a China-centric regional order.

### 2.5 Multilateral Architecture within the BRI Region

Multilateral regional institutions have been established by China, or with China as a major part, since 2013. These efforts indicate that China has transformed itself from playing within the global institutional norms that the U.S. has established since World War II, to becoming a center of its own within its established multilateral


regional frameworks.

2.5.1 16+1 Cooperation

China and Central & Eastern European Leaders Meeting is a 17-country leaders cooperation mechanism, initiated by Chinese President Xi Jinping, along with 16 Central and Eastern European leaders in 2012. 16+1 Cooperation aims to “expand mutually beneficial cooperation” and “deepen China-EU comprehensive Strategic partnership.”\(^{19}\)

2.5.2 ASEAN+3: Association of Southeast Asian Nations and Korea, Japan and China

ASEAN was formally established by 10 ASEAN nations for the purposes of regional integration in trade, economy, and security. ASEAN+3 serves as a prototype of East Asian and Southeast Asian economic bloc.

2.5.3 Regional Comprehensive Economic Partnership (RCEP)

RCEP is a loosely structured regional Free Trade Agreement (FTA) among the 10 ASEAN member states and its six regional free trade partners (Australia, China, India, Japan, Korea and New Zealand). RCEP negotiations were launched in 2012. Although intending to formulate a strong regional trade agreement, it lacks the financial services component, which is increasingly important in the region. The RCEP continues to be a viable regional free trade pact for Asia Pacific, in comparison to a

\(^{19}\) Keqiang Li, Address at the 3rd China-Central and Eastern European (CEE) Leader’s Meeting, Belgrade, Serbia, December 2014.
TPP in limbo.

2.5.4 Shanghai Cooperation Organization (SCO)

SCO, also known as Shanghai Pact, was established in Shanghai in 1996 with the original five members China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan. Uzbekistan joined SCO in 2001. In 2017, India and Pakistan were both be permitted as full members, bringing the Pact to 8 full members. Iran, Turkey and Mongolia are currently observer countries.

Unlike the regional trade and economic pacts, SCO was established to provide coordinated military, security and anti-terrorism activities in the region. Headquartered in Beijing, SCO was seen by some as an burgeoning alternative to NATO to its east, although Russian President Putin openly denied it according to China’s Xinhua News.20 “The interests of the Shanghai Cooperation Organization [SCO] and NATO will in no way conflict, provided NATO does not interfere in Central Asia’s regional affairs,” according to the U.S. Center for Defense Information.21 The move of its headquarter to Beijing suggests the strategic significance Beijing attaches to the SCO, however, the SCO will remain a loosely structured security pact in comparison to NATO, with Russia and China, and soon

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Pakistan and India, all members of the Organization and unlikely to act in unison.
Chapter 3
A Political Economic View of China’s BRI

When the world was still engulfed in the trauma of the Global Financial Crisis in 2013, Chinese President Xi Jinping raised the strategic initiative of the BRI. A little over a year earlier, President Obama made his foreign policy doctrinal announcement of the U.S. “Pivot to Asia.” Foreign policy of the U.S. during the Obama era was marked by global retrenchment, including from war-ravaged regions in Afghanistan, and Iraq, heartlands of Continental Eurasia. “Pivot to Asia” was seen mainly as a defensive foreign policy strategy of maintaining the U.S. power status quo in Asia, with no proactive agenda to confront the rising military power of China in the region. The Obama era has largely accommodated China’s rise under the U.S. hegemony in Asia. On one hand, the U.S. retrenched militarily globally, stalled economically, and resorted to a defensive foreign policy agenda with no clear articulation of a vision for a renewed global leadership. On the other hand, China expanded its military presence in the South China Sea, continued to grow economically post the GFC, and articulated a refreshing and broader regional foreign policy agenda culminated in the launch of the BRI. Xi’s vision for a China-centric regional order reflects the fundamental power shifts of the world’s most powerful dichotomy, in the Asia Pacific in the post-GFC era.
3.1 Domestic Economic Perspectives

China’s GDP growth has lowered to around 6.5% since 2015, on the heels of over 30 years of around 10% growth year over year. In tackling the Global Financial Crisis, China deployed excessively loose monetary policies, including extraordinary liquidity measures at times, and relied heavily on an investment-led economic growth model, largely fueled by lending to the State-Owned Enterprises via loose monetary policy, and lending to the municipalities via loose fiscal policy. The monetary and fiscal measures did not all create desirable economic outcomes.

First, investment-led economic growth model drove inefficient allocation of factors of production, particularly capital. The monetary resources were severely misallocated with excess liquidity poured into traditional industrial sectors, leaving new economic sectors capital-strained. Capital was also misallocated overwhelmingly to state-owned enterprises, leaving private sectors capital-confined.

The investment-led economic growth model has delivered a 7% GDP growth immediately post the GFC, with debt financing pouring into inefficient market sectors such as iron ore, coal, steel, and other industrial sectors that supply to the real estate market. These severely distorted investments went into areas where there is no fundamental support through market economic rationale, other than the oversupplied real estate sector fueled by speculation, loose monetary policies, and municipalities’ desire to sell land for fiscal revenue.

Return on investment equally becomes not sustainable. As China pours more money into the system to jumpstart growth, the marginal efficiency of capital starts to
diminish. When the speed of the economy slowed, the excess capacity became impossible to be domestically absorbed. The excess industrial capacity build-up in traditional sectors have since generated a large amount of bad debt in the nation’s financial system, compounded by the economic pain of overcapacity in production. China’s state banks have accumulated large amount of debt on their balance sheets, with national debt to GDP ratio hovering at 240%. Some predict that shadow banking makes China’s debt leverage much larger.

BRI is seen as an alternative to export excess industrial capacity from China to the BRI countries, to deliver better aggregate economic efficiency, and maintain stable employment and steady economic growth inside China. Industrial production facilities will be constructed in the BRI countries, which further removes overall economic cost caused by pollution inside China.

The BRI policy is also seen as a 2.0 version of China’s domestic Opening-up Policy. In the government’s key policy statements in 2015, BRI is cited as one of the three major regional development strategies (the other two being the Yangzi River Economic Belt and the coordinated development of the Beijing-Tianjin-Hebei region), and as one element of China’s Opening Up Policy.22

The ideas and practices of linking up China’s western border provinces with neighboring economies has been an idea proposed by China’s provincial leaders since

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the 1980s, even though the early focus of Reform and Opening Up was on the coastal regions. Xinjiang was long identified as a “nexus of a Silk Road economy in the Great Islamic Circle.” This idea was developed in the 1980s by the provincial leadership, in response to the coastal region’s Opening Up Policy initiated by Deng Xiaoping and Zhao Ziyang. The idea of opening up Xinjiang, as the center of trade eastwards to the Chinese national economy, and westwards into Central Asia, follows the reopening of border trade between Xinjiang and Central Asia in 1983. The BRI vision of making Xinjiang the center of trade between China and countries on the ancient Silk Road is essentially a revival of the policy demand from the 1980s by Xinjiang’s provincial leadership. What Deng Xiaoping said in the 1980s echoes that “we develop eastern coastal area first, and then the west coast area will develop the inner areas in China.” The BRI vision describes Xinjiang’s role as a window of westward opening-up to deepen communication and cooperation with Central, South and West Asian countries, to make it a key transportation, trade, logistics, culture, science and education center, and a core area on the Silk Road Economic Belt.

Yunnan is another key province named as “international transport Corridor” in the Vision document, an idea that was developed naturally along the “Horse Tea

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25 State Council of China, Vision and Actions, March 2015. Section VI.

26 State Council of China, Vision and Actions, March 2015. Section VI.

27 State Council of China, Vision and Actions, March 2015. Section VI.
trading routes” on the ancient Silk Road. Yunnan’s provincial policy makers stressed the importance of Yunnan’s opening up not only to integrate into the Chinese national economy, but also to develop trade with South and Southeast Asia. The Vision document states that Yunnan should “make good use of the geographic advantage of Yunnan Province, advance the construction of an international transport corridor connecting China with neighboring countries, develop a new highlight of economic cooperation in the Greater Mekong Sub-region, and make the region a pivot of China’s opening-up to South and Southeast Asia.”

At the sub-regional level in China, competition is in place to grab the opportunities of BRI projects, and attract more investments into its own region. Overall, domestically, BRI can be seen as a second-phase, or political elevation of pre-existing policy ideas and practices at the sub-national level in China. Though BRI vision is new, these ideas of linking sub-national centers of trade to the greater region are not. This time, it has been given the political profile and international visibility, due to close association of Xi’s personal clout with these old ideas. These initiatives are essential to align and equalize the sub-regional economic development inside China.

3.2 Domestic Political Perspectives

China has been under the Communist Party rule since 1949, and went through five generations of communist leadership, of which four of the top leaders were

28 State Council of China, Vision and Actions, section IV
dubbed as the “core” of the Party. By incorporating Xi Thought, or Socialism with Chinese Characteristics, into the Constitution of the Communist Party of China, Xi has risen to be the most powerful Chinese leader since Mao Zedong. This gives Xi the political legitimacy and political longevity to craft and executive long-term grand strategic initiates, in BRI’s case, a strategy with lasting impacts possibly for over 3 decades.

Xi is a populist leader, with a strong personal clout. He appeals to the “pure people” by arresting corrupt elites through massive anti-corruption campaigns. This has responded to the general will of the public who felt they had been left out of China’s economic prosperity. Xi also appeals to the nationalist sentiment of the country and clearly articulated national rejuvenation, the resurrection of China as a great civilization once again in world history, as his version of the Chinese Dream. Populism is rarely rational. When Xi calls on investment of circa $300 billion into BRI projects through various China-funded financial institutions, public sentiments have shown little doubt about its economic rationale.

There are signs that Xi has reversed the path of privatization and industry deregulation. He has created colossal State-owned Enterprises, some of world’s largest banking, shipping, construction, and railway companies, etc. The aim is to be unbeatable in global competition, in consideration of the companies’ absolute size and power in the age of globalization. These post-merger colossal SOEs are necessary in conducting state-led investment projects in BRI countries, especially in strategic projects where there is no obviously foreseeable economic prospects.
3.3 International Economic Considerations

The rising significance of the Chinese economy and its political stature is both endogenous, and a reflection of a weakened US post the Global Financial Crisis. The U.S. is still grappled with a historically low labor productivity and an overly extended Fed balance sheet with virtually zero inflation on the horizon, signaling no real growth in the economy in the years to come. Different from the previous few global financial crises, which often started in developing countries leaving the developed world largely unaffected, the Global Financial Crisis started from the U.S., the epicenter of the developed world. The nature and scope of the GFC gives the developing world a greater weight in the overall global economic whole. China’s economic expansion is a fundamental reflection of the relative position shift in economic power between a declining US and a rising China. The US undertakes global responsibility of not only maintaining the stability of the US-led global financial system, but also as the lender of last resort providing ample US dollar liquidity for the proper function of the global monetary system post Bretton Woods. As perfectly described by Professor Triffin under in the Triffin Dilemma, the goals of maintaining the stability of the US dollar and providing the world with US Dollar liquidity as a lender of last resort cannot both be achieved at the same time. The fulfillment of this global monetary obligation of the U.S. comes at a cost to the stability of the Dollar, therefore, U.S. economic stability.

