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巴基斯坦和印度對中國一帶一路倡議的態度：經濟或
政治動機？

Approaches of Pakistan and India towards China's One Belt
One Road Initiative: Economic or Political Motivation?

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Approaches of Pakistan and India towards China's One Belt One Road Initiative:
Economic or Political Motivation?

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摘要

中國的一帶一路倡議自提出至今備受批判，而現今對其學術研究亦分為二派，對此一倡議持正反評價。本研究透過對巴基斯坦及印度二件案例研究，以國際建制理論為框架探討中國一帶一路倡議。巴基斯坦為中國於一帶一路倡議中注資最多的國家，而印度對此倡議一直持保留態度；在比較此二案例時，一帶一路倡議作為中國的政治工具的可能性，及此二具競爭關係的南亞國家對一帶一路倡議的不同態度，皆為重要考量。此外，印度對一帶一路倡議的顧慮更涉及國家主權、領土完整及印度洋議題，本文也將此納入分析。本研究聚焦於中國的一帶一路是經濟或政治取向此一問提出回應，並提出歸結：考量中國在南亞地區的野心，在一帶一路下的經濟合作與經常被強調之「互利共贏」背後，中國的政治利益與倡議參與國的經濟利益相比之下，則更顯重要。

關鍵詞：一帶一路倡議、中國、國際建制理論、巴基斯坦、印度

Abstract

China's Belt and Road Initiative (BRI) has brought along various criticisms since it was announced. In this regard, the current academic literature splits into two sides as some find the initiative positive, while others find it negative. This thesis examines BRI under the framework of International Regime Theory by analyzing two cases: Pakistan and India. In this study, Pakistan, in which China has invested the most in BRI, and India, which is reluctant to be a part of the Initiative, are compared. In order to conduct the comparison, the potential of the initiative to be a political instrument of China and the different attitudes of the two competing South Asian countries to BRI are taken into consideration. In addition, India's concerns towards the Initiative particularly about her territorial integrity and sovereignty, as well as that of in the Indian Ocean, are addressed. The answer to the question of whether One Belt One Road is economic or rather political is sought. As a result of this study, it is concluded that given China's ambitions in the South Asia Region, under the economic cooperation within BRI and the frequently voiced "win-win situation" lies China's political gains rather than economic gains of participant countries to the Initiative.

Keywords: One Belt One Road Initiative, China, International Regime Theory, Pakistan, India

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Abbreviations

| | |
|----------|--|
| AIIB: | Asian Infrastructure Investment Bank |
| ASEAN: | Association of Southeast Asian Nations |
| BCIM: | Bangladesh-China-India-Myanmar Economic Corridor |
| BDN: | Blue Dot Network |
| BOT: | Build-Operate-Transfer |
| BRI/B&R: | Belt and Road Initiative |
| CAFTA: | China–ASEAN Free Trade Area |
| CPEC: | China-Pakistan Economic Corridor |
| FDI: | Foreign Direct Investment |
| IMF: | International Monetary Fund |
| MOU: | Memorandum of Understanding |
| MSR: | Maritime Silk Road |
| NSG: | Nuclear Suppliers Group |
| OBOR: | One Belt One Road |
| PAK: | Pakistan Administered Kashmir |
| PRC: | People’s Republic of China |
| SEZs: | Special Economic Zones |
| SOEs: | State-owned Enterprises |
| SREB: | Silk Road Economic Belt |
| SRF: | Silk Road Fund |
| US: | The United States |
| WB: | World Bank |

Chapter One: Introduction

Background and Motivations

At the end of 2013, during his visits in Central Asia and Southeast Asia in September and October, President of the People's Republic of China (PRC) Xi Jinping, announced a new global strategy of China named One Belt One Road (OBOR) or 一帶一路 (yīdài yīlù) in Chinese, also known as the Belt and Road Initiative (BRI). In this initiative, "belt" refers to overland and railroad transportation constructed within the initiative, i.e. the Silk Road Economic Belt and "road" refers to maritime transportation in the scope of sea route, i.e. "the 21st-century Maritime Silk Road".

In the context of BRI's contribution to the collaborative partnership amongst participating countries, President Xi stated that "China will actively promote international co-operation through the Belt and Road Initiative".¹ In addition, considering the Initiative as a bridge to drive the 'Chinese development train' on, there are five abutments as mentioned by the PRC: policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people exchanges. This initiative is seen as a new alternative way to take export surplus outside of the country in order to reduce China's over-production burden.

The next decade likely to witness a considerable rise of China. China, as the biggest challenger of the US, has rapidly been rising and consolidating her role in world politics. Siddiqui (2019), in his critique about the BRI, states that if the Belt and Road Initiative is successful, it will provide China a solid opportunity to challenge the existing hegemon, i.e. the United States and to convey her vision to the world.

¹ Xi Jinping, *Secure a Decisive Victory in Building a Moderately Prosperous Society in all Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era*, Delivered at the 19th National Congress of the Communist Party of China, 18 October, 2017.

One of the economic purposes of China to carry out such a huge investment project is to provide a balance as well as to remedy the problems related to her overcapacity that emerged during the 2008 Global Financial Crisis. Because the huge investment boom after the crisis not only boosted the Chinese economy but also caused some problems of overcapacity and excessive foreign exchange reserves.² I argue that China, as a state which has the ambition to access wider world markets, needed to carry out such a major project to crown her development. Otherwise, it would face obstacles in balancing the supply and demand equilibrium of her energy consumption. Undoubtedly, the purposes of China to carry out the BRI are not only related to economic rise but also her increasing political influence.

In this study, I argue that the ‘Chinese grand strategy’ Belt and Road is not only a sole project that China will have great access to world markets, but it is also an international regime that is created by the hegemon for her particular interests and purposes. Thus, BRI will likely to be a determinant factor for China in order to make her a dominant power in Asia and beyond and as well as to organize the behavior of the states. In addition to this, China will maximize the efficiency of the BRI to foster economic and political ties with countries within the initiative and fundamentally play an essential role on the world stage.

One of the points that this study remark is those the involvement and investment of SOEs in the infrastructure and energy projects of the Belt and Road Initiative. Whereas China draws her globalization path, she uses her State-owned Enterprises (SOEs) in the initiative as a tool in the construction and consolidation of this path. Besides, this situation provides SOEs new economic opportunities in less-developed regions in order to take advantage of the initiative by taking part in the projects of the Initiative. In addition, her

² Richard W. Hu, China’s ‘One Belt One Road’ Strategy: Opportunity or Challenge for India, *China Report 53 (2)*, Sage Publications, 2017, pp. 3.

grand strategy BRI boosts China's ambition to emerge as a dominator, particularly in Asia. Hereby, she aims to yield considerable political and, mostly, economic gains from the immense connectivity network that will be created within the initiative.

Taking China's rise into consideration, her energy demand has concordantly been increasing. Hence, BRI's one of the main motivations is to provide a fertile atmosphere to secure and boost her energy supply through new pipelines and railway corridors in South Asia and Central Asia (Figure 1). In the projects, many of which are carried out by the Chinese SOEs, China aims to access to the Middle East market by sea route from South Asia (the Gwadar Port), and by land route from Central Asia.

Figure 1: China's Central Asia Pipelines and South Asia Railway Corridors



Source: Financial Times

In Chapter 4 and Chapter 5, in the two separate case studies, a comprehensive comparison will be made in the context of China-Pakistan-India tripartite relationships including the US interactions of these countries. There are three reasons why these two South Asian countries are included as case studies: China's goals toward her interests in South Asia, the India-Pakistan challenge, and the opposite views of these two countries in the BRI.

South Asia is undoubtedly the priority zone for China due to its regional strategic position. In the Region, China focuses on having a voice and dominate the trade network. In parallel with this purpose, she has invested heavily in Pakistan within the projects located on the route of the CPEC. In order to do so, China seeks to expand her influence in the Indian Ocean by the Gwadar Port that she desires to make the center port. Considering the magnitude of the Chinese investments in Pakistan, a series of positive comments prevail. On the other hand, India has a reluctant attitude towards China's Initiative. In this regard, in this study, the approaches of India and Pakistan to the Initiative will be elaborated, and, in this context, the impact of the rivalry between the two countries to the South Asia Region and their relationship with China will be discussed.

Research Questions

While the Belt and Road Initiative has been studied by a number of scholars, the disagreements between them have arisen in the establishment of the theoretical foundation of the initiative. In this regard, given the different theoretical explanations about the Belt and Road Initiative, this study, unlike the others, focuses on the Chinese initiative within the framework of the international regime theory. In an attempt to identify BRI's theory base, SOEs that are the main tools for China and two case studies

were investigated in this study. There are five research questions that this study will seek to answer:

- 1. How should the BRI be evaluated in the context of *International Regime Theory*?**
- 2. Is the BRI a result of China's economic or political motivation?**
- 3. What are the main objectives of China in the Indian Ocean that it seeks to accomplish within the BRI?**
- 4. What are the approaches of Pakistan and India towards the BRI?**

Thesis Statement and Scope

Since it was announced in 2013, the BRI has become one of the main subjects that engaged the attraction of many scholars. Some research has been done related to the project and different theorists have presented various evaluations on the subject from their own perspective. Despite the fact that most the projects in the Initiative are still under the construction, its magnitude of scope has been brought diverse criticisms.

In this study, I argue that the Belt and Road Initiative acts as an international regime due to its policy, purpose, and structural instruments. Hereby, this study is written to state a different perspective to the giant initiative of China as well as the importance of the South Asia Region for China. The thesis is divided into 4 main chapters, except introduction and conclusion, and is organized as follows.

Chapter 2 examines the theoretical framework of the study and analyzes China's BRI in the context of international regime theory. It elaborates on the details of the theory and evaluates how the international regime—as not only an economic instrument but also a political instrument— created by China serves for her strategic purposes. Hereof, the study also will investigate China's non-IMF-based path of her grand initiative in the framework of international regime theory.

Chapter 3 provides an overview of the BRI and the formation of the initiative. It explains the corridors of the initiative and the financial infrastructure of the projects in

the corridors. In addition, in the context of networks created within the initiative, Chapter 3 analyzes the infrastructure development of China from regional to global. It further examines the importance of Chinese enterprises and their participation and contribution to the Belt and Road Initiative. In order to do so, it sets a framework of the relationship between government and enterprises and lastly discusses the motivations.

Chapter 4 and Chapter 5 include Pakistan and India case studies in order to explain these countries' attitudes towards China's BRI. Thus, these case studies will focus more specifically on the investments in those countries and will make a comparison of the tripartite relationship between Pakistan, India, and China in the scope of BRI. In addition, both positive and negative aspects of the influence of investments in these countries within the initiative will be evaluated.

Research Limitations

The first major limitation of this study is the author's limited ability to interpret the documents in Chinese. In addition to this, in order to examine the case studies of this thesis, given the fact that the author does not speak the official languages of Pakistan and India, one of the other limitations is the inability to read papers in Urdu and Hindi. Therefore, the study relies on documents that are available only in the English language. Nevertheless, English translations of the official documents (white papers and other government reports) issued by Chinese government agencies, and also Pakistani and Indian government bodies are used in the study.

The second limitation is the lack of access to official documents and blueprints that show a complete scope of BRI. The documents are insufficient to analyze signatory countries' specific objectives and current results with regards to their involvement in the

infrastructure projects. In other words, the official documents are more focused on prospective gains obtain by China rather than the signatory countries.

Methodology and Data Collection

In this study, document and secondary data analysis, and case study methods are used in order to introduce a convincing study regarding BRI. Thus, qualitative data was aimed to gather.

Secondary data analysis is one of the methods that was applied in this study. Articles, books, government records, official documents, websites were analyzed by the author and documents written by not only Chinese scholars, but also non-Chinese scholars, particularly from Pakistan and India, were studied to provide objective analysis to the thesis. Thus, the author aims to present different perspectives related to the relevant topic of the research. Therefore, document analysis is quite favorable for the author in order to explain the theory-building of the issue.

Case study research method was used to provide a comparative analysis in the axis of the triangle relationship between Pakistan, India, and China in the context of the formation of the Belt and Road Initiative. Along with the competition between these two rivals, Pakistan and India, firstly, the size of the infrastructure investments of China in Pakistan in BRI, and secondly, the reluctant attitude of India against BRI made it necessary to prefer the case study method. Thus, it is aimed to present an objective analysis to elaborate on the competition between parties with regard to China's BRI. In this regard, the author believes that the comparative method is the lab of social sciences.

Finally, for the data collection, bibliographic search engines, and academic databases such as Google Scholar, Web of Science, and National Sun Yat-sen University Online Library Catalogs were used in order to gather information.

Chapter Two: Theoretical Framework

Introduction

In the contemporary world, where the concepts of *globalization* and *interdependence* cannot be dissociated, along with the distribution and transportation of the produced goods, it is witnessed that the provision of the exchange by using other mutual interaction elements that occur under the impact of globalization.

In this chapter, the Belt and Road Initiative is evaluated in the framework of *International Regime Theory*. Given the approach that a hegemon or in other words a hegemonic power creates an international regime, in this study, it is basically propounded that the Belt and Road Initiative is an international regime created by China. Hence, the idea of that the Belt and Road Initiative is an international regime that serves not only national but mostly global interests of China, and it is a political instrument rather than an economic instrument is argued.

Criticisms of the central authority gap in the international system have led the system to be defined as anarchic.³ In this direction, it is discussed how the regime theory will work and operate in an anarchic the international system, where there is basically an interstate interaction. From this point of view, regime theory grounds on the basis of three IR theories which are realist, liberal, and constructivist and as well as their approaches. In this regard, it is stated that the approaches of the mentioned theories are based on interest, power, and knowledge.⁴

Given the interaction of different theoretical perspectives, in this chapter, whilst the different approaches of the theories will be elaborated and the relationship between BRI and regime theory will be explained.

³ Kenneth N. Waltz, *Theory of International Politics*, 1979, pp. 88-89.

⁴ Andreas Hasenclever, Peter Mayer, and Volker Rittberger, *Theories of International Regimes*, 1997.

International Regime Theory

There are different definitions and interpretations of international regimes. Although a joint definition could not be made of international regimes, this theory is directly related to international cooperation which is one of the core issues in the discipline of international relations and has a pluralistic approach to the international system.

