

**Building a New Economic Silk Road:  
Advancing the Chinese Approach**

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## **Abstract**

China's One Belt, One Road (OBOR) initiative is a major, 21<sup>st</sup> century undertaking that reflects China's growing economic and political power. It not only provides solutions for China's own economic needs, like markets for its products and alleviating industrial overcapacity, but helps to draw countries along the Belt and Road further into the gravitational pull of China's large economy. Moreover, OBOR both embodies and propagates the ideas underpinning China's own quest to develop economically and mark out its place in the global system: the "Chinese approach" that includes prioritizing the hardware of economic development, state involvement in the economy, foreign policy based on equality, and cultivation of people-to-people exchange. This Chinese approach may just be one of the most influential "exports" along the Belt and Road, attracting developing countries that are increasingly dissatisfied with Western politico-economic prescriptions for development. As the existing world hegemon, the U.S. has a choice to make: does it embrace OBOR and come to terms with the world's growing multipolarity or take a more adversarial approach, seeking to defend its regional and global hegemony?

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## New Silk Road Economic Belt and New Maritime Silk Road



Source: CCTV America

## Chapter 1

### Introduction

Just over one year ago, China designated the remote outpost of Horgos in its westernmost province of Xinjiang as the country's newest "city," hoping to make Horgos an international economic hub linking China with her western neighbors. Located on the border between modern-day Kazakhstan and China, Horgos was a thriving transit port along the ancient Silk Road. As trade along the Silk Road abated through the centuries, Horgos steadily lost importance and was ultimately closed after the Russian revolution in 1917 due to tension between Moscow and Beijing. The town has since reopened but never regained its former prominence- that is, until now. With a new focus on transforming Horgos into a prominent city, China has built an expressway connecting Horgos to China's inner regions and a railway connecting China's rail network to Kazakhstan's. A free trade zone has been established around the city where goods are traded without cumbersome tariffs or taxes. As a result, Horgos now teems with traders and work crews building infrastructure. By the end of 2016, Horgos will sit at the center of a transcontinental highway stretching from China's east-coast port of Lianyungang to Russia's St. Petersburg, giving the city major importance for geo-politics and geo-economics in Eurasia.<sup>1</sup> The story of Horgos is profound in and of itself, but more importantly the city is part of a broader initiative led by China to drive economic connectivity between Europe, Asia, and East Africa, establishing a "New Economic Silk Road" that will integrate economies more seamlessly and spread Chinese influence more broadly.

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<sup>1</sup> Michael Page, "5 Things to Know about Horgos and China's New Silk Roads," *Wall Street Journal*, November 9, 2014, <http://blogs.wsj.com/briefly/2014/11/09/5-things-to-know-about-horgos-and-chinas-new-silk-roads/> (accessed October 22, 2015).

China's President Xi Jinping announced the "One Belt, One Road" initiative (OBOR) in October of 2013 while speaking at Nazarbayev University in Kazakhstan. Harking back to China's ancient past, Xi hopes to revitalize the ancient Silk Road by developing a 21<sup>st</sup> century Maritime Silk Road and an overland Silk Road Economic Belt through investing billions of dollars in railroads, highways, and seaports across Eurasia, Southeast Asia, and East Africa. His vision is to develop both "hard" and "soft" connectivity between these regions through increased investment in trans-national transportation infrastructure and regional political cooperation. By spurring more trade and cross-border investment among China and her neighbors, China hopes to generate better economic growth in the region and to achieve "win-win" cooperation.<sup>2</sup>

One Belt, One Road will be a sweeping initiative that covers most of the world. OBOR will interact with economies representing more than 40% of world GDP and more than 50% of the world's population. To date, the initiative has garnered future investments of nearly \$1 trillion USD. In comparison, the Marshall Plan undertaken by the U.S. post World War II cost only an inflation-adjusted \$130 billion USD.<sup>3</sup> In 2015, China founded a multilateral development bank called the Asian Infrastructure Investment Bank (AIIB) to support the OBOR initiative. The AIIB boasts 57 founding signatory members, including most major world powers with the exception of the U.S. and Japan, and \$100 billion USD of starting capital.<sup>4</sup> In addition, China created a \$40 billion USD fund called the New Silk Road Fund designed to invest in OBOR

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<sup>2</sup> Xi Jinping, "Promote Friendship Between Our People and Work Together to Build a Bright Future," Speech, Nazarbayev University, Astana, September 7, 2013, <http://calgary.china-consulate.org/chn/lgxw/t1182304.htm>

<sup>3</sup> Vikram Mansharamani, "China is spending nearly \$1 trillion to rebuild the Silk Road," *PBS*, March 2, 2016, <http://www.pbs.org/newshour/making-sense/china-is-spending-nearly-1-trillion-to-rebuild-the-silk-road/> (accessed March 6, 2016)

<sup>4</sup> Ministry of Finance of the People's Republic of China, News Office, "Signing ceremony of the Asian Infrastructure Investment Bank accords held in Beijing."

projects.<sup>5</sup> Necessarily so, given the ambitious scope of the initiative, China is unleashing a wide breadth of financial fire power to bring OBOR to fruition.