On the other hand, when the GFC spilled its systemic crisis beyond its border, China had previous grown at a speed of over 10% per annum for over 30 years,
with a relatively high interest rate by global standard, relatively tame inflation, ample fiscal tools at hand, and the world’s largest foreign currency reserve, all of which helped China in defending against the systemic crisis from the GFC. China adopted aggressive monetary policy, and as a result, by 2016, the size of the Chinese economy had doubled what it was in 2009.

Figure 2: Size of U.S. and China’s GDP (in current U.S. Dollars)

Source: World Bank Data

To paraphrase Kissinger’s statement that it is nothing strange that China is taking a stronger international stance with a stronger economy. It would be strange if China were not

In summary, the timing and ambition of the BRI is a reflection of China’s rise, expansion of its economic sphere of influence in the Asia Pacific region, and its political sway brought about by its economic prowess. It equally came at the opportunity of a global retrenchment foreign policy adopted by the Obama Administration, a weaker US economy which impedes healthy economic growth within its own camp, and a constrained U.S. fiscal budget, which incapacitates its
power to enhance the military expenditure or provides financing and aides to developing countries.

3.4 International Political Considerations

When Chinese President Xi Jinping talked about a “Chinese dream,” he is not referring to the Chinese equivalent of a middle class American dream. It is a Chinese dream in a collective sense to resurrect economically to restore to its ancient great power status, and at one point, the greatest power in the world. The “Chinese dream” is a unitary nationalistic dream about Chinese power rejuvenation. China’s reform leader Deng Xiaoping’s foreign policy iteration was to “hide your strength and bide your time.” Xi’s predecessor Jiang Zemin’s foreign policy iteration is for China to economically engage with the global system, to contribute for and benefit from an integrated and stable global economic system. During Jiang’s time, China successfully joined the WTO, which gave China a great economic leap into modernity by immersing itself into the forces of globalization. Xi’s foreign policy stance is somewhat revisionary from his predecessors’. It is to challenge the current global financial system, to design a parallel system led by China to tackle the global financial inefficiencies, and to seek a stronger say in the global political and economic framework.
Table 1: Xi’s Regional institutions in comparison to current global order

<table>
<thead>
<tr>
<th>Multilateral Institutional Mechanism</th>
<th>BRI</th>
<th>Global Order</th>
</tr>
</thead>
</table>
| Regional Trade Integration           | • RCEP  
• ASEAN+3  
• BRI economic corridors | • WTO  
• European Union | |
| Regional Financial Integration       | • AIIB;  
• Silk Road Fund | The World Bank |
| Military Security organization       | • SCO | NATO |
| Lender of Last Resort                | To be developed | IMF |

From table 1, we can see that outside of the IMF and the United Nations that China has not built an alternative for, China has developed parallel multilateral institutional structures as Western alternatives since 2013.

BRI portrays a more nationalistic image of an economically resurrected China, who naturally demands matching political power to its economic power. During a time when income divergence becomes larger as aggregate economy develops, and uneven income distribution becomes harder to justify, nationalism arouses national unity and identity. Nationalism binds the pluralistic nation together, particularly when it comes to China’s bottom line on territorial authority over Taiwan and Tibet, and its historical hostility towards Japan. According to the Two Presidents’ theory, a stronger foreign policy President helps alleviate some of the domestic pressures by taking on a more assertive stance nationally. Xi’s foreign policy agenda clearly diverts attention from the slow down of the Chinese economy, property bubbles, hard to manage domestic ethnic issues, and corruption, to an external quest for Chinese dream of national unification and respect as a
great nation. BRI captures exactly that imagination of the Chinese power resurrection that Xi would like to arouse the nation around.
Chapter 4

An Empirical Study of China’s BRI

To lay out Xi’s BRI Grand Strategy in simple terms, one is that BRI countries will jump onto China’s economic bandwagon, or what I call the modernization hypothesis. The other is that once hypothesis I happens, BRI countries will form a “Community of Common Destiny,” or what I call the Common Destiny hypothesis. This chapter is devoted to empirically validating the viability of Xi’s two hypotheses, to identify the possibility of success of his BRI.

4.1 Modernization Hypothesis

H1: Infrastructure development will bring economic prosperity to BRI countries

Two independent variables are chosen to measure country’s infrastructure development. One is the logistics performance index of quality of trade and transport-related infrastructure from World Bank’s databank. The other variable is the fixed broadband subscription per 100 people, with data extracted from World Bank’s development index databank. The first variable measures traditional infrastructure development such as railways, ports, roads and airports. The second variable is crucial in measurement of telecommunications infrastructure in the digital century, such as broadband, and Internet access, etc., a major measure of infrastructure sophistication in the digital age. The dependent variable is GDP per capita in current US Dollars. Data are based on 2015 figures on 159 countries.
The result of the regression is as follows:

Table 2: Regression on comprehensive infrastructure development and GDP

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs</th>
<th>F(2, 156)</th>
<th>Prob &gt; F</th>
<th>R-squared</th>
<th>Adj R-squared</th>
<th>Root MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>2.8437e+10</td>
<td>2</td>
<td>1.4219e+10</td>
<td>159</td>
<td>99.20</td>
<td>0.0000</td>
<td>0.5598</td>
<td>0.5542</td>
<td>11972</td>
</tr>
<tr>
<td>Residual</td>
<td>2.2361e+10</td>
<td>156</td>
<td>143336879</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5.0798e+10</td>
<td>158</td>
<td>321506197</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| GDPpercapita-USD | Coef.     | Std. Err. | t      | P>|t| | [95% Conf. Interval] |
|------------------|-----------|-----------|--------|-------|---------------------|
| infrastructure   | -20.06103 | 69.13629  | -0.29 | 0.772 | -156.6251 to 116.503|
| bbandper100      | 1080.283  | 94.39707  | 11.44  | 0.000 | 893.8212 to 1266.744|
| _cons            | 1476.759  | 5436.439  | 0.27   | 0.786 | -9261.77 to 12215.29|

The regression result shows that traditional infrastructure development as measured by railway and airport scale and efficiencies does not have a significant causal effect on the economic development of the country. Broadband development, as an indicator of internet-age infrastructure development, shows a significant causal relationship on the economic development of the country at the 95% confidence level. The overall adjusted R-squared is 0.55, showing a robust overall causal relationship between infrastructure establishment and economic development.

I further removed the fixed broadband subscription per 100 people data, to regress GDP per capita on traditional infrastructure index alone, to validate the causal significance of traditional infrastructure on development. Below is the regression result.
Table 3: Regression on Traditional Infrastructure Development and GDP

```
. regress GDPpercapitacurrentUSD infrastructure

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs = 159</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>9.6652e+09</td>
<td>1</td>
<td>9.6652e+09</td>
<td>F(1, 157) = 36.89</td>
</tr>
<tr>
<td>Residual</td>
<td>4.1133e+10</td>
<td>157</td>
<td>261992183</td>
<td>Prob &gt; F = 0.0000</td>
</tr>
<tr>
<td>Total</td>
<td>5.0798e+10</td>
<td>158</td>
<td>321506197</td>
<td>R-squared = 0.1903</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Adj R-squared = 0.1851</td>
</tr>
</tbody>
</table>

| GDPpercapita-D  | Coef. | Std. Err. | t    | P>|t| | [95% Conf. Interval] |
|-----------------|-------|-----------|------|------|----------------------|
| infrastructure   | 454.3433 | 74.80365  | 6.07 | 0.000 | 306.592 - 602.0947   |
| _cons            | -25964.59 | 6596.291  | -3.94| 0.000 | -38993.52 - -12935.67|
```

This regression result shows a positive relationship at the 95% confidence level. However, adjusted r-squared is 0.18, indicating a weak causal relationship between the two variables.

We may conclude that overall, infrastructure development gearing towards the internet-based economic future will have a much bigger impact on the economic prosperity of BRI countries. China’s telecom giants, such as Huawei, ZTE, etc., would be the leaders in telecommunications infrastructure development along the BRI pathway. Traditional railway, highway construction companies also possess positive economic values. China-constructed high-speed rail will shorten the transport time via Eurasian continent to the extent that it is more advantageous to trade through land than by sea. The entire economic model built on the strength of continental transportation infrastructure will be further developed in later chapters.

Based on the regression results, traditional infrastructure building is positively correlated to economic development, but does not necessarily present as significant an economic impetus to a country’s economic development as consensuses would
think. This is a bit contradictory to common sense rationale.

In conclusion, Xi’s vision for BRI countries to “jump onto China’s economic bandwagon”\(^\text{29}\) via infrastructure connectivity is valid and achievable. Borrowing methods from capital budget analysis, the financial resources China deploys to BRI infrastructure development would achieve positive outcome if it were channeled to development in traditional transportation infrastructure and telecommunications infrastructure all together. With limited capital budget, development in telecommunications infrastructure would achieve a much higher return on investment than traditional infrastructure. Though traditional infrastructure is direly required, equal or more emphasis can be placed on development of modern infrastructures best positioned for the digital age, as China and Chinese companies venture along the BRI pathway.

4.2 Common Destiny hypothesis

As previously illustrated, the Modernization-Democratization Theory has been highly contested in academia over the past half a century.

The current profile of democracies across BRI countries are as following, according to 2016 democracy ranking by the Economist Intelligence Unit. In 2016, only one country in the BRI region is a full democracy (Czech Republic), 24 countries are flawed democracies, 17 are hybrid democratic and authoritarian regimes, and 23 are full authoritarian regimes.

Table 4: Democracy Index of BRI countries post Global Financial Crisis

<table>
<thead>
<tr>
<th>Democracy ranking</th>
<th>BRI countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Democracy (1)</td>
<td>Czech Republic</td>
</tr>
<tr>
<td>Flawed Democracy (24)</td>
<td>Greece, Slovenia, Estonia, Israel, Slovakia, Cyprus, India, Timor-Leste,</td>
</tr>
<tr>
<td></td>
<td>Hungary, Poland, Latvia, Bulgaria, Croatia, Sri Lanka, Romania, Thailand,</td>
</tr>
<tr>
<td></td>
<td>Indonesia, Mongolia, Serbia, Moldova, Ukraine, Montenegro, Malaysia,</td>
</tr>
<tr>
<td></td>
<td>Macedonia, Philippines,</td>
</tr>
<tr>
<td>Hybrid Regimes (17)</td>
<td>Singapore, Bangladesh, Albania, Lebanon, Turkey, Palestine, Bosnia and</td>
</tr>
<tr>
<td></td>
<td>Herzegovina, Liberia, Cambodia, Bhutan, Georgia, Pakistan, Kyrgyzstan, Russia,</td>
</tr>
<tr>
<td></td>
<td>Nepal, Armenia, Iraq</td>
</tr>
<tr>
<td>Authoritarian Regimes (23)</td>
<td>Kuwait, Jordan, Bahrain, Belarus, Kazakhstan, Azerbaijan, China, Qatar, Egypt,</td>
</tr>
<tr>
<td></td>
<td>Vietnam, Oman, Yemen, UAE, Tajikistan, Afghanistan, Syria, Laos, Libya, Iran,</td>
</tr>
<tr>
<td></td>
<td>Saudi Arabia, Myanmar, Uzbekistan, Turkmenistan</td>
</tr>
</tbody>
</table>

Source: Democracy Index 2010, Economic Intelligence Unit, The Economist
The hypothesis is presented as below:

H2: As a BRI country develops economically, the country will have a tendency to turn towards democracy.