Krasner describes international regimes as “sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations”.⁵ According to him, principles, norms, rules, and decision-making procedures are the main components of what makes something an international regime. Krasner further adds two more different definitions of international regimes; a realist definition: “regimes are principles, norms and decision-making procedures reflecting the interests of the most powerful states in the system”, and a neoliberal definition: “regimes are principles, norms, rules, and decision-making procedures that solve market-failure problems”.⁶ In other words, the components of the regimes by which states have compromised formally or informally regarding the emerge and solution of any national or international issue has been named as regimes.

Young describes regimes as “more specialized arrangements that pertain to well-defined activities, resources, or geographical areas and often involve only some subset of the members of international society”.⁷ According to Young, the effectiveness of international regimes is hard to emerge if they cannot succeed to meet the interests of both the industrialized and industrializing members of international society.⁸ Thus, the

⁵ Stephen D. Krasner, “Structural causes and regime consequences: regimes as intervening variables,” *International Organization*, Vol. 36, no. 2, 1982, pp. 185-205.

⁶ Peer Schouten, “Theory Talk #21: Stephen Krasner on Sovereignty, Failed States and International Regimes”, *Theory Talks*, (19-10-2008). <http://www.theory-talks.org/2008/10/theory-talk-21.html>

⁷ Oran R. Young, *International cooperation: building regimes for natural resources and the environment*, 1989, pp. 13.

⁸ Oran R. Young, *International Governance: Protecting the Environment in a Stateless Society*, 1994, pp. 90.

states, particularly the hegemonic powers, will find themselves in negotiations where they have to discuss a number of specific issues related to international regimes or a hegemon will find herself in a situation where she creates her own international regime.

Rittberger, unlike Krasner and Young, suggests that the principle, norms, and rules create ambiguity, and proposes to consider the regimes that rely solely on an explicit written agreement between parties and have an influence on the behavior of the states, rather than on rules.⁹

According to Gilpin, in order to provide an effective function to the regimes in the international liberal economic order, the existence of a hegemon or a strong leader, which leads such order in accordance with her interest, is necessary.¹⁰ He further states that hegemon must also build a collective structure that directs the reluctant states to collaboration, not through pressure and coercion.

Despite the fact that international regime theory touches upon the significance of collaboration, the regimes do not necessarily take the form of international organizations in the international system. Considering different international relations theories have different approaches to international regime theory, there are certain disagreements on how to define the international system.

Realists believe that anarchy exists in the international system, and therefore the main focus for them in creating and sustaining regimes basically is power. According to realists, a state in the context of her position vis-à-vis other states forms international regimes relying on power under which relative gains are obtained.

Unlike realists, neoliberal theorists' tendency to explain national interest converges at the point when there are peace and economic cooperation between states.

⁹ Volker Rittberger, "Research on International Regimes in Germany: The Adaptive Internalization of an American Social Science Concept", in Volker Rittberger (ed.), *Regime Theory and International Relations*, 1995, pp. 9-10.

¹⁰ Robert Gilpin, *Global Political Economy: Understanding the International Economic Order*, 2001, pp. 95.

Therefore, in contrast to realists, they believe that states convene to form international regimes for absolute gains.¹¹ Consequently, states evaluate the best for themselves in the cooperation, rather than how to cooperate with others.

Neorealists also argue that each state in the international system has a different level of capability to ensure her survival in the system. Thus, Krasner states that the relation between the collapse of a regime and the hegemon's relative capabilities is directly proportional.¹²

International regimes do not necessarily take the form of international organizations; however, they operate globally and gather states around an issue. Likewise, international regimes are created by a hegemon for specific interests and purposes or to organize the behavior of the states. Hereby, on the one hand, Krasner argues that regimes and behaviors are unavoidably interrelated concepts, on the other hand, Strange argues that regimes lead to obscurity that hides basic economic and power relationships for decision-making procedures.¹³

IMF and WB created by US-hegemony are examples of international regimes. In the formation of the Bretton Woods System in 1944, under which IMF and WB are operated, the United States has been the norm-setter. Given the fact that the US is a strong hegemon, the supremacy of her has given the Bretton Woods System considerable stability. Hence, the US has been using her power to consolidate the stability of these international regimes.

Economists have argued that "stable economic regimes require leadership" that it is more expected for an actor to provide leadership to a regime when the long-term

¹¹ Jos G. Timmerman, Claudia Pahl-Wostl and Jörn Möltgen, "The adaptiveness of IWRM", In J.G. Timmerman, C. Pahl-Wostl & J. Möltgen (Eds.), *The Adaptiveness of IWRM: Analysing European IWRM research*, 2008, IWA Publishing, pp. 47.

¹² Krasner, "Structural causes and regime consequences: regimes as intervening variables," pp. 200.

¹³ Krasner, "Structural causes and regime consequences: regimes as intervening variables," pp. 185.

benefits are consumed by the actor, according to Keohane and Nye.¹⁴ Strange, as a political economist, points out that international organizations have a tendency to serve as instruments of the hegemon and its structural strategy.¹⁵ She further explains the strategic purpose of institutions after the Second World War as “serving the American structural strategies”¹⁶, i.e. ‘American grand strategy’.

Fundamentally, a hegemon exerts power in order to create international regimes that serve their interests. I argue that whereas the Bretton Woods System, particularly embodied international regimes such as IMF and WB within the system serve the purpose of the US, the BRI as an international regime created by China serve the purpose of ‘Chinese grand strategy’.

Keohane and Nye argue that international organizations may influence direct or indirect issues of the international regime and thus, international regimes can undergo a change under the impact of the decisions taken by international organizations and confirmed such a relationship may result in the construction of an alternative regime.¹⁷ They further state that the impact of the United Nations (UN) on, particularly the IMF-centered, international trade regime could trigger to form an international regime in order to control direct investment.¹⁸

International organizations deal with many issues that can resolve conflicts between states, improve international relations, protect peace, promote human rights, social development, education, health, humanitarian aid, etc.¹⁹ For instance, the UN as an international organization deals with many issues, and under the roof of this organization, the member states try to jointly find solutions to these issues.

¹⁴ Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*, Fourth Edition, Pearson, 2012.

¹⁵ Susan Strange, “Cave! Hic Dragones: A Critique of Regime Analysis”, *International Organization*, Vol. 36, No. 2, International Regimes, 1982, pp. 484.

¹⁶ Strange, “Cave! Hic Dragones: A Critique of Regime Analysis”, pp. 484.

¹⁷ Keohane and Nye, *Power and Interdependence*, pp. 47.

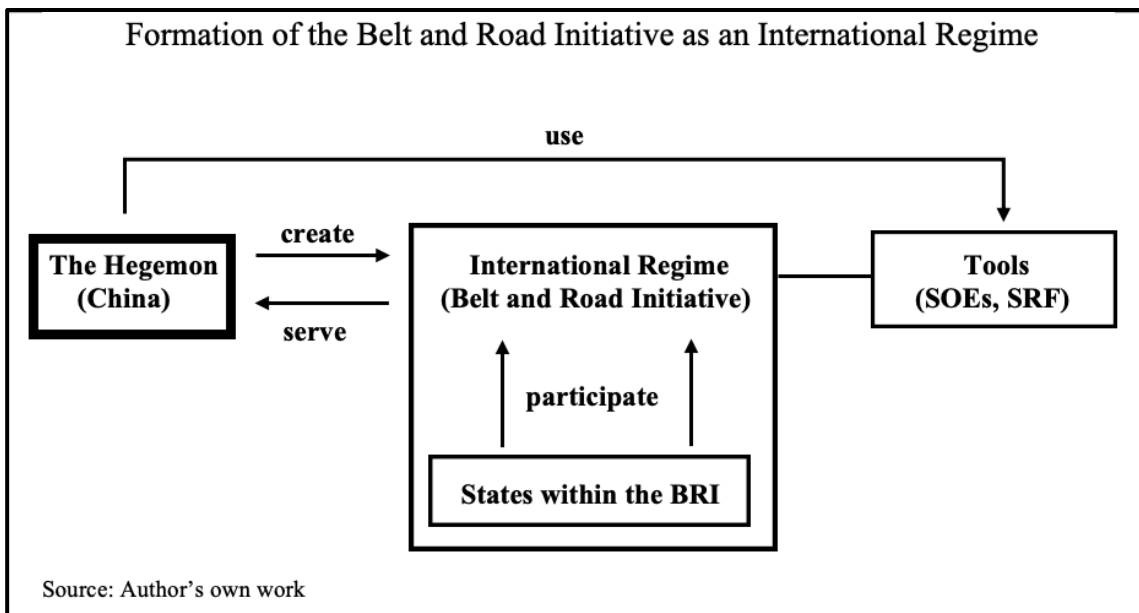
¹⁸ Keohane and Nye, *Power and Interdependence*, pp. 47.

¹⁹ United Nations Official Website, “What We Do”. <https://www.un.org/en/sections/what-we-do/>

Unlike International organizations, international regimes created by a hegemon deal with a single issue. As examples of international regimes, the United Nations has a number of specialized agencies. International Telecommunication Union (ITU) in dealing with information and communication technologies, or IMF in dealing with financial issues are the specialized agencies of the UN and they are international regimes. Therefore, in regard to the Initiative established under the hegemony of China, even though ostensibly economy-based mutual gains of the participant countries are discussed, the primary issue that the Initiative deals with is to politically and economically support objectives of the hegemon.

China has always had a skeptical attitude towards the regimes and international institutions that are under the influence of Western powers. Hence, I argue that China, as the constituent of the BRI, has been aware of the necessity to draw her own independent roadmap. Otherwise, it would likely be dependent on institutions such as the IMF. As a consequence of this, China has provided the participation of tools such as Chinese SOEs and SRF to BRI in order to consolidate the Initiative by supporting the investments within it (Figure 2).

Figure 2: Formation of the BRI as an International Regime



Considering the characteristics of international regimes, BRI has a quite similar attitude. The projects within the BRI are still under the construction and the details of the Initiative change and form day by day. In this regard, changing conditions in world politics boost researchers to explain the Initiative by evaluating different theories of international relations. Given China as a hegemon, I argue that the BRI is a political instrument of China.

Within this Initiative, China seeks to carry out such a comprehensive project in order to consolidate its stand in world politics. In doing so, she aims to legitimate her economic and political ambitions. In addition to this, whilst China lusters her giant initiative in the context of economic gains for participant countries, she also aims to receive support from the international society. Hence, China, the hegemon, seeks to create her self-international regime instead of being only a part of an international organization and of expecting the international organization to serve her interests. In addition to this, given the expected gains and losses of the states within the BRI, the unseen side of the

iceberg is that this giant initiative is way beyond the economically win-win situation. In this regard, the ambitions of China are multilateral, and they include economic, political, military, and diplomatic purposes. Consequently, BRI serves the hegemon, China, as being both political and economic instruments in parallel with her ambitions.



Chapter Three: Formation of One Belt One Road (OBOR)

Within the One Belt One Road (OBOR), i.e. the Belt and Road Initiative, which consists of the Silk Road Economic Belt and the 21st-century Maritime Silk Road, China aims to implement a new era in order to consolidate her economic development. In this regard, I argue that BRI is way beyond China's regional strategy, and it is likely to describe the initiative as a global strategy for China. Thus, an economic and political zone of influence both in Europe and Asia is aimed to ensure. In addition, China plans to bring her prestige worldwide within the ambition of being asserted as a major power.

The 21st-Century Maritime Silk Road (MSR) extends along the Indian Ocean, passing through the Persian Gulf and reaches the Mediterranean Sea. However, in the official action plan for the BRI, it is stated that “the Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other”.²⁰ Particularly, given Chinese influence—if the initiative succeeds—can deepen in the context of her ambitions within the scope of the MSR, I argue that it is most likely to describe China as a maritime power in the near future.

At the end of 2019, China published an article in the official website of OBOR. The article stated achievements and gains between 2013 to 2019 in the projects within the initiative. In addition, the Initiative's scope covers various topics such as the improvement of infrastructure and people's subsistence, trade and cultural exchanges.²¹

²⁰ State Council of the People's Republic of China, Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, March 2015, Section III.

²¹ *Six Years of "Belt and Road"*, Official website of Belt and Road Portal, October 11, 2019. <http://eng.yidaiyilu.gov.cn/qwyw/rdxw/105854.htm>

Economic Corridors

The infrastructural connectivity of the BRI embodies six main economic corridors. In this regard, major progress has been made within the projects that have been carried out in the scope of the economic corridors (Figure 3). Each corridor provides China different opportunities in order to develop infrastructure of both railways and highways, thus, to promote trade and investment.

The corridors that most of them are starting from Western China and finally extending to Europe, may create an appropriate ambit for regions located in Western China such as Xinjiang in order to provide the region an opportunity to increase economic mobility and consolidate interregional integration. Xinjiang is described by Beijing as a “key transportation, trade, logistics, culture, science and education center, and a core area on the Silk Road Economic Belt”.²² Thus, China could provide her landlocked western regions an opportunity for rejuvenation and prosperity by ensuring economic integration and participation of those provinces in global trade.²³

The underdeveloped inner regions of China are expected to contribute to her economic development and rise. In addition, the countries southwest of China and most Southeast Asian countries have lower quality rail infrastructure in comparison to other corridor countries around the west and northwest of China such as the Russian Federation and Kazakhstan.²⁴ Therefore, the railway and road infrastructure development moves within the projects that will be carrying out in these regions are likely to close the gap of infrastructure quality among corridor countries.

²² State Council of the People’s Republic of China, Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, March 2015, Section VI.

²³ Hong Yu, Motivation behind China’s ‘One Belt, One Road’ Initiatives and Establishment of the Asian Infrastructure Investment Bank, *Journal of Contemporary China*, 2017, pp. 358.

²⁴ World Bank Group, *Belt and Road Economics: Opportunities and Risks of Transport Corridors*, 2019, pp. 23.

Figure 3: China's Belt and Road Initiative (Corridors)



Source: Geopolitical Intelligence Services

New Eurasian Land Bridge

In the corridor, a 12-thousand km railway length links China over Russia to Eastern Europe is taking part. This corridor aims to secure the logistics network of China that extends along with Europe and thus, to transport Chinese goods from Xinjiang Province through Kazakhstan, Russia, Belarus, and Poland to the European market. It buys time and the cost of delivering goods. Russia, as the country that has the longest railway network in this corridor, undoubtedly serves as a bridge country in regard to connecting China's access to Europe. In addition, the corridor attempts to take steps in promoting cross-national cooperation by remarking the problems related to the differences between the Russian, Chinese and European railway gauge.²⁵

²⁵ Gal Luft, *It Takes a Road—China's One Belt One Road Initiative: An American Response to the New Silk Road*, Institute for the Analysis of Global Security, November 2016, pp. 30.