Specifically in this hypothesis, we suppose that:

Ho: There is no causal relationship between economic development and political openness across BRI countries.

Ha: There is a positive causal relationship between economic prosperity and political openness across BRI countries.

If Ho were successfully rejected, democracy would be the “common destiny” among BRI countries. This is neither the intention, nor the desirable outcome of Xi’s BRI. Under this scenario, there will not be a China-led “Common Destiny” for BRI region.

Two empirical tests are conducted on the causal relationship between economic development and political openness towards democracy.

The first sample data is selected along a similar thinking process to Lipset’s. It is a panel data set to test the correlation between economic developments measured by GDP per capita in a country, and democracy measured by its democracy ranking Index by the EIU. However, different from Lipset’s, I have selected sample data only from BRI countries, to control to some extent the effect of lurking variables such as civilizational differences, and ideological differences indigenous to countries in the

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East. This dataset will test the correlation between the two variables in a steady state, with data available in 42 of the 65 countries in 2015. GDP data is again from World Bank Databank. Democracy ranking is drawn from 2015 Democracy Index issued by Economist Intelligence Unit.

Panel regression results are as following:

Figure 4: Correlation between Economic Growth and Political Openness

Visually from the scatter graph, we can see that GDP per capita of most of the BRI countries scatter around 0-$12,000 USD range, with varying degrees of democracy ranking. Some of the outliers with GDP per capita in the rage of $20,000 and above have a democracy ranking that is in the lower quartiles. There is no visible positive correlation between BRI country’s GDP per capita and its democracy status.

The outcome that many countries with less than $20,000 per capita income are ranked relatively high in democracy can be explained by the fact that many former
Eastern European countries were arbitrarily turned into democracies exogenously, with the collapse of the Soviet bloc. These countries did not and many still are in lack of robust economic development. The countries with GDP per capita above $30,000, with a low democracy ranking can be explained by the Middle East oil countries, wealthy on per capita basis and authoritarian.

The regression results is as follows:

Table 5: Regression Results between Economic Growth and Political openness for BRI countries

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs</th>
<th>F(1, 40)</th>
<th>Prob &gt; F</th>
<th>R-squared</th>
<th>Adj R-squared</th>
<th>Root MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>10.2339212</td>
<td>1</td>
<td>10.2339212</td>
<td>42</td>
<td>0.06</td>
<td>0.8070</td>
<td>0.0015</td>
<td>-0.0235</td>
<td>13.006</td>
</tr>
<tr>
<td>Residual</td>
<td>6766.56649</td>
<td>40</td>
<td>169.164162</td>
<td>42</td>
<td>0.06</td>
<td>0.8070</td>
<td>0.0015</td>
<td>-0.0235</td>
<td>13.006</td>
</tr>
<tr>
<td>Total</td>
<td>6776.80041</td>
<td>41</td>
<td>165.287815</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression shows virtually no relationship between GDP per capita and democracy among BRI countries. H0 cannot be successfully rejected.

In the next regression analysis, data will be drawn differently from Lipset’s. It is a time series data composed of 909 observations of countries with data available between 2000-2015. This dataset is substantive enough across contemporary time period to hopefully capture the “moment” of a country’s transition to democracy. This test will aim to identify not only the correlation between the two variables, but the actual causality between the two variables. The empirical analysis will answer
Przeworski and Limongi’s argument that democracy is exogenous to development.\textsuperscript{31}

Regression results are as following:

Table 6: Economic Growth and Political Openness globally

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs = 909</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>2742.36477</td>
<td>1</td>
<td>2742.36477</td>
<td>F(1, 907) = 11.16</td>
</tr>
<tr>
<td>Residual</td>
<td>222779.185</td>
<td>907</td>
<td>245.622034</td>
<td>Prob &gt; F = 0.0009</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R-squared = 0.0122</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Adj R-squared = 0.0111</td>
</tr>
<tr>
<td>Total</td>
<td>225521.55</td>
<td>908</td>
<td>248.371751</td>
<td>Root MSE = 15.672</td>
</tr>
</tbody>
</table>

| DEMRANKING | Coef.          | Std. Err. | t     | P>|t|   | [95% Conf. Interval] |
|------------|----------------|-----------|-------|-------|---------------------|
| GDPpercapita| -.4227861      | .1265295  | -3.34 | 0.001 | -.6711108 to -.1744615 |
| _cons      | 60.35768       | .6675362  | 90.42 | 0.000 | 59.04758 to 61.66778 |

This regression result shows a slightly significant negative correlation between GDP per capita and democracy ranking. This slight negativity could be the result of a global democratic retreat as witnessed post the global GFC, which was also indicated in the Economist Intelligence Unit’s global Democracy Index report. Hit hard by the GFC, many Eastern European countries that have turned to democracy post 1989 have seen a slide in its democracy rankings. The US has even seen a democracy retreat, to the extent that the U.S. was categorized as a semi-democracy for the first time in EIU’s 2016 report. The slight negativity reflects the global “democracy deficit” post the GFC.

With 909 observations, an adjusted R-square of 0.01 shows virtually no correlation between the two variables at the systemic level. This further validates that H0 cannot be successfully rejected.

Above two regression analyzes both show that there is no significant causal relationship between economic development and democracy, in particular across BRI countries. Therefore, one conclusion is certain, and much to the great relief to China, that democracy will not be “caused” by the economic development of BRI countries. As a result, democracy is not going to be the “Common Destiny” of BRI countries, as they economically develop through China’s aid.

4.3 Conclusions on Xi’s Modernization-Common Destiny hypothesis

If democracy, as Chinese leadership would be most unlikely to set out a Grand strategy to achieve, were to become the “common destiny” of BRI countries, China’s BRI grand strategy would be categorized as a failure. Despite the official Chinese rhetoric that BRI is about infrastructure connectivity and common economic development, the true agenda of BRI goes much deeper than geo-economics. I would argue that geopolitics and geostrategic interests are the real agenda, under the glossy phrase of “common destiny,” and the essence of Xi’s BRI. Therefore, if China builds BRI economies, but not a BRI community, Xi’s ultimate agenda is not fulfilled.

These 65 countries compose of 63% of the global population, with every religion present, own 6 of the 7 civilizational groupings as defined by Huntington’s Clash of Civilizations. Many of the BRI countries have been traditionally agricultural economies, only to industrialize post World War II. BRI region is the world’s most

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pluralistic region, with less than transparent national interests run by nation-states and tribal states that have a long history of cultural and ethnic legacy. This region is also the fastest growing economic bloc, under the military dominance of a geographical outsider, the U.S., as the regional hegemon.

BRI combines the Eurasian continental route, connecting China to Western Europe, Middle East and North Africa, and its maritime route linking China through contested maritime territories of the South China Sea to South Asia, Southeast Asia and the Pacific. The Maritime route is filled with disputed territorial claims. Most of the Asia Pacific countries, though with various national interests, have largely accepted two facts. One is that the U.S. is the geopolitical hegemon of the region. Two is that these countries could form its own version of trade and economic bloc, namely the ASEAN. At the core of the regional tension, there lies the danger of a division between an economic Asia and a security Asia. China’s rise in the Pacific region, not only upsets the U.S.’s enduring hegemonic status in the region, but also poses various tensions with countries of ASEAN, particularly Vietnam, Indonesia, and the Philippines, with competing territorial claims in the South China Sea. In addition, along the maritime route, there is also Japan, who has been a US ally since WWII, with a complicated historical relationship with China. China’s economic rise and its replacement of Japan as the world’s second largest economy, the world’s largest trading nation and the world’s largest creditor have all threatened Japan’s economic leadership in the region. Taiwan, a core principle for China to have undisputed ownership of, sits right on the South China Sea. Taiwan has been seen as
a geopolitical bargaining chip, due to its geographical location to be able to close the sea route or open it. With too many national interests at stake in the competing territorial claims, I would argue that China’s South China Sea claim serves as a major roadblock for China’s smooth expansion with its Maritime Silk Road Initiative. The South China Sea claim by China eventually will need to be resolved with some considerable compromise with the other territorial claimants, most likely a compromise that involves joint development of the oil reserves, and postponement of the clarification of territory dash lines till later. Even to go that far, it would involve considerable amount of diplomatic maneuvers and long time horizon. The Maritime Silk Road is not likely a smooth path for China, particularly in the presence of the most powerful nation with a clear domination of its naval power to safeguard its regional status quo.

The Silk Road Economic Belt projects entirely another scenario. It trespasses the world’s Eurasian heartland, defined as the world’s geopolitical pivot by Mackinder.\(^{33}\) This Eurasian heartland was the flash point of the Cold War. After the Cold War, the US launched war on terror in Afghanistan, to put its direct military presence in the heartland. However, due to the complexity of the region, the U.S. has not been able to include it in its western bloc. Some of the heartland countries are adopting a realist-based foreign policy to choose to ally with strategic powers in the region. The U.S., Russia and China are all vying for their own sphere of influence. History has

shown that this Eurasian landmass named as the “heartland” is hard to penetrate, complex to manage, and strategically crucial for a major continental power to lead. China has a better chance at building its sphere of influence along the continental Eurasian pathway, because historically the Silk Road trade routes were along this region, and presented historical evidence of strategic viability. However, the “heartland” is also in Russia’s backyard. Russia-China relationship has been complex and short of strategic trust. China’s ability to build alliances with the regional power challengers, including Russia, India, Turkey, and Iran, will be important. The U.S. is not as strong a continental power in the heartland as its indisputable power on the Pacific. The Eurasian heartland is the pivot point where China has a chance to vie for strategic primacy against the U.S.

In this thesis, I argue that China has a higher chance of success along the Silk Road Economic Belt than the Maritime Silk Road. Strategic competition between China and the U.S. for regional primacy will inevitably happen and most likely to pivot, in Mackinder’s prediction in 1904,\(^{34}\) in the Eurasian heartland.

The “Community of Common Destiny” is a tall order by Chinese president Xi. Given all the complexity involved in the analysis, there are two crucial ideational elements to contemplate in considering the geopolitical future of the region and the world. One is what ultimately binds this most diverse region of nation states into a “Community”? Two is if there were a “Community,” what would be the fundamental

characteristics of the “Common Destiny” of that “Community”? 
Chapter 5
Defining Xi’s BRI “Community of Common Destiny”

I would like to borrow Aristotle’s metaphysics to understand Xi’s “Community of Common Destiny.” Definition, according to Aristotle,\(^3\) is “the formula of the essence, and essence must belong to substances either alone or chiefly and primarily and in the unqualified sense.” He further defined essence as “substance without matter.” Therefore, “definition is of the universal and of the form.”

In Xi’s framing of “Community of Common Destiny,” “Common Destiny” is the substance, or matter. What defines the essence of the matter lies in its form, or the enduring nature of the “Community.”

In the envisaged “Community” that China would build and lead, the regional characteristics are so diverse that it is hard to find fundamental commonalities that bind the BRI countries’ destinies together, to the extent that these fundamental characteristics belong and uniquely belong to BRI countries. Only when commonalities are defined which can be widely applied to this otherwise pluralistic region, and in exclusivity to all the others, can we say that there is the possibility of a regional “Community.” Thus, the existence of “Common Destiny” will need to be first understood. Common Destiny is an ideational view of the world through China’s subjective lens. This is not about calculating specific national power, or interest,

\(^{35}\) The Complete Words of Aristotle, 2: 1629, line1031a14.
rather about building something grander, a universal value system.

This chapter focuses on analyzing the matter and Form, or the “Common Destiny” and “Community” respectively, in Xi’s grand vision of BRI.

President Xi’s predecessor, President Hu Jintao launched his foreign policy doctrine of “Harmonious World” in his speech in 2005 at the summit of the 60th anniversary of the founding of the United Nations. The moral ideal imbedded in a “Harmonious World” was to give prominence to the people and respect for people’s dignity and value; to unremitted self-improvement, reform and innovation; to social harmony, unity and mutual assistance; and to good neighborliness.

This is a highly liberal iteration of China’s then foreign policy. Values in the “Harmonious World” can be compared to Jeffersonianism in the U.S. foreign policy doctrine. It is a high moral ideal with strong Chinese characteristics, which overemphasized harmony, and neglected national interest, or realpolitik. The offering of “Harmonious World” needs to be examined in the context of the greater world order at the time, when the U.S. had had some phenomenal economic growth post the Cold War. Globalization was rapidly propelled by the Washington Consensus. The U.S. ruled the world with its neoliberalism foreign policy. The Iraq War was started preemptively, with the clearly stated goals of removing dictatorships and restoring liberal democracy. China had been a large beneficiary of and a contributor to the

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36 It is reported by People Daily that the first time, H. E. Hu Jintao raised his vision of “Harmonious World” in 2003 in Moscow, at the Institute of International Relations. http://en.people.cn/90001/90780/91342/6824821.html.

U.S.-centric global order. “Harmonious World” came at the time in response to and was proposed as a counter neoliberal foreign policy strategy to the U.S.’ global neoliberalism democracy, with natural Chinese characteristics.

I argue that Xi’s current foreign policy doctrine will be one conducted under the principles of realpolitik, because China hasn’t had the power of the “ideas” to safeguard its interests yet. Realpolitik will continue as the dominant Chinese foreign policy thinking until China is able to govern the world order with its own version of universally accepted values. Departing from the “Harmonious World” foreign policy doctrine, President Xi moved from right to might, from moral justice to power justice, from universalism to nationalism, and from harmony with world order to revision of world order. Xi’s view of a new world order is morally constructed, but realism-based, and safeguarded by its economic and rising military influence.

There are two aspects to consider in understanding where China’s foreign policy stands in Xi’s era.

One is to do with the issue of time horizon. China has begun its transition from a global conformative power to a global revisional power. Before China reaches its status as a major global power to command hegemony, China will continue to embrace on a realist-based foreign policy approach, i.e., pursuit of economic power and geopolitical interest. After China ascends to global hegemonic status, China inevitably needs to adopt a new set of policies in governing its version of global order. A global hegemonic status can be reached through two alternatives paths of ascendency. One is through exercise of a combination of absolute economic and
military superiority, such as in Pax-Romana, or Pax-Britanica. The other is through exercise of a combination of absolute economic superiority and its ideational soft power, in the case of Pax-Americana. Based on Xi’s vision of “Common Destiny,” Pax-Sinica will most likely use the latter model. The tipping point might occur for China around 2050, when China realizes its 100-year development goal of reaching modernity. To be clear, Xi’s vision of “Community of Common Destiny,” if it were destined to occur, will take decades long.

Two is to do with the issue of the changing dynamics of the U.S. foreign policy. The Trump Administration has shown some early signs of embracing on a realist-based foreign policy doctrine, as can be witnessed from his “America-first,” withdrawals from both the TPP and the Paris Climate Change Talks. President Trump has not made the spread of democracy around the world his foreign policy priority. He has, instead, framed his discussions with the U.S. allies on an ultra-realist basis. Trump’s foreign policy has even signaled a return to Hamiltonianism, i.e. economic Mercantilism and geopolitical Isolationism. The reversal of the U.S. foreign policy doctrine to realism after the domination of neoliberalism in Washington since the Cold War, particularly during the George W. Bush and Obama era, happens to concur with the shift to realism by Xi’s Chinese foreign policy agenda in the greater realm of the changing global order. Washington and China’s foreign policies are dressed up in the same style again, at least are able to communicate with the same language of realpolitik.

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38 Xi Jinping, speech at the 18th National Party Congress, November 2012.
In conclusion, liberalism or neoliberalism foreign policies diffuse a polity’s ideological power to formulate its global leadership. Realism or neorealism foreign policies exercise the polity’s economic might and its military strength to safeguard its national interest and global supremacy. In Xi’s grand scheme of BRI, the first vision, “Jumping onto China’s economic bandwagon,” is clearly a realist-based foreign policy initiative. The second vision of a “Community of Common Destiny” is utterly an ideational view. The foreign policy complexity states perfectly Xi’s grand vision of deploying a realist-based BRI regional policy doctrine, until China possesses the power of the “ideas” to rule. This echoes the previous discussion of time horizon. This is also important in understanding China’s core foreign policy agenda, which is realpolitik under the camouflage of constructing a grand ideal at least for the coming decades. China’s vital interest lies in its economic power and rising military strength. Rising military power becomes paramount for a polity to run a realist-based foreign policy. China does not have the power of the “ideas” yet.

The “Community of Common Destiny” is precisely the call for the power of the “ideas,” upon the generation of which Beijing will be able to claim its regional hegemony, or global primacy with a combination of its economic power and its soft power, without its potential hefty cost of global military overstretch.

5.1. A Critical Review of the “Silk Road Spirit”

Since Kant, Western philosophy and political understanding of the world has been conducted through human subjectivity. The West can be characterized by its
common adoption of democratic values, market capitalism and civil liberty. This set of values clearly marks the “border” of the West, and distinction from the rest. By comparison, Xi’s vision of a BRI “Community of Common Destiny” also should to be defined by a set of values, which countries who accept will be part of the “Community” and otherwise, not. Since 2013, this “Community of Common Destiny” has been a phrase in search of its meaning.

The ideational characteristics of the BRI community are so hard to define that it is easier to first define what it is not. This “Community” largely composes of none fully democratic, non-Western, and illiberal markets, albeit a few liberal democracies and modern economies. However, by defining what it is not does not add clarity to what this “Community” is.

Countries, and humans alike, tend to believe and follow a leader who is able to articulate a set of universal values that followers would live and die for. Most countries, or humans, do not feel proud of being led simply by economic interests, rather by something grander. Hence, a Grand Strategy, such as China’s BRI, must strive to embody a clear set of values so that the rest of the BRI countries would feel obliged to follow. Therefore, this set of ideational values would form the “Common Destiny” of the China-led BRI “Community.”

In the official BRI Vision and Actions document, BRI values were described as “peaceful cooperation, openness and inclusivity, mutual learning, shared interest and benefit.” These phrases sound more like a Confucius moral code of conduct, or

an ethical statement. It carried no ideational or philosophical value, in comparison to the power and impact of the core Western values, i.e., democracy, market capitalism, and civil liberty.

While this set of values sound highly culturally Chinese, and are easy to be accepted as a common set of moral codes in conducting international affairs, peaceful cooperation, openness and inclusivity, mutual learning, and shared interest and benefit are all framed in the context of discussions around expanding China’s economic power. Cooperation refers to economic cooperation. Openness refers to market openness. Mutual learning is about learning from economic success, and shared interest and benefits are about economic interest and benefits. While all the phrases sound highly moralistic, it does not change the fundamental nature of China’s realist-based foreign policy doctrine.

Realist-based foreign policy does not properly execute without a balanced undertaking between the expansion of a polity’s national interest and its defense at the same time. Under the current official Silk Road Spirit, how China contemplates defense of its economic interest across borders is ignored, perhaps by policy deliberation. A few outstanding issues are at the heart of understanding the inevitability of the parallel expansion of China’s military power, along with its economic power.

a) How does China reasonably deal with non-state actors, particularly terrorism, within the BRI region, in lack of a clear articulation of a military component in its Grand Strategy?
b) How does China handle mutually exclusive interests, such as the territorial claims in the South China Sea, with other BRI countries, under this shared interest and benefits principle that China initiated? Which one is a more realistic reflection of Beijing’s agenda, predatory behavior in the South China Sea, or peaceful cooperation phrased by Beijing?

c) How does China ensure peace in the BRI region, as economic cooperation itself does not necessarily ensure peace?

d) Even if the hard economic power is successfully expanded in the BRI region, how does China ensure that there is a “Community” in place, rather than a group of more economically developed countries each going its own way?

When the military aspect is not properly addressed in China’s Silk Road Spirit, it does not give the BRI region more assurance, rather more uncertainty.

The second component missing in this Silk Road Spirit is the soft power component. Of the values that define the liberal West, democracy brings peace. Liberal market brings economic prosperity. Civil liberty ensures fundamental human rights to life, liberty, and protection of property.

Hard power builds a stronger nation, or in the BRI scenario, a stronger region. But it is the soft power that builds a “Community.” In Xi’s BRI doctrine, it is precisely the missing soft power component that would make his “Community of Common Destiny” possible.
5.2 Searching for the Substance in BRI’s “Common Destiny”

In lack of the critical component of soft power in current Chinese Silk Road Spirit, this thesis will try to ontologically define the possibility of Xi’s “Community of Common Destiny.” First of all, some critical examinations will develop on the thesis of the “Common Destiny.” Only when there are possibilities for a “Common Destiny” among BRI countries, can a community become real. Below analyzes are framed under the assumption that China will remain politically steady and economically stable in the coming decades.

5.2.1 Defining What the “Common Destiny” Is Not

Chinese President stressed during the 19th Congress of the Communist Party of China that peace and development is the path to achieve the “Common Destiny for humanity.”\(^ {40}\) However, a distinction should be made that peace and development are not themselves the “Common Destiny.” Also, pursuit of peace and development are not intrinsic and exclusive to BRI countries. Other countries desire them as well. If peace and development characterize the common aspirations of the world, they do not define the “Common Destiny” of BRI countries.

If the “Common Destiny” were to bear an ideological meaning, the ideological identity of BRI countries would be in contrast to the major ideological forces prevalent in world order, i.e., Western liberalism. If the ideological definition turned out to be true, the “Common Destiny” of BRI community would need to be

something non-liberal and/or non-western. It would be China exporting its sets of Socialism with Chinese Characteristics for the New Era, or autocratic model to the region, which many countries along BRI would not be able to accept or replicate, let alone as a “Common Destiny.”