China–Mongolia–Russia Corridor

The corridor extends from Tianjin, Ulan-Bator, and to Ulan-Ude and aims to improve infrastructure connectivity among China, Mongolia, and Russia. Mongolia located between two giants, Russia and China, has a key role in this corridor. Despite the fact that Mongolia has rich resources, she has poor transportation and communication infrastructure. Hereby, the infrastructure deficiency of Mongolia creates an obstacle to providing foreign investment flow to China.²⁶

In 2018, during his visit in Ulaanbaatar, Wang Yi, Foreign Minister of the PRC, mentioned the importance of cooperation between Mongolia and China in regard to joint construction in the BRI and stated that he is willing to strengthen connectivity as well as not only bilateral relations between these two countries but also trilateral cooperation among China, Mongolia, and Russia under the framework of the initiative.²⁷

China–Central Asia–West Asia Corridor

It extends along with Europe and connects China to Turkey—that is holding the middle corridor role—by following the route starting from Urumqi Province to Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, Iran and lastly Turkey (Ankara-Istanbul route) to Europe. Turkey’s biggest city, Istanbul, lies on two continents, Asia and Europe. Hence, the city's strategic location provides China direct access to the European market.

This corridor aims to carry out infrastructure projects and building roads particularly in Central Asia which includes the major part of the corridor countries in order to improve trade relations and to make a contribution to energy infrastructure in the

²⁶ Norman Sze and Flora Wu, “One Belt, One Road” The Internationalization of China’s SOEs. *The new journey of “Internet+”*, *Deloitte Perspective*, Volume V, 2016, pp. 8.

²⁷ “President Khaltmaa Battulga of Mongolia Meets Wang Yi”, Ministry of Foreign Affairs of the People’s Republic of China, April 23, 2018. https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1588361.shtml

region. In the construction of the projects particularly in Kazakhstan where there will be a full-rail project worth to \$21.4 billion connecting Moscow to the border with Kazakhstan, not only Chinese enterprises but also Russian companies will participate.²⁸ In addition, the railway and road projects that will be carrying out along the corridor are expected to make a contribution to the rejuvenation of low infrastructure networks of some Central Asian countries such as Kyrgyzstan.

China–Indochina Peninsula Corridor

The corridor has the route that includes Thailand, Myanmar, Laos, Cambodia, and Vietnam. The major trading partner of the corridor countries for exports is China.²⁹ Therefore, China aims to boost economic relations and thus, regional economic integration and cooperation thanks to the improved railway networks located within the corridor route. In addition, if CAFTA that was signed in 2002 between China and ASEAN countries reformulates in the axis of the BRI with a focus on cementing economic and technological cooperation, it may take the regional economic development to the next level. Perhaps, this will contribute not only to a regional improvement of cooperation but also a global economic development.

Bangladesh–China–India–Myanmar Corridor

The former corridor of the BRI was first proposed by China as a part of its initiative and was planned to trace the route starting from China (Kunming) to Myanmar and Bangladesh, and finally to Kolkata in India. The main focus was to provide delivering

²⁸ Simeon Djankov, “The Belt and Road Initiative in the Former Socialist Bloc”, In S. Djankov & S. Miner (Eds.), *China’s Belt and Road Initiative: Motives, Scope, and Challenges*, PIIE Briefing 16-2, 2016, pp. 35.

²⁹ The top export destination of Thailand is China with \$40.7 billion <http://oec.world/en/profile/country/tha/>; of Burma (Myanmar) is China with \$4.46 billion <http://oec.world/en/profile/country/mmr/>; of Laos is China with \$1.18 billion <http://oec.world/en/profile/country/lao/>; of Cambodia is China with \$4.77 billion <http://oec.world/en/profile/country/khm/>. China (\$39.9B) is Vietnam’s second largest export destination after the United States (\$46.2B) <http://oec.world/en/profile/country/vnm/>.

oil and gas through this corridor in South Asia. In addition, reaching India's huge market within the corridor was another important focus for China. Bangladesh and Myanmar hoped to strengthen bilateral trade relations not only with China but also with India as one of the corridor countries. However, the corridor was perhaps the least active one among the others so far and projection of the Belt and Road was under consideration by India due to her disinclination.³⁰ India has diverse concerns related to the corridor and refused cooperation with China in the context of BRI. As a consequence of this reluctance by India, Beijing removed the BCIM from the corridor list of the Initiative in the 2nd BRI Forum held in 2019.

China–Pakistan Economic Corridor (CPEC)

CPEC was officially launched in 2015. Later in 2017, both governments announced “Long Term Plan” which includes a projection related to the implementation process of the corridor up to 2030.³¹ This corridor is described by Beijing as “the fastest and most effective” corridor among other corridors. Moreover, China initiated over \$50 billion infrastructure plan for this “flagship project”.

Since the corridor started to be launched, there have been carried out massive investment projects in Pakistan within the BRI—most of them are still under the construction. The projects include particularly hard infrastructure investments like highways, railroads, ports, etc. and as well as energy sector investments such as nuclear power and hydropower projects.

³⁰ Mohd A. Karim and Faria Islam, Bangladesh–China–India–Myanmar (BCIM) Economic Corridor: Challenges and Prospects, *The Korean Journal of Defense Analysis*, Vol. 30, No. 2, June 2018, 283–302.

³¹ *Long Term Plan for China-Pakistan Economic Corridor (2017-2030)*, Government of Pakistan Ministry of Planning, Development and Reform and People's Republic of China National Development & Reform Commission, 2017, <http://cpec.gov.pk/long-term-plan-cpec>

A frequently expressed criticism related to China's B&R is that the projects that will be carried out might be a major burden to the economy of some corridor countries which get caught up in the debt trap by not being able to fulfill the economic obligations on time. On the other hand, the World Bank Group (2019) highlights the corridor countries' gains as such:³²

“All corridor economies would benefit from open procurement processes, stronger governance, and fiscal and debt sustainability frameworks that allow them to fully account for the potential costs of debt-financed infrastructure.”

Financial Infrastructure

China promotes to construct a stable and sustainable financial system for BRI. Regarding this, the Ministry of Finance of the PRC has released an official paper³³ as supporting policy instrument for the financial institutions and established the Multilateral Cooperation Center for Development Finance in order to ensure financial integration and connectivity. In addition to this, Silk and Road Fund has been set up and the Asian Infrastructure Investment Bank was initiated in order to provide financial support for construction projects of the Belt and Road Initiative. On the other hand, I argue that SRF and AIIB are also aimed to provide geopolitical support to China in world politics.

AIIB is fundamentally an investment bank that aims the improvement to obtain positive social and economic outcomes in Asia. The bank first proposed by China in 2013, and currently focused on supporting and lending for the BRI infrastructure projects. It was initiated by the government of the People's Republic of China and supported by 56 other countries.³⁴

³² World Bank Group, *Belt and Road Economics: Opportunities and Risks of Transport Corridors*, 2019, pp. 8.

³³ *Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative*, Ministry of Finance of People's Republic of China, April 25, 2019.

³⁴ 'Members and Prospective Members of the Bank', Asian Infrastructure Investment Bank Official Website. <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>

Besides, one of the tools for China is the Silk Road Fund. SRF is an investment fund set up by PRC government and was established in 2014 to provide financial support to the projects in the OBOR projects. It has \$40 billion capital in total and its distinctiveness is that it is focused on investing in and making businesses instead of lending money (like AIIB) to projects.³⁵

Participation of Chinese State-owned Enterprises to the BRI

The State-owned Enterprises reform was one of the focuses in the process of the economic reform period in 1978 for China. In this regard, the economic reforms led by Deng Xiaoping emerged as a unique example of China's economic success today. In addition to this, not to follow the IMF/World Bank-based reforms and particularly state-owned enterprises' role in implementing the economic reforms by the opening-up policy is one of the core aspects that distinguish China from Soviet Russia and makes it successful.³⁶

SOEs are legal entities that could be wholly or partially owned by the government to be used for commercial purposes.³⁷ Undoubtedly, they are the biggest weapon for China in BRI projects. They are the determinants and the driving force of China's Outward FDI along with the countries in the BRI.³⁸ Within the BRI, there are 84 state-owned companies and 3116 projects mostly in infrastructure and energy sectors that SOEs are taking part in.³⁹ In addition, on the 2019 Fortune Global List, there are 129 Chinese

³⁵ 'Overview', Silk Road Fund Official Website. <http://www.silkroadfund.com.cn/enweb/23775/23767/index.html>

³⁶ Kalim Siddiqui, "One Belt and One Road, China's Massive Infrastructure Project to Boost Trade and Economy: An Overview", *International Critical Thought*, 9(2), 2019, pp. 223.

³⁷ Will Kenton, 'State-Owned Enterprise', Investopedia, May 4, 2019. <https://www.investopedia.com/terms/s/soe.asp>

³⁸ Hai Yue Liu, Ying Kai Tang, Xiao Lan Chen, The Determinants of Chinese Outward FDI Countries Along "One Belt One Road", *Emerging Markets Finance and Trade*, 53(6), 2017, pp. 1375; Wenjing Zu and Haiyue Liu, "Exchange Rate Movements, Political Environment and Chinese Outward FDI in Countries Along "One Belt One Road"", In Jiuping Xu, Mitsuo Gen, Asaf Hajiyev and Fang Lee Cooke (Eds.), *Proceedings of the Eleventh International Conference on Management Science and Engineering Management*, 2017, pp. 1451.

³⁹ 'Central state-owned enterprises participates the construction of the Belt and Road', State-owned Assets Supervision and Administration Commission of the State, January 31, 2019. http://en.sasac.gov.cn/2019/01/31/c_821.htm

firms and 82 of these firms are state-owned. Within the BRI, China seeks to invigorate the SOEs in the world market and realizes her SOE-related plans for this purpose.⁴⁰

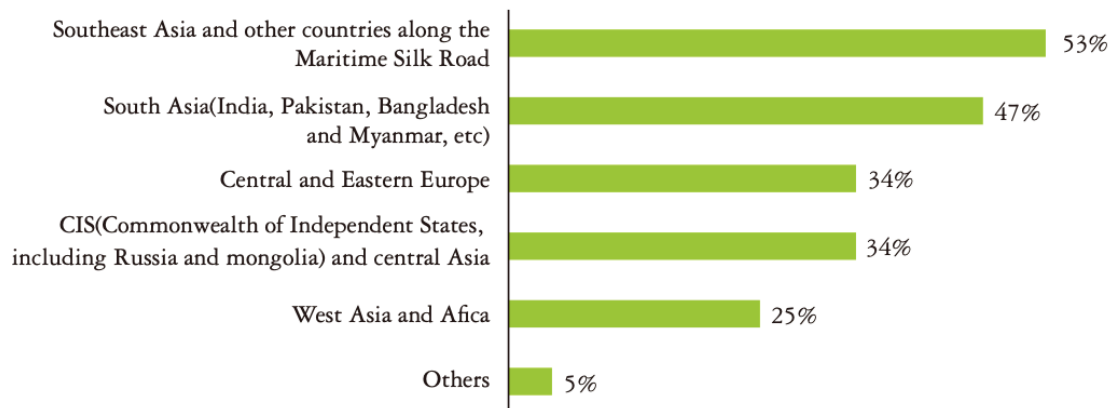
There is an interrelationship between the SOEs and the Chinese government. While the SOEs are expecting for the political support of the government, China aims to use them as a tool to serve her political purposes, such as ensuring the control of strategic sectors, e.g. infrastructure and energy. On the other hand, since the BRI was launched by China, the SOEs tend to label their projects more as “the BRI projects” in the expectation that the government supports them politically and financially. However, the finance for SOEs is provided by the AIIB and the SRF established by the Chinese government.

China’s one of the thrusts in regard to the SOEs within the initiative is to bring them to a level where they can compete with other major enterprises in the world. Thus, the initiative is going to make a huge contribution to the internationalization process of SOEs. In addition, the two case studies in this thesis, Pakistan and India, are strongly supported destinations by SOEs regarding investment. The market potential of populous countries in South and Southeast Asia has given SOEs a favorable position in the initiative to have more projects soon⁴¹ (Figure 4).

⁴⁰ Gal Luft, *It Takes a Road—China’s One Belt One Road Initiative: An American Response to the New Silk Road*, Institute for the Analysis of Global Security, November 2016, pp. 15.

⁴¹ Norman Sze and Flora Wu, “One Belt, One Road” The Internationalization of China’s SOEs. *The new journey of “Internet+”*, 2016, pp. 15.

Figure 4: Favorable investment destinations for SOEs (%)



Source: Deloitte China (Deloitte Perspective)

There are different opinions regarding OBOR about the relationship between the SOEs and the Chinese government. One of them is the internationalization process of the SOEs and contribution provided by the BRI to this. It is argued that the new era of economic development that China is trying to adopt is the SREB and MSR and these initiatives are useful initiatives for SOEs to invest abroad.⁴² Thus, the BRI helps Chinese companies to get ready the global competition in order to enhance their global footprint. However, it is hard to assume whether the BRI is going to be successful to achieve these goals.⁴³

The State-owned Enterprises with huge support provided by the Chinese government are quite active in regard to carrying out most of the infrastructure projects within the BRI. They have constructed a vast of ports and had exclusive management rights on these ports⁴⁴ (Figure 5). Hence, they play a key role in the Initiative in order to serve the overseas geopolitical influence of China.

⁴² Norman Sze and Flora Wu, "One Belt, One Road" The Internationalization of China's SOEs. *The new journey of "Internet+",* 2016, pp. 5.

⁴³ Nadège Rolland, China's "Belt and Road Initiative": Underwhelming or Game-Changer?, *The Washington Quarterly,* Volume 40, Issue 1, 2017, pp. 130.

⁴⁴ Hong Yu, Motivation behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank, *Journal of Contemporary China,* 2017, pp. 360.

Figure 5: List of investment by Chinese companies in container ports along the Silk Road route

| Country | Container port | Chinese company | Shareholding ratio of Chinese company |
|-----------|--|---|---|
| Malaysia | Kuantan Port | Guangxi Beibu Gulf Port Group | 40% |
| Singapore | Singapore Container Port | COSCO Pacific | 49% |
| Myanmar | Kyaukphyu Port | China National Petroleum Corporation (CNPC) | 50.9% |
| Sri Lanka | Colombo International Container Terminal | China Merchants Holdings (International) | 85% |
| | Hambantota Container Port | China Harbor Engineering Corporation | 65% |
| Pakistan | Gwadar Port | China Overseas Port Holding Company | 40-year lease agreement for operating and managing port |
| Egypt | Safaga Port | COSCO Pacific | 20% |
| Djibouti | Djibouti Container Port | China Merchants Holdings (International) | 23.5% |
| Israel | Haifa New Port | Shanghai International Port Group | 25-year lease agreement for operating and managing port |
| Greece | Piraeus Container Port | COSCO Pacific | 35-year lease agreement for operating and managing port |
| Italy | Naples Container Port | COSCO Pacific | 50% |
| Belgium | Port of Antwerp | COSCO Pacific | 25% |

Source: Yu, 2017, pp. 361.

Consequently, taking China's economic rise into consideration, BRI, that purposes to reach sustainable growth, has a primary role in the regard to the internationalization process of the Chinese SOEs. The fact remains that it is aimed that these enterprises take an active role in the projects related to particularly infrastructure and energy sectors. The reason for the participation of SOEs in the construction of the projects of BRI is that China aims to use various tools to ensure the success of the initiative. In this regard, one of the fundamental tools that is serving the interests of China in the OBOR projects is SOEs and they are enjoying strong support from the Chinese government.

Chapter Four: Case Study I – Pakistan

This chapter will focus on the economic and geostrategic ambitions of China in the framework of the CPEC and will try to explain the reasons why China is predominant in the scales as the main utilitarian in the BRI which is envisaged to be mutually beneficial. In doing so, it will elaborate Pakistan as a case study and also address China's intended gains which are aimed to ensure particularly within CPEC that is the joint flagship corridor of China and Pakistan.

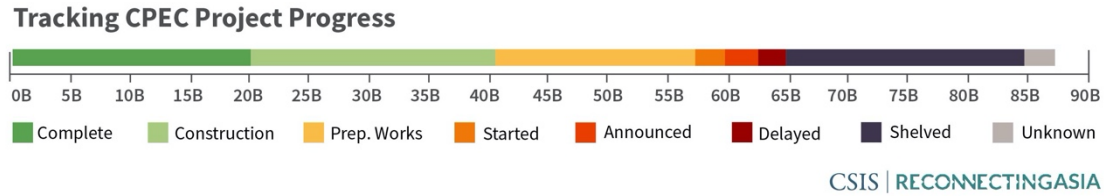
China bases the BRI under the framework of a “win-win situation” which basically focuses on mutual benefits. However, explaining its gains and ambitions in the Initiative only in the context of economic reasons causes its main purpose to be ignored. Increasing Sino-US rivalry led the parties to reveal various regional superiority moves beyond finding themselves in a trade war. One of the moves is the huge Initiative of China which aims to increase its influence and regional power in the Indian Ocean by using Pakistan's strategic position. In this regard, China seeks to achieve an opportunity to carry out her geostrategic ambitions that require economic, political and also military planning.

The mostly energy-focused investments within the CPEC are quite costly. In this respect, the corridor that comprises special economic zones along its route is described as the pilot corridor or the flagship corridor of the BRI due to the magnitude of investments within the projects. In 2013, the MoU on CPEC Long Term Plan was signed between Pakistan and China. 51 agreements that are worth \$46 billion-projects were signed by Chinese President Xi Jinping and 20th Prime Minister of Pakistan Nawaz Sharif.⁴⁵ In 2015, the CPEC was officially launched and the quarter of the projects in this

⁴⁵ Qian Hongdao, Sonia Azam and Hamid Mukhtar, “China Pakistan Economic Corridor: Legal Injunctions and Protection of Chinese Investment in Pakistan Under OBOR Initiative”, *European Journal of Research in Social Sciences*, Vol 6, No. 2, 2018, pp. 31.

corridor have been completed so far (Figure 6). However, \$20-billion-projects are still under construction.

Figure 6: Tracking CPEC Project Progress



Source: Center for Strategic & International Studies

China states that the aim to carry out CPEC is to build up Pakistan’s infrastructure on a huge scale. However, I argue that while Pakistan takes benefit from the projects in this joint corridor, China’s one of the ambitions is not only to assure a win-win situation but also to exploit Pakistan’s strategic location to serve her self-interest in South Asia. Moreover, considering the control of the sea lines has vital importance for China, she is likely to seek to widen his influence scope particularly throughout the Indian Ocean.

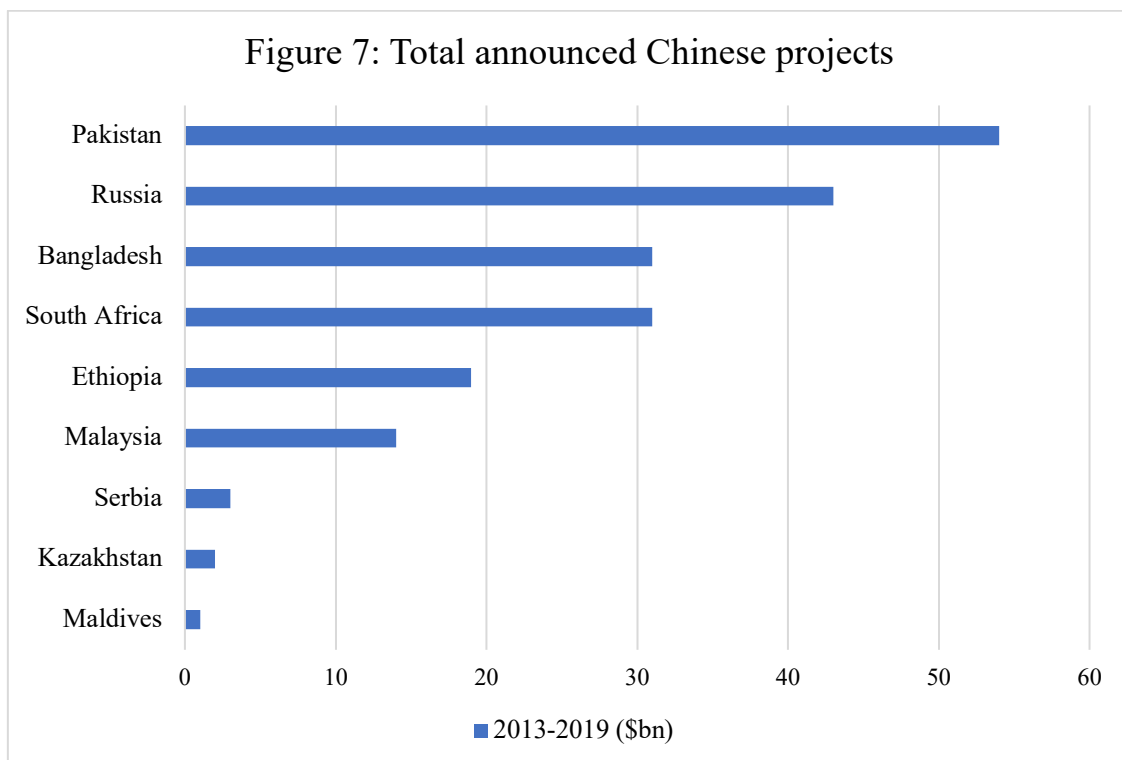
The CPEC provides an important pathway to Pakistan's economy to remain its development as well as an opportunity to increase and consolidate her domain in South Asia to strategically counter India’s growing power.⁴⁶ However, the CPEC with its geostrategic balance mechanisms such as ports, railways, and highways, it is defined that the corridor is strategically important not only for Pakistan but also for China.⁴⁷

The Gwadar Deep-water Port in the CPEC has vital importance given its strategic location. The port fully operationalized at the end of 2016 under the CPEC and welcomed

⁴⁶ Balsirow, *India, Pakistan, and China’s One Belt One Road Initiative*, pp. 37

⁴⁷ Balsirow, *India, Pakistan, and China’s One Belt One Road Initiative*, pp. 44.

its first liner in 2018.⁴⁸ China seeks to turn the Gwadar Port, which is geo-strategically important in terms of providing direct access to the Indian Ocean and as well as the transportation of Chinese goods, into a port with international standards and aims to benefit from this situation. Billions of dollars of projects have been built within the corridor and continue to be built.

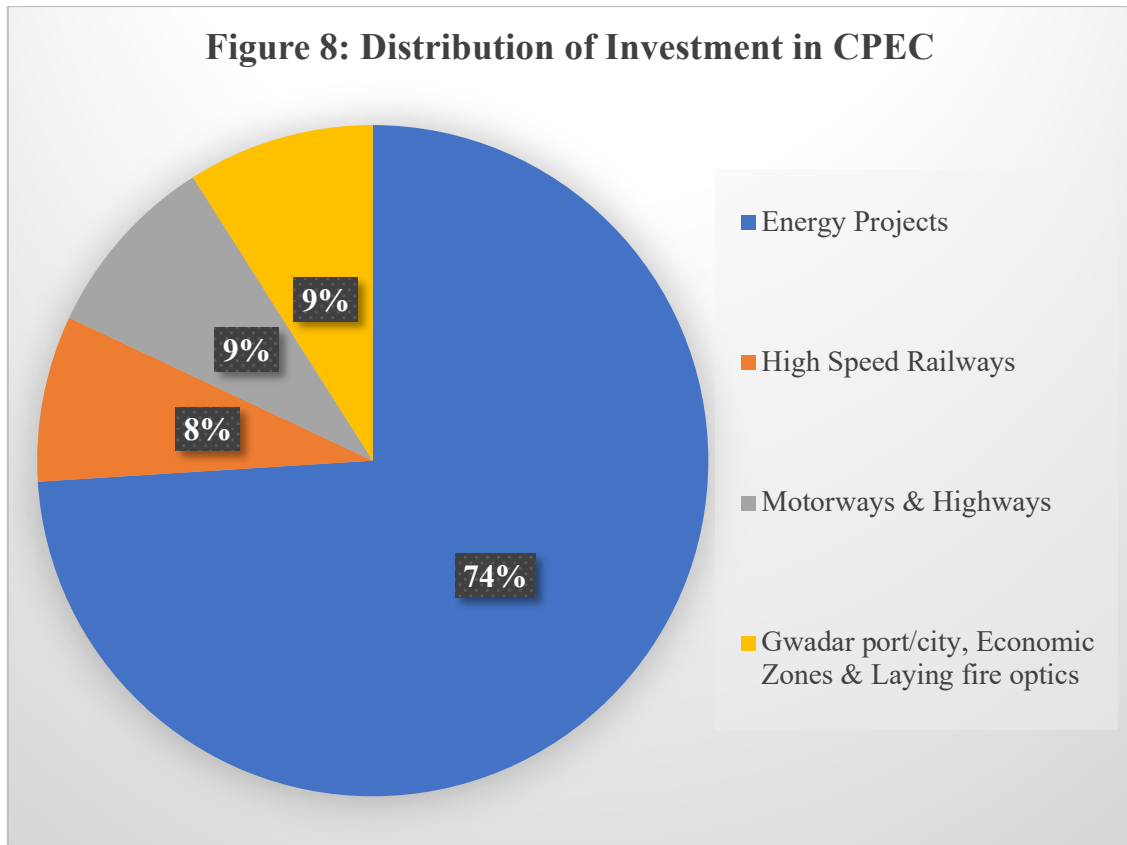


Source: Financial Times

Pakistan enjoys as the leading country in which China invested most in the context of the BRI, with investments of over \$50 billion (Figure 7). While Pakistan aims to arouse her economy by enjoying the CPEC, China seeks to increase both economic and political influence in South Asia region. Therefore, China uses its Initiative in the region as an instrument to serve her long-term strategic ambitions particularly in the Indian Ocean. In

⁴⁸ “Gwadar port creates economic magic with Chinese help”, Belt and Road Portal, November 13, 2018. <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/71495.htm>

addition, it is indispensable that China, which aims to be a global power, makes moves to meet the energy need and thus, to provide the continuity of her rise. In this regard, given Chinese investments in Pakistan under the CPEC, it is a crystal-clear fact that most of them are energy projects⁴⁹ (Figure 8).



Source: Report of Indian Council of World Affairs

The geostrategic based approaches beyond the economic investments of CPEC summarize the main goals China wants to achieve. The first geostrategic goal of China is related to the magnitude of the corridor, and concordantly to the advantages expected to be provided from the investments. This corridor, unlike others, has a more comprehensive

⁴⁹ For more detailed information related to the CPEC projects, please see Appendix 4.

route that connects South and West Asia and the Middle East, Africa, and Europe.⁵⁰ Considering that China has invested over \$50 billion in such a huge corridor which includes a number of projects, it is likely to state that there is a directly proportional relationship between her investments and expectations within these projects. In this regard, in the direction of the route provided by the corridor, China seeks to obtain direct access to the multiple continental markets.

The second geostrategic goal of China is to resolve the Malacca Dilemma that was first uttered by the 6th President of PRC, Hu Jintao. China takes first place in importing crude oil and gas energy to the world and transports the oil by passing through the Malacca Strait which is located between Singapore and Malaysia.⁵¹ This situation reveals China's dependence on a single strait for the transport and distribution of the energy sources and this dependency exposes a risk that the Malacca Strait is blocked because of any interference. Thus, America's presence in South Asia and a probable obstacle in Malacca Strait pushes China to seek alternative routes and head towards a safer “harbor”. In this regard, China wants to look for and construct safer ways to transport its goods. Hence, once CPEC completed, she will have direct access to the Indian Ocean by using highways, ports, railways, and pipelines in order to supply her energy needs and have the opportunity to extend the sphere of influence in the Indian Ocean against the United States. Consequently, resolving the Malacca Dilemma is one of the main strategic goals of China to achieve within the CPEC.

The third strategic goal is related directly to the second. China aims to reduce its dependence in the South China Sea by ensuring connectivity with CPEC from the Indian Ocean to the Middle East (Figure 9). This situation also gives China an opportunity to

⁵⁰ Zahid Latif Mirza, “Chinese Vision of One Belt One Road and Strategic Dimensions of China Pakistan Economic Corridor”, *Margalla Papers*, 2016, pp. 12.