If the definition were not to bear an ideological meaning, I would turn to realism for answers, i.e. power and interest. Would 65 BRI countries with varying degrees of power and interest work out a mechanism of a “Common Destiny” when the fundamental premise of realism school of foreign policy is balance of power and alliances by nation states? If balance of power were at play, each nation state would be in search of its own destiny. One nation state would try to maximize its own power and interest at the cost of another state. Every state would do the same, very similar to a grand game theory inside the BRI region. When every nation state strives to achieve its own national interest, how would the 65 countries comprise a community of “Common Destiny”?

Therefore, the essence of this “Common Destiny” can no longer be ideological, not can it be realism-based. If there were such a “Common Destiny,” it would need to be defined as something ideational, without being ideological.

5.2.2 Defining the Substance of the “Common Destiny”

In contrast to the common destiny of the West, i.e. democracy, liberal market and civil liberty, the common destiny of BRI region can be characterized by nationalism, authoritarian capitalism and civil order.
The freedom of “nations,” vis-à-vis the freedom of individuals. Ancient Chinese philosophers were not illustrious seekers of the intrinsic worth of individuals, as compared to the West. Two legacies of this philosophical tradition shed light in understanding modern Chineseness. One is that democracy and civil liberty do not come intuitively in Chineseness. The other is that harmony is placed as a value priority over uniformity.

Western liberalism is constructed on the Lockean principles of the sanctities of life, liberty, and property. In quintessential Chineseness, no such sacredness was placed to individual life. In observing the lack of the intrinsic human worth in philosophies of the East, particularly Confucius culture, it is not difficult to understand why individual pursuit of liberty and freedom, a value so dearly held as universal in the West, has not been the citizens’ political priority in China’s path to modernity. In modern China today, we often find that Chinese work hard to achieve better economic standing or higher social status, which corresponds to a higher individual worth in society. The pursuit of civil liberty and democracy puts all citizens on equal basis, which conflicts with Chinese understanding of worth in hierarchical terms to others. National character is deeply cultural. This lack of intensity in pursuit of democracy as hoped for by the West, does not come intuitively in Chineseness.

The second legacy philosophy has on Chineseness is the value priority placed on harmony over uniformity. In the Analects, it is stated, “noble men aim at harmony,
but not at uniformity. Little men aim at uniformity, but not at harmony.”\(^{41}\) (“君子和而不同，小人同而不和”)

Liberalism of the West posits exactly the moral contrary. Value priority is placed on uniformity, not harmony. Countries that are not in uniformity cannot be trusted and are likely to go into war.

At the roots of Chinese philosophy, pursuit of harmony means that all nations can be different and still coexist, thus China’s version of the Westphalian notion of peaceful coexistence. It is the pursuit that every nation state, as an independent actor, enjoys the freedom to act out of its free choice, and embraces on values from its own cultural legacies.

This “Common Destiny” that China intends to build will transpire a value system that respects such respect for the freedom of the “nations,” not necessarily the Lockean freedom of the individuals.

*Authoritarian Capitalism vis-à-vis Liberal Market Capitalism.* The “Beijing Consensus,” coined by Joshua Cooper Ramo, was framed as a theoretical and pragmatic economic and social model based on innovation-driven growth, the speed and scale of such growth, and China’s political unpredictability.\(^{42}\) Actually, there is not a clearly articulated set of economic policies from Beijing, as an antithesis to the


\(^{42}\) Joshua Cooper Ramo, “The Beijing Consensus,” Foreign Policy Center/Publication, May 2004.
“Washington Consensus” proposed by John Williamson. In a way, the truth to the “Beijing Consensus” is that there has been no Beijing consensus.

However, the “China Model” has aroused as much debate inside China as it is outside of it. The Chinese response was initially cautious, as evidenced by Former President Hu Jintao’s remarks at the 30th anniversary of the third plenum of the Chinese Communist party Congress(中国共产党 11 届三中全会 30 周年纪念大会) that “there is no universal development path and development model in the world and China should not be bound to theories in books and should not regard those development models which has demonstrated certain advantages as perfect.” Li Junru, Former Vice President of the Central Party School referred that the “China Model” was far from reality and unsuitable, and subsequently replaced the “China Model” with a more comfortable Chinese term “Chinese characteristics” later that year.

However, I argue that China has truly embraced an alternative path of economic development from the ten economic commandments of the “Washington Consensus.” With it, China adopts a very different social and political superstructure that ensures the efficiency and stability of its economic model. This in totality presents a formidable “China Model.”

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Pan Wei explained the “China Model” as a trilogy of “National Economy,” “people-oriented politics” and “social system.” “National Economy” (国民经济) refers to a unique economic model; “people-oriented politics” (民本政治) represents a unique political model; and “social system” (社稷体制) is a unique social model. All three phrases are highly ambiguous.46

I disagree with Pan Wei’s definition of the “China Model.” I define the “China Model” as “authoritarian capitalism” in economic model; populism-driven “nationalism” in political mode; and “civil obedience” in social model.

Naughton highlighted six aspects of China’s economic model that has helped to substantiate the alternative China Model.47

One, a mixture of public and private ownership interest in the economy. Two, competition is encouraged in all sectors except those designated as strategic and remains more important than ownership. Three, public ownership is used to exploit market power and to generate revenues for investment and public goods’ creation. Four, the importance of an investment-led growth. It is seen as desirable to invest ahead of demand and create capacity that can be used later. Five, the state sector has been, and remains, able to create growth and revenue opportunities outside the state sector. And lastly, managers of State-owned enterprises are subject to market forces despite their position in non-competitive enterprises.

Authoritarian capitalism model involves very selective privatization and limited deregulation. Even though privatization occurred in some state-owned sectors

46 Pan Wei 潘维 (2009), “当代中华体制” [Contemporary Chinese system], in Pan Wei 潘维 (ed.),《中国模式 —— 解读人民共和国的 60 年》[“China model”: analysis of the sixty years of the People’s Republic], 中央编译出版社 (Central Compilation and Translation Press, 2009), 5.

through the Zhu Rongji administration, there is certainly a resurgence of the weight and role of the State-owned enterprises in Chinese economy during Xi’s reign. Mergers of major state-owned companies to create colossal Chinese enterprises in key economic sectors have occurred recently, making it extremely difficult for private companies to compete in key economic sectors with the SOEs. BRI projects, mostly situated in emerging economies, are inherently imbedded with varying degrees of political and economic risks. State-owned enterprises, without much concerns for financial survival, with a large amount of state financing available at its disposal, and representing Chinese state strategic interest in many ways, would secure a much bigger share of BRI investments than private company counterparts.

The market is heavily regulated by the Chinese State. The recent call for “Supply Side Reform” by Xi Jinping provided another opportunity for governments at the national and provincial levels to make arbitrary determinations on the choice of companies to close down amidst excess capacity shrinkage. Instead of relying on liberal market forces, in China’s case, government stepped in to make determinations on which and whose excess capacity to eliminate in the process. This is highly interventional, contrary to liberal market dynamisms.

When the China Model is seen as economically successful, at the same time non-ideological and non-interventional, many countries along BRI region, especially all the quasi-democracies and autocracies, would welcome it as an alternative, maybe as a more feasible alternative to their unique history and culture, and satisfy their
desire for economic growth without compromising on political authority.\textsuperscript{48} President Xi sees that the BRI “strives to form an organic cooperation model integrating the government, market and society, so as to form a three-dimensional setup characterized by government leadership, companies’ participation, and promotion by nongovernment organs.\textsuperscript{49} He also said clearly “not only is there a need to give play to the government role … but also to market role…. The government needs to give play to its dominant role in coordination and in the establishment of mechanisms.”\textsuperscript{50}

In a straightforward political language, China model is simple, “the power of the market, plus the stability of the authoritarian rule.”

Developing countries with a dire need for economic growth will be left to join one of two alternatives: the liberal market capitalism or the authoritarian capitalism. Both recognize capitalism as the dominant structural model of the economy, although Beijing insists on calling it socialism with Chinese characteristics. What lies at the center of Capitalism is the investment of money in order to make a profit. The existence of markets for capital is central to capitalism.\textsuperscript{51} In China’s Vision and Actions document on BRI, financial integration is one of the five major cooperation


\textsuperscript{49} Xinhua News Agency Domestic Service, Beijing, in Chinese 0944 April 30 2016.

\textsuperscript{50} Xinhua News Agency Domestic Service, Beijing, in Chinese 0944 April 30 2016.

priorities.\textsuperscript{52} China has laid out $300 billion in capital for investment in BRI countries. There is little doubt that this is capitalism at play. The variation in the economic thesis between Beijing and Washington is on the degree of the state intervention in governing economic affairs.

It is besides the argument in this thesis whether Authoritarian capitalism model is virtuous or immoral. The point of argument is whether it is effective and it is able to be replicated as a model. What needs to be emphasized is that debates on the diffusion of the China Model, i.e., capitalism with autocracy, are only framed within political-economic realities. This discussion does not extend to the discussion of legitimacy and longevity of the autocratic polity itself. The China Model and its application in the BRI region are discussed positively, rather than normatively.

Civil order illuminated by Confucius, vis-à-vis civil liberty enlightened by Locke

The differences in civilizational perceptions of relationships between the state and its citizens can be illuminated by traces of history.

a) Absolute Sovereignty mandated by Confucius

Post-Westphalia, the concept of modern sovereignty was born.\textsuperscript{53} However, the power of sovereignties was never absolute in Europe.\textsuperscript{54} The king’s sovereign power

\textsuperscript{52}“Vision and Actions on Jointly Building Silk Road Economic Belt and 21\textsuperscript{st}-Century Maritime Silk Road,” \textit{The Belt & Road Official Documents}, ed. L. C. Guo (2015), Page 90.


\textsuperscript{54}Andrew Coleman and Jackson Nyamuya Maogoto, “‘Westphalian’ Meets ‘Eastphalian’ Sovereignty: China in a Globalized World,” \textit{Asian Journal of International Relations}, 153-81.
in Europe was bound by his own aristocracy, and by a divine power. Sovereigns were dependent on the aristocrats for their military forces, and often times, for their very existence. Sovereigns were deposed at will when aristocracy or alliances of aristocracy decide to do so at their will, as witnessed in incidences throughout early European history.\textsuperscript{55}

Chinese feudal history started earlier and lasted longer than European nation-states. The first dynasty that unified China in the definition of an empire was credited to Qin Dynasty in 221BC. Qin Shi Huang, the first emperor of China, unified weights, measure and coinage. More importantly, the Qin Emperor invented a civil service system run on meritocracy that remained virtually unchanged throughout Chinese imperial history.\textsuperscript{56} The civil service apparatus were organized hierarchically, which ended with the emperor himself. The complex selection system for civil servants was exercised with a national exam, and civil servants were selected on merit. This civil service selection system has enabled China’s sovereign power to break away from a class of aristocracy that European emperors suffered from. Mandarin positions are not inheritable, thus the emperor was left with absolute power with no sabotage from his aristocrats.\textsuperscript{57}


\textsuperscript{55} Coleman and Maogoto, “‘Westphalian’ Meets ‘Eastphalian’ Sovereignty,” 237-69.