⁵¹ Mirza, *Chinese Vision of One Belt One Road and Strategic Dimensions of China Pakistan Economic Corridor*, pp. 6.

increase its effectiveness not only in South Asia, as well as, broadly, in Central Asia and the Middle East by supporting commercial and economic integration of these three regions. Thus, China seeks to increase its influence in different regions by assuming as the country that supports regional integration.

Figure 9: OBOR's Land, Sea, and China-Pakistan Routes



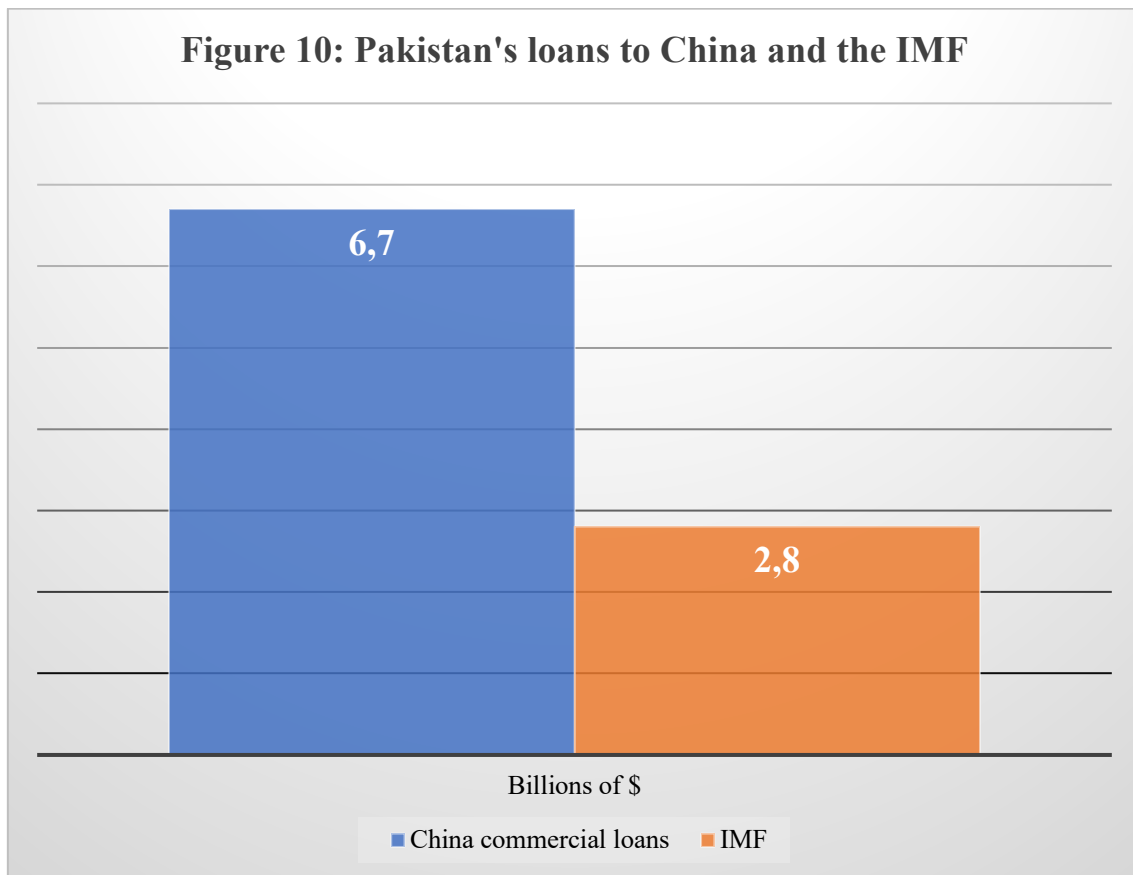
Source: The Economist

The fourth geopolitical move is to make the geopolitically important country Pakistan dependent on China's investments, particularly by carrying out energy-focused projects. In this regard, China pursues a policy that could create imbalance and influences regional politics. The fact that India has not signed MoU under BRI and has taken a reluctant attitude has led to increasing China's influence in South Asia through Pakistan.

Considering such large scale CPEC investments will be carrying out, Chinese economic influence in Pakistan is inevitable but also unpredictable. Therefore, the economic-magnitude of the Chinese-Pakistani joint corridor CPEC investment deals causes the IMF to have some concerns. One of these concerns is about Pakistan's going into debt to China. If Pakistan fails to fulfill the conditions to China's investments, a probable bailout plan will largely be provided through the US-funded IMF route. On the other hand, Pakistan's rapprochement with China and thus increase its dependence on China with infrastructure investments could cause her to take on debt from China. If China succeeds to take advantage of Pakistan's economic situation and make the country completely dependent on herself, this situation, consequently, considering the US interests in the South Asia region, will highly concern the US as well as the countries in the region.

Apart from the IMF concerns, China is closely monitoring the IMF-Pakistan relationship. Considering the current economic situation of Pakistan, a probable bailout plan provided by IMF to Pakistan may cause the IMF to ask Pakistan to reduce the size of the investments in the context of CPEC, and therefore could reveal the risk of disrupting China's plans. Today, Pakistan owes China more money in commercial loans than she owes the IMF (Figure 10) and is now facing a financial crisis due to the imbalance of trade and debt repayments in recent years. In addition to this, it is anticipated that high-cost numerous projects will damage Pakistan in the long term, not only economically, but also in some issues such as air pollution which is a serious threat to the region.⁵²

⁵² Jonathan E. Hillman, Maesea McCalpin and Kendra Brock, "The China-Pakistan Economic Corridor at Five", the Center for Strategic and International Studies (CSIS), April 2020, pp. 1.



Source: International Monetary Fund

The fifth and final geostrategic goal is the fact that China aims to ensure an equal economic power distribution in its territory. There is a significant development level difference between the Eastern and Western China and this causes an unbalance between these two regions. CPEC extends from the western regions of China, especially from Xinjiang Uyghur Autonomous Region (Kashgar) to Gwadar. In this regard, China wants to get an opportunity to ensure the economic mobility of the western regions in order to overcome the economic imbalance.

It is evaluated that BRI is a new development and trade initiative that will provide an impetus to the global economy. In this regard, some scholars argue that the comprehensive international political cooperation and integration within the B&R

significantly reduce uncertainty and political risks for Chinese enterprises investing in the participant countries.⁵³

I argue that whilst CPEC includes numerous opportunities for China, it also brings along diverse risks. The first of these is the possibility of changing the parameters in India-China relations oppositely while Pakistan-China relations are developing. It is a concern for India that the CPEC line passes through Karakoram Railway which is located in the Pakistan Administrated Kashmir⁵⁴ (PAK) (Figure 11). Considering the Kashmir conflict, this situation is against the political interests of India and is seen as a threat to its territorial integrity.

Figure 11: The Karakoram Highway



Source: Yale Global Online

⁵³ Julan Du and Yifei Zhang, “Does One Belt One Road Initiative Promote Chinese Overseas Direct Investment?”, *China Economic Review*, Vol. 47, February 2018, pp. 192.

⁵⁴ Also known as “Azad Kashmir”.

The Karakoram Railway was built in 1959 and the railway is planned to be upgraded under the CPEC. The situations that occur within the involvement of China in the Region, which is defined as the occupation region by India, endanger India's relations with China.

The second risk for China is that CPEC is located on a route that could occur obstacles regarding the transportation of Chinese goods. Pakistan, along with the Kashmir issue causing disputes with India, has become a conflict-prone for separatist groups for years in Pakistan's largest province, Balochistan. In addition, separatist activities in the region can pose the risk of blocking billion-dollar CPEC projects such as Gwadar Port which plays an essential role in determining regional dynamics.⁵⁵

I argue that given the fact that CPEC route passing through Balochistan, as a parallel to the increase in investments, paves the way for separatist groups in increasing the separatist movements. Hence, it is inevitable that China will increase its military presence in the region in order to ensure the security of investments in Pakistan, which is the country where she invested the most within the Belt and Road Initiative. This situation also triggers the reaction of local people of the region and has the risk of weakening Pakistan's sovereignty.

Another issue related to Balochistan is about local people in the region. A report published by the Federation of Pakistan Chambers of Commerce Industry states that people in Balochistan have the concern that Chinese workers who are taken part in the CPEC projects can take their jobs away.⁵⁶ In this regard, this giant initiative of China, which aims to increase the importance and influence of SOEs' involvement in overseas

⁵⁵ Tucker Boyce, "The China-Pakistan Economic Corridor: Trade Security and Regional Implications", Sandia Report, *Sandia National Laboratories*, January 2017, pp. 9.

⁵⁶ Kalim Siddiqui, "One Belt and One Road, China's Massive Infrastructure Project to Boost Trade and Economy: An Overview", *International Critical Thought*, 9(2), 2019, pp. 227.

projects, has basically caused negative reactions of the local people in some regions, like Balochistan, where the projects took place. Consequently, this situation paved the way for a conflict atmosphere in the region.

The third risk is about the military presence of China in South Asia, particularly in Pakistani territory and on the sea. In order to secure the infrastructure and energy investments as well as to protect the life safety of Chinese workers in the projects, China seeks to place her military powers to the highways, railways, and ports within the CPEC projects. This situation causes Pakistan to have serious security concerns. In this regard, Pakistan's trust in China will constantly remain when she limits China's political and military influence in South Asia.⁵⁷ Otherwise, the increasing Chinese influence will cause Pakistan to develop different approaches in the following years.

The CPEC will also help China to enhance her naval presence in the Indian Ocean and the Persian Gulf. Hence, India undoubtedly concerned about increasing Chinese naval force influence, because she knows very well that the CPEC for China is more than just an economy-based project. Therefore, she is closely monitoring the developments related to the Chinese-Pakistani engagement.

The fact that such a wide-ranging project has so much investment in Pakistan causes the project to be perceived as an "opportunity" by Pakistan. From this point of view, it is evaluated that CPEC has several opportunities for Pakistan. The first opportunity is that thanks to investments within OBOR, Pakistan will meet the global trade network and become the key country for this mega project. In addition, Pakistan declared Gwadar Port as a free trade zone, and as a result of this, she aims that this situation will encourage foreign investments.⁵⁸ In this regard, Pakistan also envisages that

⁵⁷ Haiqing Huang, "China's image in the Belt and Road Initiative: case study of Pakistan and India", Master's Programme in Asian Studies, Lund University, Spring 2018, pp. 49.

⁵⁸ Boyce, *The China-Pakistan Economic Corridor: Trade Security and Regional Implications*, pp. 31.

the project will enable South Asia to expand its trade network and improve its geopolitical domain.

The second opportunity that Pakistan believes will benefit beyond CPEC's regional contribution is that China supports Pakistan's candidacy in becoming a member state of the Nuclear Suppliers Group (NSG) and Pakistan seeks to ensure the continuity of China's support in such an important organization on nuclear trade, security, and technology. Pakistan as a country that aims to increase particularly its political influence wants to turn this situation into her advantage. Thus, she maintains its efforts to develop diplomatic and economic relations with China. In this regard, China's support for Pakistan causes new international implications. Of course, China continues to support Pakistan as long as it serves her self-interest. On the other hand, some states, notably the United States, support India in participation in NSG. Regarding the probable Indian participation in NSG, the United States under the then-President Barack Obama's leadership stated that she welcomes India for membership.⁵⁹

When the CPEC is evaluated in the context of bilateral and multilateral relations between Pakistan, India, China, and the US, it is observed that the corridor has an impact on the ruling battle in South Asia. Increasing Chinese influence in the region causes various concerns on the Indian front. I argue that Pakistan is aware of the concerns of India. However, Pakistan is not only using CPEC as an instrument for its own economic interest but also for political interests because he is pursuing a goal to try to balance India along with this corridor. Besides the economic gains that Pakistan envisages to have from CPEC projects, she also has the ambition to get the opportunity to be at the same level as

⁵⁹ White House Statement. "Joint Statement: The United States and India: Enduring Global Partners in the 21st Century", July 7, 2016. <https://obamawhitehouse.archives.gov/the-press-office/2016/06/07/joint-statement-united-states-and-india-enduring-global-partners-21st>

India in terms of the military. In this regard, she aims to provide geostrategic power dynamics in the region with strategic thinking.⁶⁰

Considering the economic interests of the Belt and Road Initiative, more importance is given to energy projects, and therefore the fact that the majority of the investments involve energy projects reveals the definition of being an economic driver for Pakistan. On the other hand, the industrial development of Free Trade Zones has been defined as another key driver for the CPEC. In this regard, there are 9 SEZs in total within the scope of the CPEC (Figure 12). The Prime Minister of Pakistan Imran Khan states that the CPEC is a golden opportunity for the industrial development of Pakistan and that the SEZs within the corridor were the first step for the future of the country.⁶¹

⁶⁰ Anton Balsirow, *India, Pakistan, and China's One Belt One Road Initiative*, Naval Postgraduate School, June 2019, pp. 53.

⁶¹ "Pakistani PM inaugurates special economic zone under CPEC", January 3, 2020. http://www.xinhuanet.com/english/2020-01/03/c_138677003.htm

Figure 12: CPEC Special Economic Zones (SEZs)

| | |
|---|--|
| 1 | Rashakai Economic Zone, M-1, Nowshera |
| 2 | China Special Economic Zone Dhabeji |
| 3 | Bostan Industrial Zone |
| 4 | Allama Iqbal Industrial City (M3), Faisalabad |
| 5 | ICT Model Industrial Zones, Islamabad |
| 6 | Development of Industrial Park on Pakistan Steel Mills Land at Port Qasim near Karachi |
| 7 | Special Economic Zone at Mirpur, AJK |
| 8 | Mohmand Marble City |
| 9 | Moqpondass SEZ Gilgit-Baltistan |

Source: Official Website of CPEC Authority

Indeed, SEZs are essential for providing FDI attraction and therefore encourage foreign investments. However, with the SEZ which will take part in China-run Gwadar Port and is expected to be completed in 2030, China seeks to make it a strategic and commercial hub by increasing the importance of the port. She is trying to achieve this goal by having some privileges to provide convenience for her self-interest. One of them has already been obtained which is to take advantage of tax exemption. The Economic Coordination Committee (ECC) of Pakistan has provided a 23-year exemption from tax for Gwadar Port.⁶²

⁶² “Key decisions: ECC approves 23-year tax holiday for Gwadar Port”, April 10, 2015. <https://tribune.com.pk/story/867289/key-decisions-ecc-approves-23-year-tax-holiday-for-gwadar-port/>

Gwadar Port, which is the cornerstone of CPEC, is vital for China to achieve her purposes. In this regard, Xi Jinping describes the focal points of the China-Pakistan cooperation in the axis of the win-win situation as, Gwadar Port, energy, infrastructure development, and industrial cooperation.⁶³ In addition, the BRI authorities pointed out the cooperation on connectivity and stated that Chinese enterprises have handled a number of challenges to develop Gwadar Port's production capabilities, carried out programs for the public good and improved people's live in Pakistan.⁶⁴

I argue that, beyond the definition of Xi Jinping related to the importance of Gwadar Port, China seeks to use the Gwadar Port in two main points, these are: saving time and money by facilitating direct access to the oil through the port and enabling the SOEs to work freely in projects by taking advantage of the free trade zones. In addition, they will obtain a number of privileges provided by Pakistan.

Furthermore, Gwadar Port yields quite valuable advantages and benefits for China. The Gwadar Port shorten the traveling distance and reduce the travel time of Chinese imported goods from the Middle East by 90 percent.⁶⁵

Taking all of these into account, China, with the Gwadar Port which has such an important position, aims to take benefit from the port by increasing its domain and effectiveness not only in Southern Asia but also in the Middle East. Thus, she seeks to widen her sphere of influence in one of the strategic centers, the Strait of Hormuz, as well.

⁶³ Xi Jinping, *Building a China-Pakistan Community of Shared Destiny to Pursue Closer Win-Win Cooperation*, Delivered at the Parliament of Pakistan, Islamabad, 21 April 2015.

⁶⁴ *Building the Belt and Road: Concept, Practice and China's Contribution*, Office of the Leading Group for the Belt and Road Initiative, Foreign Languages Press, Beijing, China, May 2017, pp. 39.

⁶⁵ Wu Hongyuran, "Bankers Behind 'Belt and Road' Business Surge", Caixin, December 29, 2015. <http://english.caixin.com/2015-12-29/100893993.html>

Figure 13: Strategic importance of Gwadar Port



Source: Mushtaq, 2017

Most of China's investments in Pakistan are provided by Chinese enterprises with direct investments. The involvement of Chinese SOEs in the CPEC projects in Pakistan poses some repayment risks for the Pakistan economy. The repayment issue of SOEs is one of the main concerns related to the CPEC, particularly considering that the loan agreements between Pakistan and China are being kept confidential.⁶⁶

The magnitude of the investments within the CPEC and increasing Chinese influence in the projects cause China to benefit more than Pakistan. For instance, Karot Hydropower Project that is still being under the construction is the first hydropower project. In addition to this, it is also the first project being constructed with the fund provided by the SRF.⁶⁷ It costs approximately \$2 billion. The project is financed by International Finance Corporation, China's Silk Road Fund. The project is expected to be

⁶⁶ Jacob Mardell and Thomas S. Eder, The BRI in Pakistan: Too big to fail, Mercator Institute for China Studies, September 20, 2018. <https://www.merics.org/en/blog/bri-pakistan-too-big-fail>

⁶⁷ 'Silk Road Fund's 1st investment makes China's words into practice', the State Council of the People's Republic of China, April 21, 2015. http://english.www.gov.cn/news/top_news/2015/04/21/content_281475093213830.htm

completed by the end of 2021 and is built on the basis of “build-operate-transfer” for 30 years.⁶⁸

Considering that China is gaining favor from the BOT model, and on-going financial crisis in Pakistan, I argue that this kind of project will only benefit Pakistan in the long term if the CPEC projects succeed and Pakistan overcomes the financial crisis she is trying to handle. However, in general, the BRI will serve the purpose of China more in all terms.

South Asia is located in a quite strategic position where not only countries in the region but particularly China and the US have interests in the region order to take advantage of its position. In this regard, given China's competition with the United States, Pakistan and India's regional competition has a balancing role in quartet relations. The attitudes of Pakistan and India towards China related to the giant Chinese initiative shape their relations with both China and the United States.

Developing Pakistan-China relations in the axis of the CPEC and China's sphere of influence concerns the United States and India not only in the South Asia region but also in the Persian Gulf and the Indian Ocean, where it is witnessed a cut-throat competition. Siddiqui (2019) states that China aims to create alternative routes for her economic development, which could be an important attempt considering the rising tension between China and the US in the South China Sea. Particularly, related to CPEC, Washington has several concerns. These are, Pakistan’s increasing economic dependency on China and therefore, the probability of weakening relations between Islamabad and

⁶⁸ “Karot Hydro Power Project”, Special Report on CPEC Projects (Energy: Part 10), Embassy of the People’s Republic of China in the Islamic Republic of Pakistan, October 1, 2018.
<http://pk.chineseembassy.org/eng/zbqx/CPEC/t1627107.htm>

Washington and the Chinese challenge to the US, particularly in South Asia. However, CPEC is also described as a response to the US's pivot to Asia strategy.⁶⁹

In summary, taking the unclarity of CPEC projects which are still under construction and Pakistan's current decrepit economy into consideration, it is unlikely to argue that this pilot corridor will succeed under the present conditions. In fact, Pakistan's economy may become more dependent on China in the long run. Because it is an indisputable fact that corridor projects with such large and high investments will increase the number of cards that China will play in the South Asian region. Lastly, in a nutshell, considering the competitive environment in the Indian Ocean, China tends to turn CPEC into a corridor where it will serve economic and particularly political purposes in the Region, both in the short and long term.

⁶⁹ Lisa Curtis, Testimony before the US-China Economic and Security Review Commission, The Heritage Foundation, "China's South Asia Strategy", March 10, 2016.

Chapter Five: Case Study II – India

India is a former corridor partner of China in the context of Bangladesh–China–India–Myanmar economic corridor. The corridor was first proposed by China as part of its initiative and was planned to trace the route starting from China (Kunming), through Myanmar and Bangladesh, finally to Kolkata in India. Later, India refused to endorse the BRI due to her concerns and reluctant attitude. In addition to this, unlike Pakistan, India did not sign the Memorandum of Understanding (MoU) agreement with China. In this regard, given the attitude of India in the framework of the former BCIM, the corridor was decided to be excluded the corridor from the project list at the 2nd Belt and Road Forum held in 2019 in Beijing. India’s concerns are mainly about her sovereignty and territorial integrity and also, criticizes the multilateralism and transparency of the BRI as well as increasing Chinese influence around the South Asia region.

The fundamental approach of India in regard to the BRI is that China’s purposes are against Indian interests in South Asia. New Delhi argues that the Initiative is being used to geo-strategically expand and regional influence which poses a threat to India’s territorial integrity and sovereignty. Additionally, India believes that China’s one of the main purposes is to increase sea power by constructing ports on the Indian Ocean which is described as the backyard of India.

Undoubtedly, the competition of maritime trade is essential. Chinese BRI has two main routes, the land, and sea routes. Although goods are transported slower in the sea route compared to the land route, ships have a higher capacity to carry goods in the sea route in comparison to freight trains. Therefore, this is one of the reasons for China in order to dominate the Indian Ocean and control the trade network in the region. In this regard, India is not willing to lose its regional superiority to China. As a matter of fact,

India seeks to prevent not only China but also the external powers in order to block their domination in the Indian Ocean, which is one of the fundamental elements of its foreign policy.

India is also closely monitoring the situations pursuing in the other regions of the BRI. New Delhi argues that Chinese enterprises currently are facing repayment issues and are not making profits. In addition to this, it is also stated that the issues since the Initiative had launched, Chinese enterprises already have been started to face bankruptcy problems due to the magnitude of the investments. Hereof, the debt problems that the participant countries in South Asia such as Pakistan and Maldives as well as Djibouti in East Africa, will face in the huge infrastructure projects.⁷⁰ Consequently, given the fragile economies that these countries have, the debt problems will cause a critical degree of dependency on China.

In regard to the financial obstacles and problems could cause by Chinese state-owned and private enterprises, particularly SOEs' situation in India has to be taken into consideration in order to evaluate whether they have a suitable operating environment or not. Basically, the financial process for Chinese SOEs in India remains slow because of Indian security agencies' conservative and cautious attitude and therefore, the Chinese SOEs in India have limited employment areas due to the country's strict regulations.⁷¹ On the other hand in Pakistan, SOEs enjoy much elbow room and various economic privileges. Hence, Pakistan provides Chinese SOEs with easier operating opportunities and offering a more suitable working environment in comparison to India.

⁷⁰ John Hurley, Scott Morris and Gailyn Portelance, China's Belt and Road Initiative may bankrupt 8 nations while financing infrastructure, *The Print*, March 6, 2018. <https://theprint.in/opinion/chinas-belt-and-road-initiative-bankrupt-nations-financing-infrastructure/39561/>

⁷¹ Jabin T. Jacob, China's Belt and Road Initiative: Perspectives from India, *China & World Economy*, Vol. 25, No. 5, 2017, pp. 85.

Jacob (2017) argues that the Chinese enterprises' ownership structure is hard to be verified and this could cause diverse problems about local laws and regulations in India. He further points out that transparency is one of the key issues for India and that the adaptation process of the Chinese enterprises in the 'Indian business ecosystem' could be possible only if more transparency is achieved.⁷²

Besides the envisaged financial problems that could emerge within the BRI, India also concerns about China's increasing maritime power and its domain in the Indian sea in South Asia. Considering all of these, the transparency of the project is believed to be controversial. Hence, India skeptically takes a stand against the Initiative and, Indian officials believe that there is uncertainty about the project and that the reality is different than it seems. Manish Tewari, the foreign policy spokesman for the Indian Congress Party, expresses his opinion about the BRI as follows. India does not refuse to the idea of connectivity that China comes up with to describe the importance of the Initiative, however, she is suspicious and defines the intent of the projects more strategic rather than connectivity focused.⁷³

Considering the reluctant attitude of India towards the idea of participation in China's BRI, there are four main concerns of New Delhi to express. The first concern is related to the route of the China-Pakistan Economic Corridor (Figure 11). The CPEC line passes through PAK (Pakistan Administrated Kashmir) or in other words Azad Kashmir by following the way of Karakoram Railway in the region. In this regard, considering the Kashmir Conflict between India and Pakistan since 1947, India believes that the route where CPEC is passing through is against her territorial integrity and sovereignty. In

⁷² Jabin T. Jacob, China's Belt and Road Initiative: Perspectives from India, *China & World Economy*, Vol. 25, No. 5, 2017, pp. 85.

⁷³ Manish Tewari, India's perspective on China's Belt and Road Initiative, Foreign Policy Spokesman for the Indian Congress Party, on China's intentions with the BRI, *Internationale Politik und Gesellschaft*, October 20, 2018. <https://www.ips-journal.eu/videos/show/article/show/indias-perspective-on-chinas-belt-and-road-initiative-3103/>

addition to this, it may cement Pakistan's claim in the disputed POK territory as well as Gilgit Baltistan. Hence, increasing the Chinese-Pakistani relationship in the framework of CPEC emerges as a concern for India.

The second concern of India is about navy competition in the Indian Ocean. India argues that 'the real rationale' behind the BRI is to control the Indian Ocean and increase Chinese political and maritime interests.⁷⁴ The increasing influence of the Chinese navy is a reason for India to be suspicious of the BRI. China seeks to increase its maritime power by constructing ports and controlling trade lines, particularly in the Indian Ocean Region. In this regard, she aims to strengthen its geostrategic position and its influence in the sea routes by constructing ports such as Hambantota in Sri Lanka and Gwadar in Pakistan. Undoubtedly, China's ambition to increase its effectiveness in the ocean is not limited to these two ports. Furthermore, related to India's concern, the joint patrolling by the Pakistani and Chinese navies in the Arabian Sea located in India's western seaboard poses a risk to be a direct threat to India's energy and resource supply ports.⁷⁵ In the Indian Ocean, considering the bases, ports, facilities, and stations of China, the United States, and India, it is probable to notice a base war (Figure 14).

⁷⁴ Hong Yu, Motivation behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank, *Journal of Contemporary China*, 2017, pp. 367.

⁷⁵ Manish Tewari, OBOR is the grandest failure of Indian foreign policy. *The Indian Express*, May 17, 2017. <https://indianexpress.com/article/opinion/obor-is-the-grandest-failure-of-indian-foreign-policy-4657738/>

Figure 14: Power Balance in the Indian Ocean



Source: Geopolitical Intelligence Services (GIS) (International Maritime Bureau, Center for International Maritime Security)

The third concern is Pakistan’s probable economic influence. If the projects in CPEC considerably succeeds, there will be an expectation of India that Pakistan is going to increase its economic influence in the region with the support of China. In this regard, it could be evaluated that this situation might weaken the dominance of India in regional competition against Pakistan. Hence, the balance of the relationship between the two regional South Asian powers that have been trying to deter each other for many years can be disturbed by the BRI. Given the Pakistan-India-China-US quadripartite relationship, Pakistan is backed by China’s economic power and describes China as an ally. On the other hand, India tends to exhibit a pro-American policy and quite chary towards China's actions in the region.

The fourth concern is related to the reason behind India’s suspicious attitude towards the BRI. In this regard, India discusses the transparency of the Initiative and

seeks to know the reality behind it. I argue that India describes the Initiative as that a serving instrument to China's hegemonic purposes in order to create a new Sino-centric world order. Because India's concerns point out to the issue that new international order is intended to be systematically built by China. In addition to this, Given India's pro-American attitude in this regard, she aims to enhance military and maritime cooperation in the region and provide engagement with the United States.⁷⁶

Also, Indian officials believe that the BRI is going to cause an infrastructure deficit problem for countries and that India must draw her own path in order to not to have such problems.⁷⁷ In this regard, Pakistan remains to borrow and make concessions to China due to its current economic situation and inadequate economic initiatives in CPEC projects.

As a crystal-clear fact, India's territorial issues with Pakistan since 1947, is the cornerstone to be concerned about her territorial integrity as well as developing relations between Islamabad and Beijing within BRI. Hence, it is not welcomed by India that the improvement and renewal of railway and highways in POK have been maintained with the support of China.

As a result, although China seeks to use the strategic importance of Pakistan in order to realize her geostrategic ambitions in the scope of her giant investment instrument, BRI, Pakistan considers China–Pakistan Economic Corridor (CPEC) as a great opportunity to enhance her economy and a tool to balance India. On the other hand, India has diverse concerns related to the Initiative's presence in the South Asia region such as conflicts related to the disputed areas with Pakistan, improving Pakistani-Chinese

⁷⁶ Anton Balsirow, India, Pakistan, and China's One Belt One Road Initiative, Naval Postgraduate School, June 2019, pp. 34.