\textsuperscript{56} Coleman and Maogoto, “‘Westphalian’ Meets ‘Eastphalian’ Sovereignty,” 237-69.

\textsuperscript{57} Coleman and Maogoto, “‘Westphalian’ Meets ‘Eastphalian’ Sovereignty,” 237-69.
b) Authoritarianism endorsed by Confucius

In the West, in addition to the challenges from aristocracy, the role of religion was another major threat to the absolute power of the sovereign. The Holy Roman Empire and the Catholic Church, both sought to unite nation-states in Europe under a single authority, a form of Imperium Christiana, or a form of universal sovereignty. This culminated into the Thirty Years War (1618-1648), which resulted in the concession of power by both the Empire and the Church to the power of the Sovereigns. However, the power of the sovereign remains limited. Domestically, all sovereigns remained accountable to God. Internationally, nation-states remained in a community of “competing sovereignties,” each of whom refused to accept a hierarchy. Therefore no sovereignty was absolute in its power.

Chinese sovereignty on the other hand, was never bound by the power of religiosity. The most dominant religions, Buddhism and Confucianism, did not provide a means to check the exercise of political authority. In contrast to Christianity, Buddhism defines the enlightenment of the individual by his very denial of ontological existence, a consequence of which is the denial of individual liberty, a core belief of Western liberalism.


60 Coleman and Maogoto, “‘Westphalian’ Meets ‘Eastphalian’ Sovereignty,” 252.
Buddhism “originated from a set of psychological and ontological assumptions totally unlike those of a modern Western thought. The Buddhist teaching about the individual denied the very existence of any permanent and substantial self of which rights to freedom of any sort could be predicted.”\(^{61}\)

Confucianism, a dominant school of political philosophy in China, arose during China’s Spring and Autumn Period (770B.C.-476B.C., a period when broken and rivaling nation states operated under a weak Zhou sovereignty, and when many schools of political philosophies were brought to light. It was roughly around the same time period of Homer and later Plato’s. Confucianism was a set of ethical teaching, which is hard to be categorized as religion in the traditional sense of associating religions with deities.\(^{62}\) Confucianism transformed Chinese culture in the most profound way in formulating both its concept of social order and a China’s “world view.”\(^{63}\)

Confucius supported a moral code of civil obedience, from the inferior to the superior, and all the way to the Emperor, the “Son of Heaven.” This creates a hierarchical system that pays respects and tributes to the elder, the superior, and the


\(^{63}\) Coleman and Maogoto, “‘Westphalian’ Meets ‘Eastphalian’ Sovereignty,” 237-69.
higher authority. Confucianism does not challenge the supreme power of the sovereign. The power of the sovereign was bound by no religion, and no factional class, but by the Mandate of Heaven, or in its truest sense, his own moral limitations. In other words, even though Confucius did not endorse despotism, Confucianism did endorse authoritarianism.

Beyond framing the Chinese imperial power structure, the concept of Confucius-based civil order also dictated China’s worldview, in the form of a tributary state system. Contrary to the Western practice of Colonialism, by which colonial powers conquered and ruled the inferior nations by hard power, the tributary system of imperial China was about recognizing China’s superior cultural power as the universal center. The tributary system was run on two core beliefs. One belief was that China was the cultural center of the world, and foreigners were less civilized, or barbarians. Second belief was a consequence of the first, which is that all foreign rulers were expected to recognize the preeminence and superiority of China. When peripheral countries and early colonial countries tried to develop economic trade with China, they brought tribute to the imperial court. This sign of respect was good enough for China to develop relationships with the tributary countries. This China’s view of world order was not established on the basis of hard power, or military

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conquest, rather recognition of the hierarchical relationship with China as the center of the cultural universe. This idea of the Middle Kingdom is essential in identifying a China’s view of world order.

Confucius-mandated acceptance of social obedience and formation of social order are innate to Chinese civilization and Confucius-influenced civilizations at large. Chinese sovereignties are bound by no superiority, but one’s own arbitrary moral conscience, with a consistent view on social order in a hierarchical fashion. Individualism and pursuit of individual liberty, core beliefs of the West, did not have an innate place in China’s historical, cultural and philosophical formation.

On the other hand, Western sovereignties triumphed over aristocracy and religion, but continue to be bound by the power of the citizens. The Lockean right to life and liberty was originally derived from religiosity, and arose as a philosophical justification of the surrender of the absolute power of the sovereigns to individual rights.

In conclusion, the “Common Destiny” from views of China will be constructed on the basis of Confucius civil obedience, respecting the absolute superiority of political authorities. When constructing a community of such common destiny, China will be placed as the center of this hierarchical order, with its cultural superiority recognized.

5.2.3 Envision the Form of Xi’s “Community”

The assumption that a group of countries that share a “Common Destiny” can
endogenously form a community\textsuperscript{67} is not convincing. This is only possible when the subject community is decentralized and loosely structured. The Community that China proposes, based on its long legacy of respect for social structures, will be a centralized community. A centralized community needs to be formed with a clear leader, a structure and bound by a common property or common properties. Based on previous empirical analysis that political interest for democracy is out of the question as a common property for BRI countries, now it is possible that a community along the BRI region be formulated on an alternative set of social, economic and political values, as previously defined, nationalism, market authoritarianism and civil obedience.

If a community were formed on these political, economic and social interests, on what structure would this community take? What would characterize the interrelationships among members of this community, the center and the peripheral states in particular?

\textit{China's Eastphalianism in IR order.} BRI region is the most religiously, politically and culturally complex region of the world. It is highly unlikely throughout history to define a long-lasting dominant religion, a dominant culture, or a dominant form of political structure. There has been no universal ideal that was historically widely accepted as a common principle by this region.

This region has been the beneficiary of globalization and the subject of

\textsuperscript{67} “Community” is defined in Merriam Webster dictionary as a group linked by a common policy, and a body of persons or nations having a common history or common social, economic and political interests.
colonialism, imperialism, and the U.S. neoliberalism. This region has traditionally been run by nation states, many of which with its distinctive cultural and historical legacies.

Some scholars compare the likely governing political principle of this complex region, should there be a chance for such a “Community,” to the Westphalian system established in 1648.

The Peace of Westphalia was the beginning of formation of a modern multipolar world order. After the 30 Years War, European powers signed off on a series of treaties, which recognized territorial borders of European sovereign states. Out of the Westphalian Peace Conference, a breakthrough compromise was made amongst European nation states under the principle of “Cuius regio, eius religio,” or “whose realm, his religion.”

As Stephen Krasner (1995–1996:115) properly puts that Westphalia owned its pivotal place in understanding modern International relations: 68

The Westphalian model, based on principles of autonomy and territory, offers a simple, arresting, and elegant image. It orders the minds of policymakers. It is an analytic assumption for neo-realism and neo-liberal institutionalism, both of which posit that states can be treated as if they were autonomous, unified, rational actors. It is an empirical reality for various sociological and constructivist theories of international politics.

In the classical Westphalian sense, Samuel Kim referred to the classical Westphalian notion that “how each sovereign state treated its own citizens was none

of international business.” Westphalia sought to remove religion and ideology from international politics by allowing the sovereign to determine the faith of his subjects without reference to other powers, hence the norm of noninterventionism.

Sovereignty, independence of territorial states and nonintervention are the lasting legacies Westphalian Order has endowed for modernity. David Mitrany, in his widely cited book *A Working Peace System*, argued that the conference at Westphalia “in no way implied…any sense for an international society” and confirmed “the new state individualism.”

As history evolves to the age of globalization, inherent conflicts arise between the decentralization of power endowed by the Westphalian order, and centralization of power by the supranational bodies who compromise the absolute power of sovereignties. Both forces of power are inherently in conflict and concur in the same time-spatial dimension. Even though neoliberalists argue that international bodies such as the United Nations are formed on the basis that all state’s sovereignty and territorial integrity are respected as the foundation of the UN charter, many decisions the U.N. makes on humanitarian basis are in violation of a country’s absolute sovereignty, such as war in Kosovo, Iraq, etc. Morse validated that the Westphalian system is challenged by a number of factors, including normative shifts and

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increasing global interdependence. “The ideal structures of international society formed with the Westphalian System have been transformed by the processes of modernization so that international society no longer conforms to those structures.”

China has been an active part of the international interdependence, and the biggest beneficiary of globalization. China has been a champion of global multilateralism and multipolarity over the past four decades since its reform and opening-up. This is in no way a reflection of China embracing ideologically on global neoliberalism. China has always been a cultural pragmatist.

BRI is a reflection of Xi’s ambition in China becoming a dominant global power. The IR basis of BRI is nonintervention, territorial integrity and respect of sovereignty. These principles echo the Westphalian Concept, a governing realist-based international foreign policy in the past centuries.

To bear its namesake, this new version of the Westphalian order through BRI region, can be referred to as Xi’s “Eastphalia.”

However, there are three fundamental differences between Xi’s Eastphalia and the traditional Westphalia. One, in the Westphalian order, there was no “center.” All

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nation-states opted for their own choices of alliances in international relations based on Raison d’État. Xi’s Eastphalian order arises as the result of a fundamental one nation’s rise, i.e. China. There is a clear center in the order. Two, Westphalian Peace came as a result of the Thirty-Years War, when all nations were qualitatively diminished and had to come to a political compromise. There was no incidence of a widespread regional war in Asia for decades, and there is no necessity for all sovereign states along BRI to make a political compromise. Three, Westphalian order is founded on the basis of nonintervention and state autonomy. China has initiated regional institutions, including the AIIB, regional FTAs, and SCOs, all of which go against the concept of the supreme power of sovereignties and state autonomy.

In conclusion, the regional political order that BRI attempts to construct is a realist-based centralized version of the Westphalian order, or Xi’s “Eastphalia.” Two issues will need to be closely examined. One is how China addresses its being the center of a Westphalian order. Another is how China binds the BRI countries into a common political compromise. The third is how China addresses its supranational institutions for the BRI region that fundamentally challenges the absolute sovereignty and national autonomy in a multipolar Westphalian order?

China’s adoption of a version of the Westphalian order is transitory in as much as China’s economy and military strength hasn’t fully reached the status of a true global power. In China’s “Two One-hundred Years” Goal by President Xi, China will achieve a middle-income nation status by 2021, the 100th anniversary of the founding of the Chinese Communist Party, and a modern, democratic, civilized and
harmonious developed country status at the hundred-year anniversary of the founding of the People’s Republic of China.  

73 According to this strategic goal, it will take China at least another three decades till 2050, to become a developed and modern society. When China perceives that it has reached its modernity, the attitudes towards multipolarity might be changed to one more hegemonic. This process will happen gradually and over a long period of time. Xi’s “Eastphalian” order is practical for China during a period of time as it continues to build up its military strength, and gain its global political and economic influence.