⁷⁷ Anton Balsirow, India, Pakistan, and China's One Belt One Road Initiative, Naval Postgraduate School, June 2019, pp. 35.

relations, and extending China's sphere of influence both in the land and the sea, particularly in the Indian Ocean region. In addition, India aims to balance the unpredictable hegemon, China. In conclusion, it is likely to evaluate the attitude of Pakistan and India within two opposite frameworks as positive and negative in the Initiative. Whilst China seeks to use BRI as an instrument to achieve political and economic goals, Pakistan and India, the two rivals in the South Asia region, consider the BRI in the direction of their strategic purposes in order to balance each other.



Chapter Six: Conclusion

China evaluates the Belt and Road Initiative within the framework of the win-win policy, which supports the theory of the positive-sum game. Thus, she describes the Initiative as a contribution to the economic development of the participant countries. On the other hand, this initiative, which contains billions of dollars of projects, brings along various criticisms about whether the participant countries will gain equal benefits from the projects or not. The biggest of these criticisms come from the Indian front, which refuses to sign the Memorandum of Understanding agreement with China and to be a part of the Belt and Road Initiative. In this thesis, the political reasons behind China's economically based approaches and concordantly, her developing regional geostrategic goals are mentioned. In this regard, it is argued that China seeks to use the Belt and Road Initiative as an instrument to actually serve its political purposes.

CPEC, the pilot corridor of the Belt and Road Initiative, undoubtedly has strategic importance for China. Within this corridor, Pakistan aims to take advantage of Chinese investments and use this situation as a balancing tool against India. On the other hand, India has determined the concepts of territorial integrity and sovereignty as its red line. Therefore, due to the route of CPEC passing through Kashmir, the disputed area between Pakistan and India, she evaluates that the corridor is against territorial integrity and sovereignty. In addition to this, the increasing Chinese sphere of influence in the Indian Ocean is perceived as an unforeseen threat to India. When the geo-strategic ambitions of China in the Belt and Road are examined, it is likely to observe that the projects do not only include mutual economic gains.

This thesis aims to present a strategic perspective on the Pakistan-India-China tripartite relations in regard to the reflection of the One Belt One Road to the South Asia

Region. In order to do so, it evaluates BRI under the framework of International Regime theory. Because, as it is stated in this study, Unlike International organizations, international regimes created by a hegemon deal with a single issue. In this regard, the first finding of this study is that: The Belt and Road Initiative, launched by President Xi in 2013, is an international regime China has built to serve its own political goals. Furthermore, in this respect, China designs the projects of the Initiative in accordance with this policy.

The second finding of the thesis is related to the on-going competition for many years between Pakistan and India. This competition between the two South Asian forces acquired a different dimension with China's Belt and Road Initiative. Also, it is inevitable that the competitive environment will gain momentum in the coming years in South Asia and particularly in the Indian Ocean with the increasing power of China.

The third finding of this study is that China aims to have great and quick access to world markets within One Belt One Road projects by using the corridor routes. In addition, China seeks to become an important sea power in order to control maritime sea roads. In this regard, creating an energy demand-supply chain is her one of the objectives.

The fourth finding is related to the SOE-government relationship in the context of the Belt and Road Initiative. China aims to thrust SOEs forward, one of the auxiliary tools for foreign investments in OBOR countries for China in the international arena. Hence, SOEs could globally increase their influence and get support in the competitive business environment abroad. On the other hand, some of the SOEs want to label their on-going or planned projects as BRI projects in order to get the support of the Chinese government. BRI, in other words, acts as a tool and takes on a task for the internationalization of Chinese enterprises.

Regarding the approaches to the Initiative, Pakistan and India take place in two separate poles as positive and negative. Hence, in this thesis, the reasons of the different approaches of these two countries are explained. On the one hand, Pakistan seeks to participate in BRI to facilitate its economic development or to solve the problems in this regard, and to get support from a rising power like China in the international arena. As a matter of fact, Pakistan has become the country where China invested most in the BRI.

India's reluctant attitude led to the former BCIM corridor being removed from the list of the corridors at the 2nd Belt and Road Forum held in 2019. Regarding not being a part of BRI, India has various legitimate concerns and these concerns, as stated in the thesis, are mostly about her territorial integrity and sovereignty.

In addition to all of the above, China's increasing power in the Indian Ocean by constructing ports and controlling trade lines attracts the attention of not only India but also the United States. In this regard, in the White House report under the title of "United States Strategic Approach to the People's Republic of China" published on May 20, 2020, the US states that China is designing the Belt and Road Initiative to reshape international norms and standards.⁷⁸ Also, in the related report, Washington also argues that China aims to transform the BRI projects into undue political influence and military access to serve their own purposes. Considering the concerns of India, one of the implications of this thesis is that New Delhi and Washington have similar thoughts.

Regarding the opposers to the BRI, the Blue Dot Network (BDN) which is a joint initiative of the United States, Australia, and Japan is a counter maneuver against the Belt and Road Initiative. In particular, given Washington's New Indo-Pacific Policy, the US is intended to provide support to BDN in order to control of trade routes in the Pacific Ocean. I argue that India, which is the key country in the Indo-Pacific region, has an

⁷⁸ The White House Report, *United States Strategic Approach to the People's Republic of China*, May 20, 2020.

important role in the development of bilateral and multiple relations in the Region. In addition, developing bilateral relations between Beijing and Islamabad could expose the possibility that the United States' influence in the region decreases, or in other words that increases China's sphere of influence. Thus, China could have an opportunity to challenge the US in the region. This could lead to countries in South Asia having tough times in trying to balance their relationship with these two giants.

As a result of this thesis, it is argued that China's Belt and Road Initiative is an instrument that is designed by China to serve her political interests. In addition, it has been observed that the rivalry between Pakistan and India tends to form within the Initiative. Also, although the Belt and Road Initiative's being brought to the forefront under such a wide-ranging and mutually economic acquisition framework, however, has not yet fully achieved its reliability in the international arena. Finally, not every country is willing to participate in this initiative, as in the case of India, BRI has the potential to contradict the countries' own political and economic goals and interests.

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Appendixes

Appendix 1:

Table 1: B&R – China’s Many Motives

| | |
|------------------|--|
| Trade | <ul style="list-style-type: none"> • Remove physical bottlenecks to trade in Eurasia • Foster new export markets for Chinese goods • Promote the renminbi’s (RMB) internationalization through billions of RMB-denominated transactions related to project payments and loans |
| Economic | <ul style="list-style-type: none"> • Accelerate economic growth and state-owned enterprise (SOE) profits through new infrastructure contracts • Prepare domestic Chinese companies for global competition through exposure to international projects and management practices • Pair ongoing SOE restructuring with a favorable business environment for completing contracts • Find new avenues for credit expansion and economic growth outside of China |
| Political | <ul style="list-style-type: none"> • Project a softer image to neighbors by demonstrating leadership, generosity, and a commitment to clean energy investment • Showcase China-led multilateral institutions, build credibility and standing among international agencies • Create a foreign policy legacy for Xi Jinping’s presidency |
| Military | <ul style="list-style-type: none"> • Secure strategic access to ports and air facilities through commercial investments in poor but politically friendly countries. B&R investments such as Gwadar Port in Pakistan and Hambantota port in Sri Lanka have raised alarm in India that China plans to encircle the region • In the course of securing projects and running supply lines, expand China’s naval and military reach in Belt and Road geographies |
| Security | <ul style="list-style-type: none"> • Bring stability to China’s poorer Central and Western provinces through accelerated economic development and physical connection to the rest of China • Open alternative routes for oil and gas imports. Roughly 80% of China’s energy supplies today pass through the narrow Malacca Straits |

Source: (Gan, 2018, pp. 2)

Appendix 2:

Table 2: Fortune Global 500: 3 of the top 5 are Chinese State-Owned Enterprises

| FORTUNE GLOBAL 500: | | |
|--|--|---------------|
| 3 of the top 5 are Chinese State-Owned Enterprises | | |
| | | Revenue (\$M) |
| 1 | Walmart (U.S.) | 500,343 |
| 2 | State Grid (China) | 348,903 |
| 3 | Sinopec Group (China) | 326,953 |
| 4 | China National Petroleum | 326,008 |
| 5 | Royal Dutch Shell (Netherlands) | 311,870 |

More than **one-fifth** of the world's biggest companies are **Chinese.**

<http://fortune.com/global500/list/>

Source: Fortune Global 500

Appendix 3:

Table 3: List of Chinese Enterprises

| | |
|----|--|
| 1 | China National Gold Group Corporation |
| 2 | China National Cotton Reserves Corporation |
| 3 | China General Nuclear Power Group |
| 4 | The Power Construction Corporation of China |
| 5 | China TravelSky Holding Company |
| 6 | China Energy Engineering Group Co. Ltd. |
| 7 | Xinjiang Cathay International Group Co. Ltd. |
| 8 | China National Travel Service (HK) Group Corporation |
| 9 | China Poly Group Corporation |
| 10 | China Resources |
| 11 | China Merchants Group |
| 12 | China National Administration of Coal Geology |
| 13 | China Metallurgical Geology Bureau |
| 14 | State Development & Investment Corporation |
| 15 | China State Construction Engineering Corporation Limited |
| 16 | China National Pharmaceutical Group Corporation |
| 17 | China General Technology (Group) Holdings Co., Ltd. |
| 18 | China Architecture Design & Research Group |
| 19 | China Minmetals Corporation |
| 20 | China Forestry Group Corporation |
| 21 | COFCO Corporation |
| 22 | China Railway Signal & Communication Corporation Limited |
| 23 | China Silk Corporation |
| 24 | Sinochem Group |
| 25 | China National Agricultural Development Group Co., Ltd. |
| 26 | China Southern Air Holding Company |
| 27 | China Eastern Air Holding Company |
| 28 | China National Aviation Holding Company |
| 29 | Datang Telecom Technology & Industry Group |
| 30 | China Communications Construction Company Limited |
| 31 | China COSCO Shipping Cooperation |
| 32 | Potevio Company Limited |
| 33 | China Railway Construction Corporation Limited |
| 34 | China Railway Group Limited |
| 35 | Ansteel Group Corporation |
| 36 | Dongfang Electric Corporation |
| 37 | CRRC Corporation Limited |
| 38 | China National Machinery Industry Corporation |
| 39 | China Academy of Building Research |
| 40 | China First Heavy Industries |
| 41 | Dongfeng Motor Corporation |
| 42 | FAW Group |
| 43 | China Electronics Corporation |
| 44 | China Mobile Limited |

| | |
|----|---|
| 45 | Beijing General Research Institute of Mining and Metallurgy |
| 46 | General Research Institute for Nonferrous Metals |
| 47 | China Nonferrous Metal Mining (Group) Co., Ltd. |
| 48 | China United Network Communications Group Co., Ltd. |
| 49 | China Hualu Group Co., Ltd. |
| 50 | China Hi-Tech Group Corporation |
| 51 | Senhua Group Corporation Ltd. |
| 52 | China National Salt Industry Corporation |
| 53 | China Three Gorges Corporation |
| 54 | The China National Arts & Crafts (Group) Corp. |
| 55 | State Power Investment Corporation |
| 56 | China Guodian Corporation |
| 57 | FiberHome Technologies |
| 58 | China National Chemical Engineering Group Corporation |
| 59 | China National Chemical Corporation |
| 60 | Overseas Chinese Town |
| 61 | China Iron & Steel Research Institute Group |
| 62 | China Huaneng Group |
| 63 | China Southern Power Grid Co., Ltd. |
| 64 | State Grid Corporation of China |
| 65 | China National Offshore Oil Corporation |
| 66 | Sinosteel Corporation |
| 67 | China Academy of Machinery Science and Technology |
| 68 | China Coal Technology & Engineering Group Corp. |
| 69 | China Petrochemical Corporation |
| 70 | China National Coal Group Corp. |
| 71 | China National Petroleum Corporation |
| 72 | China Chengtong Holdings Group Co., Ltd. |
| 73 | China XD Group |
| 74 | China Electronics Technology Group Corporation |
| 75 | Commercial Aircraft Corporation of China, Ltd. |
| 76 | China North Industries Group Corporation |
| 77 | China Shipbuilding Industry Corporation (CSIC) |
| 78 | China Railway Materials Commercial Corp. |
| 79 | China State Shipbuilding Corporation (CSSC) |
| 80 | Aviation Industry Corporation of China |
| 81 | China Aerospace Science and Industry Group |
| 82 | China Aerospace Science and Technology Corporation |
| 83 | China Nuclear E&C Group |
| 84 | China National Nuclear Corporation |

Source: Belt and Road Portal of the People's Republic of China, yidaiyilu.gov.cn

Appendix 4:

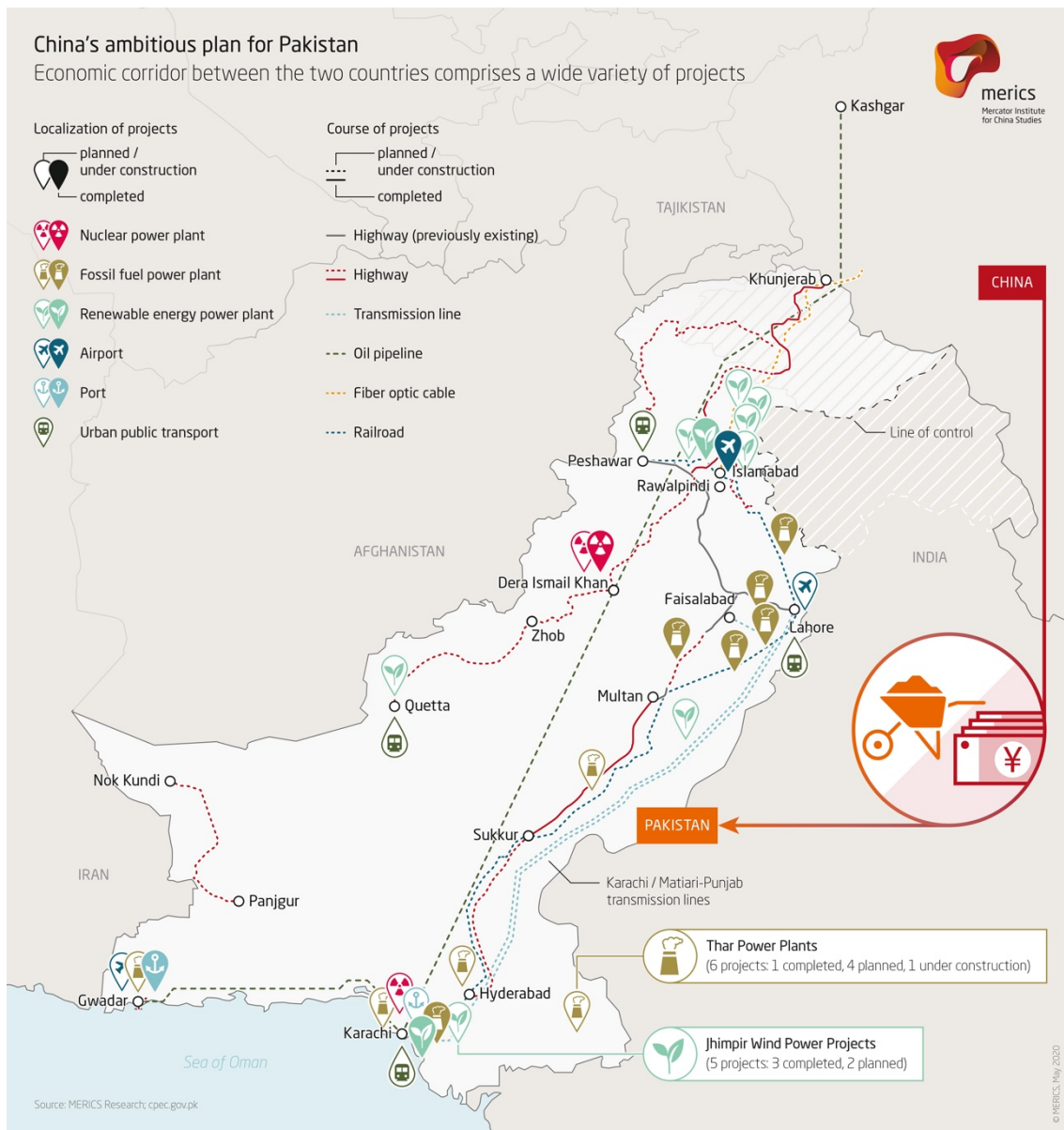
Table 4: List of CPEC Projects

| CPEC-Energy Priority Projects | | | |
|---|---|------|-------------------------|
| # | Project Name | MW | Estimated Cost (US\$ M) |
| 1 | Sahiwal 2x660MW Coal-fired Power Plant, Punjab | 1320 | 1912.2 |
| 2 | 2x660 MW Coal-fired Power Plants at Port Qasim Karachi | 1320 | 1912.2 |
| 3 | HUBCO Coal Power Project, Hub Balochistan | 1320 | 1912.2 |
| 4 | Engro 2x330MW Thar Coal Project | 660 | 995.4 |
| | Surface mine in block II of Thar Coal field, 3.8 million tons/year | - | 630 |
| 5 | Quaid-e-Azam 100MW Solar Park (Bahawalpur) | 400 | 520 |
| | Quaid-e-Azam | 600 | 781 |
| 6 | Hydro China Dawood Wind Farm (Gharo, Thatta) | 49.5 | 112.65 |
| 7 | UEP Wind Farm (Jhimpir, Thatta) | 99 | 250 |
| 8 | Sachal Wind Farm (Jhimpir, Thatta) | 49.5 | 134 |
| 9 | Three Gorges Second and Third Wind Power Project | 100 | 150 |
| 10 | SSRL That Coal Block-I 6.8 mtpa & Power Plant (2x660MW) (Shanghai Electric) | 1320 | 1912.12 |
| 11 | HUBCO Thar Coal Power Project (Thar Energy) | 330 | 497.70 |
| 12 | ThalNova Thar Coal Power Project | 330 | 497.70 |
| 13 | Karot Hydropower Station | 720 | 1698.26 |
| 14 | Suki Kinari Hydropower Station, Naran, Khyber Pukhtunkhwa | 870 | 1707 |
| 15 | Matiari to Lahore ±660kV HVDC Transmission Line Project | - | 1658.34 |
| 16 | 300MW Imported Coal Based Power Project at Gwadar, Pakistan | 300 | 542.32 |
| 17 | Thar Mine Mouth Oracle Power Plant (1320MW) & surface mine | 1320 | Yet to be determined |
| CPEC-Energy Actively Promoted Projects | | | |
| 18 | Kohala Hydel Project, AJK | 1100 | 2364.05 |
| 19 | Cacho 50MW Wind Power Project | 50 | - |
| 20 | Western Energy (Pvt.) Ltd. 50MW Wind Power Project | 50 | - |
| CPEC-Potential Energy Projects | | | |
| 21 | Phandar Hydropower Station | 80 | - |
| 22 | Gilgit KIU Hydropower | 100 | - |
| CPEC Gwadar Projects | | | |
| 23 | Gwadar East-Bay Express Way | - | 168 |
| 24 | New Gwadar International Airport | - | 230 |
| 25 | Construction of Breakwaters | - | 123 |
| 26 | Dredging of berthing areas & channels | - | 27 |
| 27 | Development of Free Zone | - | 32 |
| 28 | Pak China Friendship Hospital | - | 100 |

| | | | |
|-----------------------------|--|--------------------|--------------------------------|
| 29 | Pak-China Technical and Vocational Institute at Gwadar | - | 10 |
| 30 | Gwadar Smart Port City Master Plan | - | 4 |
| # | CPEC Other Projects | | |
| 31 | Cross Border Optical Fiber Cable | - | 37.4 |
| 32 | Pilot Project of Digital Terrestrial Multimedia Broadcast (DTMB) | - | 4 |
| # | CPEC Infrastructure Projects | Length (km) | Estimated Cost (US\$ M) |
| Road | | | |
| 33 | KKH Phase II (Thakot-Havelian Section) | 118 | 1,315 |
| 34 | Peshawar-Karachi Motorway (Multan-Sukkur Section) | 392 | 2,889 |
| 35 | Khuzdar-Basima Road N-30 | 110 | 19.19 Billion Rupee |
| 36 | Upgradation of D.I.Khan (Yarik)-Zhob, N-50 Phase-I | 210 | 76 Billion Rupee |
| 37 | KHH Thakot-Raikot N35 remaining portion | 136 | |
| Rail Sector Projects | | | |
| 38 | Expansion and reconstruction of existing Line ML-1 | 1,830 | 8,172 |
| 39 | Havelian Dry port (450 M. Twenty-Foot Equivalent Units) | - | 65 |

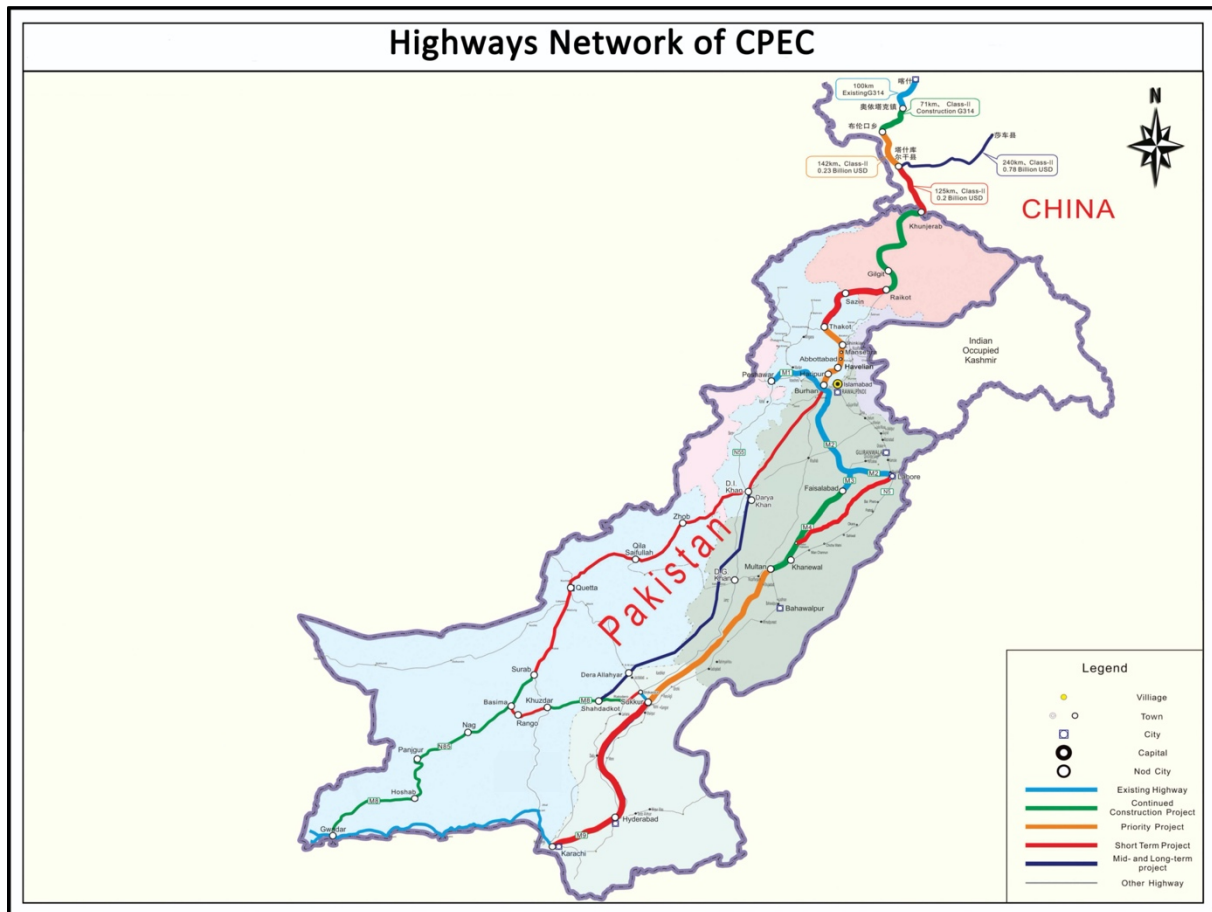
Source: CPEC Authority (Ministry of Planning Development & Special Initiatives of Pakistan), cpec.gov.pk

Appendix 5:



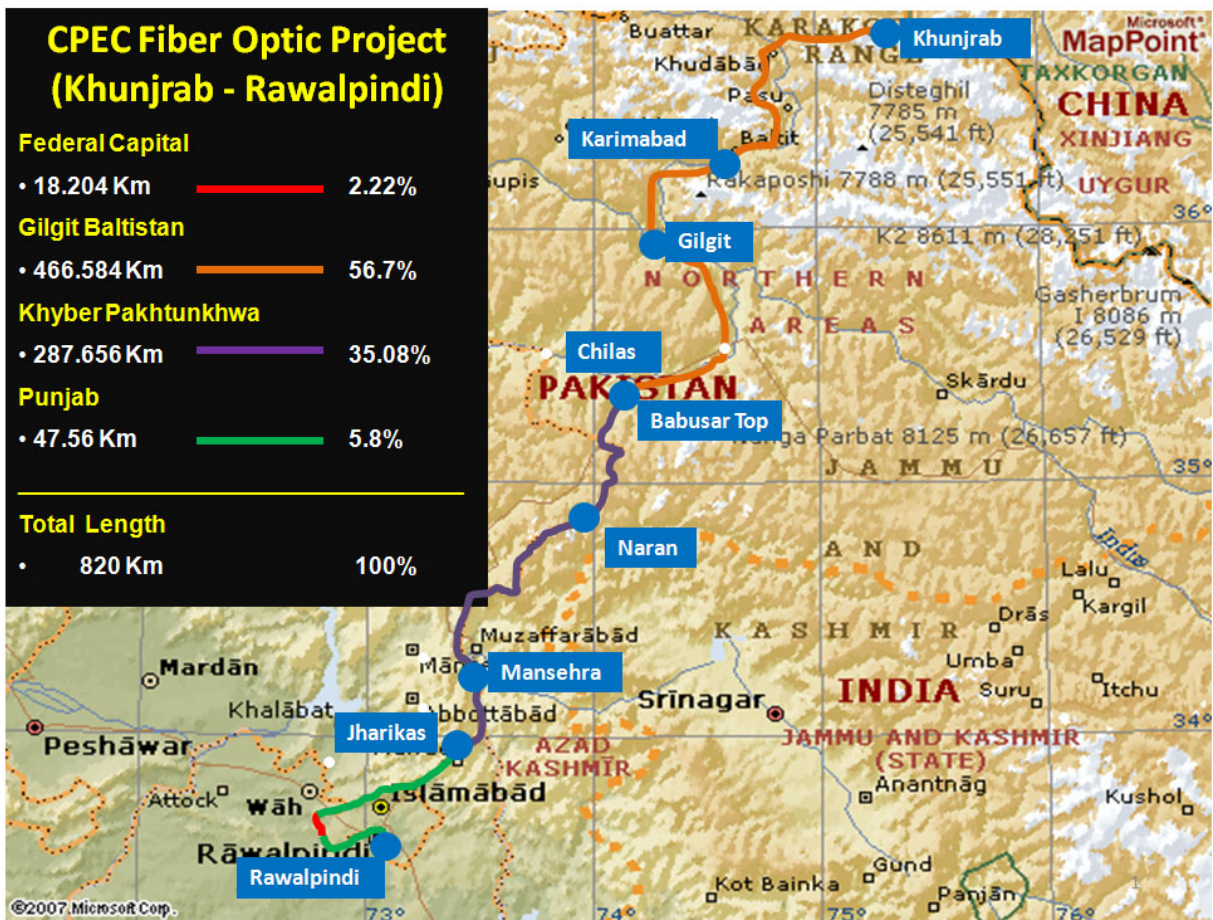
Source: MERICS (Mercator Institute for China Studies) Research, CPEC Authority (cpec.gov.pk)

Appendix 7: Highways Network of CPEC



Source: CPEC Authority (Ministry of Planning Development & Special Initiatives of Pakistan), cpec.gov.pk

Appendix 8: CPEC Fiber Optic Project (Khunjrab-Rawalpindi)



Source: CPEC Authority (Ministry of Planning Development & Special Initiatives of Pakistan), cpec.gov.pk