During this transitory period before China achieves its 100 years’ Goal by 2050, China’s rise will reduce some poles in world politics. World power will become more consolidated and centralized, and less multi-polar. China will move towards a hegemonic status, either by its own grand design, or by natural forces of history. International relations within the BRI region will simultaneously be dictated by a Hobbesian state of anarchy and power insecurity, and the Kantian neoliberalism.  

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As China becomes a potential challenger to global hegemony by 2050, there are two possibilities with China’s foreign policy doctrine. One is that China continues with its historical pragmatism, or realpolitik, with its global interest safeguarded by its military might. China will no longer be a proponent of global multipolarity, and Xi’s “Eastphalian” Order in the BRI region will fade out of history. The other


74 Sebastian Schmidt, “To Order the Minds of Scholars: The Discourse of the Peace of Westphalia in International Relations Literature1: To Order the Minds of Scholars.” 
possibility is that China, over the next 30 years, formulates its own or converts into a form of universal ideology, and subsequently rules its global empire with its economic might and its own version of universal ideal and its supreme military power.

*Developmental Peace in security order.* The Democratic Peace Theory states that liberal democracies are not likely to go to war with each other. Liberal democracies would only go to war with autocracies. The Democratic Peace Theory is one of the most robust findings generated by the discipline of International Relations.75

While the correlation between democracy and peace has been proven robust at the monadic level and dyadic level, empirical research has not proven a strong causal relationship between democracy and peace at the systemic level. Notionally, if a democracy feels affinity to another democracy and prefers not to engage in mutual conflicts, democracies as a whole are still prone to coerce autocracies militarily to turn them into democracies.76 As more countries turned to democracies over the past two centuries, heterogeneity within democracies could also cause conflict. At the systemic level, the relationship between democracy and peace becomes more complex and multivariate.77

Equally, empirical correlation exists between development and peace at the

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systemic level. If a region develops economically, players within the region would pay a higher cost for instability and conflict. Meanwhile, more economically developed countries are able to place bigger budgets for defense to deter potential military aggression.  

At the dyadic level, democracy is a more significant determinant than development to peace. However, at the systemic level, development is a more significant determinant than democracy to peace, according to Gartzke and Weisiger.

Developmental Peace Theory, if empirically proven significant at the systemic level, would attest to the significance of economic development within BRI region without turning into democracy to preserve peace.

Therefore, the BRI regional peace can be secured by common economic development. The destruction of the Soviet Bloc was seen as an ideological failure, but essentially, it is an economic failure. When the Western economic model became more effective than the Soviet’s Glasnost and Perestroika, communism was no longer politically legitimate. In this Post-”End of History” world, China’s rise challenged the fundamental strength of the U.S. and its allies, with a more robust economy.

Dialogue of Civilizations in cultural order. Samuel Huntington’s main hypothesis in Clash of Civilizations in 1993 is: “Culture and cultural identities, which at the broadest level are civilizational identities, are shaping patterns of cohesion,


disintegration, and conflict in the post-Cold War World.”

Theory of the Clash of Civilizations has sparked much debate in post-Cold War era on international relations. In addition to conflicts induced by ideology or economic interest, Huntington raised a third possibility of conflicts at the fault line of civilizations. In Huntington’s view, although states will remain the primary actors in international relations in the 21st century, nations and states will be drawn more towards groupings that share their basic culture, religion, ethnicity and values, than groupings with a common ideological values. Hence, 21st-century conflict will occur along these major civilizational fault lines.

What Huntington has envisioned is a world that is no longer divided upon the contingencies of ideology, rather back to its natural roots of deep cultural norms and values. Conflicts do not arise as a result of cultural heterogeneity, rather a lack of respect for each other’s cultural heterogeneity.

As a response to Huntington’s the Clash of Civilizations, former Iranian President Mohammad Khatami first proposed a “Dialogue among Civilizations” in his UN address in 1999.

What does a dialogue among civilizations mean? One could argue that in the world there are two groups of civilizations – one that perceives diversity as a threat and the other, which sees it as an opportunity and an integral component for growth. The Year of Dialogue among Civilizations was established to redefine diversity and

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to improve dialogue between these two groups. Hence, the goal of the Year of Dialogue Among Civilizations is to nurture a dialogue, which is both preventive of conflicts – when possible – and inclusive in nature.\footnote{The Hon. Khatami, Mahammad, Dialogue among Civilizations: address at the UN headquarters, 1999.}

Chinese President Xi Jinping also promoted dialogue of Civilizations in his foreign policy discourse. President Xi called for “a summit on Asian Civilization Dialogue” in 2015, to strengthen dialogues among youth, non-governmental organizations, government and media.”\footnote{The Hon. Xi Jinping, Opening Speech at Boao Forum, March 2015.}

In forming a “Common Destiny” along a body of most diverse civilizations in the world, a dialogue of civilizations becomes a necessity in its composition. As Khatami rightfully said, in understanding other civilizations, one understands one’s own better. Recognition of the civilizational difference, respect of each other’s civilizations, and dialogue among civilizations would be what China as an ancient civilization understands and is able to accept.

*Concentricism in spatial order.* It is necessary to make a distinction that although Chinese concept of social order is hierarchical and its understanding of culture superiority is hierarchical, Chinese view of world order, however, is not. It is concentric, with China absolutely at the center of the regional and global order. Every other civilizations and nation-states could be spatially viewed as spikes to the “center.”

The U.S.’s view of world order is linear. The U.S. manifest destiny obligates
itself as the “beacon on the Hill” illuminating the world. The relationship between the U.S. and the rest of the West is one characterized by a front leader and many followers.

I describe spatially the difference between a China-centric world order and a U.S.-led world order is one between concentricism and linearity.

A concentric relationship, once successfully formed, will be more stable than a linear relationship. A linear relationship constantly faces threats by a rising power that creates instability and challenges the existing order. In a concentric relationship, it is harder to shake up the full structure if there is only one rising power. It is harder to replace a concentric power center than a linear leader. From simple physics, China is likely to be a less aggressive and more stable world leader, if a China-concentric order were established. The only question is if such an order would be possible.

5.3 Is China Qualified to Be a Leader without Being Democratic?

The modern transnational values can be reduced into four categories: “economic growth,” “liberty,” “social justice,” and the newly born “environmental protection.”

The US global leadership was built on the basis of its economic power, and democratic liberalism. Chinese global leadership clearly lacks its value component. However, with the recent US policy of pulling out of the Paris Climate Change talks, there is a void for China to fill in the newly born global leadership in “environmental protection.” Thus, it is possible that Chinese leadership of the BRI “Community”
would be built on the foundation of its economic power and leadership in global environmental protection initiatives.

At the Paris Climate Change talks, China recommitted its goal to carbon emission cutting standards by 2020. What China has done shows that China is serious about its commitments and is well ahead of its own commitments?

China is currently limiting its coal use by putting a three-year moratorium on new coalmines, and it’s been shutting down existing coal-mining capacity. China will soon launch a national carbon trading market, the world’s largest. As the world’s largest auto market, it proactively provides incentives for use of electric cars. China has also emerged as a global leader in renewable energy. In Paris, China promised that 20 percent of its energy would be from non-fossil fuel sources by 2030.83

Under the BRI, China can further incorporate construction of nuclear power plants and high-speed rail networks throughout the BRI region to further lead the global climate change initiatives. China is already a major world power, positing its economic influence and its newly committed leadership in global environmental protection. China is in many ways already leading the world.

There are three components necessary for a modern nation to qualify for global leadership, as aforementioned, dominant economic power, dominant military power and the power of the “ideas.” China still does not have the latter two, and conditionally speaking, three out of the three, considering the U.S. dollar as the global reserve currency on which the global monetary system is founded.

Chapter 6

The China-US Dichotomy and the Future of World Order

Western neoliberal beliefs once held that the world would be left benignly unchanged with China’s rise.\(^{84}\) This status quo belief was based on three assumptions: 1) China’s rise will only challenge the world’s economic features, and nothing beyond; 2) China will adopt to a democratic form of government, just like a typical Western nation, as its economy continues to develop; 3) the international order will remain broadly as it is now, with China becoming a compliant member of the international community.\(^{85}\) Each of these assumptions is wrong.

With China’s economic ascension in the past 10 years, “China threat” and “China collapse” arose to mainstream Western thinking. China’s rebuttal has been largely on the basis of verbal spites with the West. China had not been able to rise to the posture of a global leader, in providing a grand view of a world order, until Xi laid out his grand strategy, the BRI.

With China’s economic rise, it has challenged the global norm in a profound way, economically, politically and strategically. A normative view believes that Chinese autocratic regime must collapse, because autocracy cannot fit a robust market


\(^{85}\) Minglu and Goodman, “The China Model,” 175.
economy. The positive view recognizes China’s economic contribution to the global community. This view believes that peripheral countries can benefit from China’s economic rise, should China become a democracy or not.

Discussions in this chapter are framed in the context of political stability in both China and the U.S. Should China’s political regime falter, or if Trump’s administration decides to adopt an interventionist foreign policy, particularly on the Korean Peninsula, the complexity of the China-U.S. dichotomy would be beyond this thesis.

6.1 Future Transformation of the China-US Dichotomy

Given that China’s economy continues to grow at around 6-7% through the decade, which enables China to posit regional hegemony and continue to build up its military capacity. The dyadic strategic rivalry between China and the U.S. will concur in the Continental Eurasian heartland and the maritime Asia Pacific.

6.1.1 Return of Mackinder’s Eurasian Heartland Pivot

The game changer is most likely to happen in the continental Eurasian heartland. There is a change in leadership in the economic position in this region. China’s infrastructure investment initiative will create new continental economic efficiencies, open borders and liberalized intra-regional trade, which the U.S. has failed to develop under its neoliberal policies. The U.S. has not been a major Eurasian continental power, especially in the Eurasian heartland. China’s primary strength and chance of
outcompeting the U.S. in structuring a China-centric regional order will be in the Eurasian heartland.

The Eurasian Heartland rivalry marked a historical return of Mackinder’s legacy and his famed “Geographical Pivot of History.” In 1904, British geopolitical strategist, Halford Mackinder famously outlined that much of the Eurasian heartland, today’s large part of Russia and Central Asia, was the key to global balance of power. In Mackinder’s conception,

- Who rules East Europe commands the Heartland;
- Who rules the Heartland commands the World-Island;
- Who rules the World-Island commands the world.

This region is abundant with natural resources, and rich in agriculture. This region has historically and culturally tangoed with many great civilizations, empires and religions. The population in the region share affinities with Russian-speaking, Turkic, Iranian and broader Muslim worlds. The U.S. soft power tried to penetrate this region post the Cold War to establish democracy and open markets. Central Asian states have in various degrees sought to distance themselves from the U.S. or to align themselves with other countries in the region, including the Russian-led Commonwealth of Independent States, the Chinese-initiated SCO, various NATO and EU programs, the Iranian/Turkish/Pakistani-led Economic Cooperation

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Organization and other Central Asian Structures.  

The key to Mackinder’s mapping of this pivot of the world was based on the theory of world’s “natural regions.” The societies nurtured in these natural regions exist in a state of “permanent struggle,” inevitably fusing or clashing with each other as they grow. Therefore, all the natural regions are inherently interrelated. Across this Eurasian heartland, “facts of geography” would predict not only the “growth of empires,” but also a “single World Empire.”

Mackinder in 1904, also famously defined the two forces of world’s geography, the continental “inner crescent” of Europe, the Middle East, South and East Asia, and the oceanic “outer crescent” of the Americas, Britain, South Africa, Australasia and Japan. Over the immediate past 5 centuries, the outer crescent has risen to dominate the world. Prior to the emergence of naval powers, the inner crescent had dominated the world’s power play for over two millennia.

Human ingenuity precipitates the natural courses of history. The naval exploration skills and human strength played a major factor in discovering the new world and changed the historical dynamics of the world from the inner crescent to the outer crescent. Naval strength has enabled faster and wider global trade, market

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89 Megoran and Sharapova, Central Asia in International Relations, Introduction, 7.


91 Megoran and Sharapova, Central Asia in International Relations, Introduction, 9.
expansion to new land, labor and wealth. Today, China’s railway and telecommunications infrastructure development expertise, particularly in high-speed rail, has reached a level of efficiency that makes it more economical and more efficient to transport merchandise on land than by sea. This transportation efficiency propelled by human ingenuity will again fundamentally transfer global power gravity from sea to land. Continental Eurasia has once again become the pivot, with a combination of its forces of nature, compounded by the engineering, financial, and industrial ingenuities of China. This competition over Eurasian heartland is fundamentally a battle between the political powers of the land-based authoritarian states and those of the sea-based democratic states. At the heart of this geopolitical rivalry, there lies the geo-economic competition over the efficiency of global trade and investment via land and sea routes.

By no means, this is to say that the current Eurasian continental powers, China, Russia, India, Turkey, and Iran have formed a congenial community. Each of these nations serves as a smaller power pole based on its own historical, ethnic and cultural affinities. The Eurasian heartland itself is often ignored as a power pole. With its increasing importance, the external powers have enabled the internal powers, commonly called the Stan’s countries, to exert power of their own in the Eurasian balance-of-power game. One thing with certainty is that the U.S. has no strategic upper hand in the Eurasian heartland. The U.S. had a military strong hold in Afghanistan since the War in Afghanistan. However, the U.S. has failed at a strategic level to position its military forces along the Eurasian belt. The U.S. has not prevailed
with its ideological power, nor does the U.S. possess economic stronghold in this region. Overall, there lie many possibilities for the balance of power structure in the battle for the Eurasian heartland. Given all considerations, China has a much higher chance than the U.S. in gaining strategic and economic influence in the Eurasian heartland.

In competing over strategic influence in the pivot of the world, there are two possibilities for the U.S. One is to enhance military cooperation in the region, particularly with its base in Afghanistan. The U.S. further expands NATO to its eastern neighbors. The other option is to align with Russia and India. Russia and China has a long and complex relationship, where Chinese communism was the derivative product of Russia’s communism revolution. Russia and China today join hands in many of its economic initiatives in the region, jointly build multilateral institutions, particularly the SCO. However, there is a lack of strategic trust between China and Russia. Based on a realist foreign policy mindset, Russia’s alliance with the U.S. in certain military and economic development initiatives would greatly hinder China’s BRI penetration in the region. However, US need to be careful not to mix its neoliberal foreign policy with this realist agenda. When it comes to dealing with Russia, it can only be a relationship based on realpolitik, not on ideology. India is threatened by China’s BRI initiative. US and India have grown in strategic and military alliances, as evidenced by a landmark civilian nuclear negotiation deal signed in 2008, and US-India Defense Agreement in 2016. India’s lack of strategic trust of China outweighs its economic considerations of mutual benefit when it comes
to strategic calculations. India could effectively check China’s expansion along the Greater Iranian corridor and the Indian Ocean. US-India and US-Russia alliance could significantly check the economic and military extensions of China’s power in the Eurasian heartland.

6.1.2. Tension in the Maritime Asia Pacific

China has never been a strong maritime power throughout most of its history. In the 15th century, when Chinese naval explorer Zheng He set sail along what is today the Maritime Silk Road, he adopted a very different tactic and way of interaction with the lands crossed. When the boat sailed to an island, Zheng He demanded that the island inhabitants to kowtow to the emperor of Heaven. As long as the islanders consented to China’s superiority, islanders were left free. Different from the military conquest following Western naval exploration, Chinese set sail to the seas and conquered no one, and no country. It is recorded that Zheng He brought back elephants and other precious animals to the Chinese Emperor, as a means and an end in itself to crystallize China’s world strength.

The U.S. surpassed the U.K. to become the largest economy in the world in the 1870s. However, the U.S. naval power’s domination only occurred in the early 20th century. In maritime Asia Pacific, the U.S. enjoys undisputed military dominance in the region. Strong allies of the U.S., Japan, Australia, and New Zealand are also strong powers in the region, forming a strong crescent of pacific U.S. military and economic alliance.
Kaplan compared that “China vis-à-vis the South China Sea” is akin to the “US vis-à-vis the Caribbean in the late 19th and early 20th centuries.” While Kaplan might be pointing to an inevitable direction, the development stage where China is at would be more akin to the US in the early 19th century prior to the declaration of the “Monroe Doctrine.” China’s naval power rise will look similar in pattern to US’s naval power rise at the turn of the 20th century, some 70 years after the declaration of the “Monroe Doctrine.” If “China expands its submarine fleet to 78 by 2020 as planned, it will be on par with the U.S. Navy’s undersea fleet in quantity.”

China would try to adopt its own version of the “Monroe Doctrine for Asia” in the years ahead, as implied by Chinese President Xi Jinping when he announced in 2014 that “Asian affairs should be managed by Asians.” This is very similar to President James Monroe’s warning in 1823 that European powers should not interfere in the affairs of the Western Hemisphere.

- Strategic interaction between China and the U.S. in maritime Asia Pacific

With the political opaqueness in China’s foreign policy agenda, it is hard to predict that China’s military assertiveness in maritime Asia Pacific, particularly with its claims of the 9-dash line along the South China Sea, is an authentic request for China’s territorial integrity, or an ambition to seek revision to the current Pacific

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93 Kaplan, *Asia’s Cauldron*, 49.


95 Office of the Historian, [https://history.state.gov/milestones/1801-1829/monroe](https://history.state.gov/milestones/1801-1829/monroe)
order. If China’s territorial claims were as simple as a nationalistic aspiration for territorial integrity, including Taiwan and the South China Sea, some level of accommodation by the U.S. could possibly assure peace in the region. A grand bargain with China based on wider regional strategic interests could be struck on realist grounds. If China’s territorial claims contained an ambition to challenge the U.S. hegemony in maritime Asia Pacific, no policy accommodation by the U.S. would satisfy China’s ambition, until the existing Pacific order is revised. The real maritime agenda of China and President Xi Jinping is hard to predict and crucial.

China’s maritime geopolitical strategy should be one of defensive nature, recognizing the indisputable military superiority of the U.S. on the sea. “The strong do what it can and the weak suffer what it must.” Greek Thucydides’ remarks would be best suited to frame China’s policy orientation in the maritime Asia Pacific. This defensive posture will assure China to maintain a strategic balance with the U.S. and its pacific allies by smartly deploying its economic force and regional balance-of-power strategies, to exchange peace for development, and demand territorial authority over Taiwan, and other Chinese territorial interests. The U.S. will continue to claim its regional hegemony over the maritime Asia Pacific over the coming decades. The maritime power dyad will remain one of a rising power and a status quo power, without much chance for a fundamental change of leadership, or elimination of the challenger in the coming decades.

By 2050, nearly seven out of nine billion people in the world will live generally in the regions along the shorelines of the East China Sea, South China Sea, the Persian
Gulf, encircled by the Indian Ocean, and Western Pacific Ocean. Understanding the power dynamics of the players in the region is of utmost strategic importance for policy makers, public intellectuals, and sovereign leaders.

6.2 The Future of the World Order

It was Ikenberry’s rationale that “China and the other emerging great powers do not want to contest the basic rules and principles of the liberal international order. They wish to gain more authority and leadership within it.”\(^{96}\) Therefore, in his words, “today’s power transition represents not the defeat of the liberal order but its ultimate ascendance.”\(^{97}\) Even though in the Vision and Actions Policy Statement, multilateralism including the U.N, and international financial institutions were endorsed and affirmed,\(^ {98}\) the Statement also stressed the significance of reform of these supranational institutions, as a condition to its legitimacy of existence.\(^ {99}\) This implies China’s determination to endorse global multilateralism and multipolarity in the coming decades, as China necessarily needs both to expand its BRI grand strategy. However, the nature of this endorsement is not what Ikenberry believes to be a liberal ascendancy\(^ {100}\) and confirmation to the current international order, rather a quest for

\(^{96}\) Kaplan, *Asia’s Cauldron*, 57

\(^{97}\) Kaplan, *Asia’s Cauldron*, 57

\(^{98}\) State Council of China, Vision and Actions, March, 2015. Section VI


revision to the liberal international order.

This is the most likely future of the coming world order.

From a geopolitical perspective, the future of the world order will be rivalry and transfer of leadership between the inner crescent of continental powers and the outer crescent of the maritime powers, seen in the longer historical timespan over the past 3 millennia.

From an economic perspective, it is a rivalry between two modes of globalization, a globalization thrived on the US-led model, and the next phase of globalization run by the China-led model, “Emerging-market states are learning to combine market economics with traditional autocratic or semi autocratic politics in a process that signals an intellectual rejection of the Western economic model.”101

From a security perspective, it is the competition over drivers for peace endowed by development and one ensured by democracy. Developmental peace has been proven to be more systemically effective in ensuring regional peace in pluralistic regions, such as BRI.

From a political philosophical perspective, it is the competition between the “Hobbesian” realism on the basis of anarchy and power insecurities, and the “Lockean” liberal international order.

From an international relations perspective, it is the competition between orders formed on realism-based Westphalian sovereignties and liberalism-based global

101 Ikenberry, “The Future of the Liberal World Order,” 57
democratic capitalism.

From a cultural perspective, it is a competition between the Jeffersonian manifest destiny of pursuit of individual liberty, and the Confucius-empowered Chinese destiny of civil order and social stability, between “beacon on the hill” and “all under heaven.”

6.3 A Pax-Sinica beyond 2050

Upon China’s proper ascension to world’s hegemonic status, by roughly 2050, the world order would transform in a fundamental way. The probability of Pax-Sinica after 2050 is high, if the transitory BRI grand strategy is delivered with success.

I predict that Pax-Sinica will govern world order under the principle of a new version of global idealism. It would be governed by China’s supreme economic power and its soft power, which is seen as universal.

Would Pax-Sinica world remain ideologically democratic or authoritarian? Would it still be capitalism? Would realpolitik still be relevant in understanding war and peace?

China plays a huge role and shoulders a historical responsibility to lead the world into this unknown future.
VII

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