The discourse surrounding One Belt, One Road has predominately focused on the economic strategies and business opportunities associated with it. Officials and academics both Western and Chinese alike find convergence on a variety of Chinese strategic interests underlying OBOR, which include helping to fill Asia's \$800 billion USD infrastructure gap, internationalizing the Renminbi, and relieving China's problem of industrial overcapacity.<sup>6</sup> Business and economic consultancies around the world have scrambled to understand how OBOR will create opportunities for their clients.<sup>7</sup> Given that OBOR is largely in the planning stages and little tangibly has been completed, however, these conversations are necessarily speculative. Projections of economic impact must rely on rhetoric and not data. Nevertheless, China's plans for OBOR, while lacking in specificity, provide rich insights into the economic and political ideology underpinning the initiative. Unpacking this ideology, how it parallels broader historical trends, and what this means for countries along the Belt and Road is perhaps equally if not more important than predicting OBOR's economic impact, especially at this stage of development when aspirations and broad frameworks abound but tangible action is scarce. Accordingly, this essay focuses on how OBOR represents a loosely formed Chinese ideology of political and economic development- the "Chinese approach"- and how China's own experience is reflected in OBOR.

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<sup>5</sup> Wei, Xi, State Council News Office, "10 billion USD put in place for the first phase of the Silk Road Fund, 65% of which comes from foreign reserves."

<sup>6</sup> Wulai Jin, "The positive and negative effects of the One Road, One Belt policy on China's economic development," *Sichuan daxue jingji xueyuan*, 2015.

<sup>7</sup> Francis Cheung, "Blowing bubbles: Inflated by SOE reform and OBOR," *Credit Lyonnais Securities Asia*, May 8, 2015.

The significance of One Belt, One Road is in fact much more than nuts and bolts, dollars and diplomacy, slogans and rhetoric. It represents the Chinese narrative of national rejuvenation which permeates every aspect of the 21<sup>st</sup> century Chinese Communist Party, and it serves to extend the Chinese approach to politics and economics that has unassumingly begun to erode the ideological supremacy of the U.S. and the West. As the world hegemon, the United States and the liberal world order it seeks to promote is facing a legitimate alternative from a non-democratic, quasi-capitalist China. Granted, Beijing itself has downplayed the notion of strategically challenging the West. China's Foreign Minister, Wang Yi, said, "China's Belt and Road initiatives are not a tool of geopolitics and should not be viewed with the outdated Cold War mentality."<sup>8</sup> Regardless of intention, however, Beijing's actions have inescapable ideological implications. Simply through having achieved an "economic miracle" while maintaining relative social order, China's example has garnered attention of politicians from Nairobi, to Hanoi, to Brasilia who are growing increasingly dissatisfied with the liberal, market-fundamentalist model touted by the U.S. and the West. Many of these politicians would like nothing more than to achieve even a fraction of the economic success of China. After the fall of the Soviet Union, the famous political scientist Francis Fukuyama heralded the arrival of, "the end of history...that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government."<sup>9</sup> The rise of China has suggested that history is still very much unfolding, and countries around the world are watching closely. The One Belt, One Road initiative is the next major chapter of this historical narrative.

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<sup>8</sup> National People's Congress and Chinese People's Political Consultative Conference, *China's 2015 Diplomacy Focuses on 'Belt and Road'*.

<sup>9</sup> Francis Fukuyama, "The End of History?," *The National Interest*, Summer 1989.

First, the One Belt, One Road initiative plays into a broader historical trend of Chinese rejuvenation. During the 19<sup>th</sup> and 20<sup>th</sup> centuries, China lost her importance in global affairs, falling behind what are now developed countries both economically and technologically. China is a historically proud civilization with a long record of technological and social advancement. Indeed, the Chinese word to describe the motherland is “Middle Kingdom,” which reflects China’s centrality in the minds of those who live there. But, as Britain and other European powers industrialized and expanded their colonial spheres of influence in the 19<sup>th</sup> and 20<sup>th</sup> centuries, China remained relatively isolated. During the “century of humiliation,” China suffered at the hands of colonizers like the British and Japanese through events such as the Opium Wars and the Rape of Nanjing. More recently, China has undergone societal upheaval and famine during the Cultural Revolution. Emerging from this background, Deng Xiaoping initiated China’s Reform and Opening Up period in the early 1980s to transition China into a more markets-based economy. Since this time, China has cautiously liberalized economically and seen unprecedented growth, becoming the world’s second-largest economy. In fact, China has seen the quickest accumulation of wealth in human history, growing its access to politically influential capital and foreign reserves in the process. During the 2008 Olympic Games in Beijing, China cast itself as a dragon emerging from sleep; China is symbolically ready to flex its dragon-like muscles once again and assume a greater level of centrality in world affairs.

OBOR’s allusion to the ancient Silk Road reinforces the notion of China’s revitalization. The ancient Silk Road is used to describe the land route from China's Xinjiang Province through central Asia and ultimately to Europe from roughly 200 BC to 1400 AD, and the term later expanded to include a broader network of overland and water routes, including those linking Asia, Europe, and northern Africa. Trade flourished across the Silk Road, spurring economic

boom along the route. Goods that were traded include chemicals, metals, spices, saddles, silks, leather products, glass, and paper. The last good, paper, is one of China's greatest inventions, and the Silk Road was a major conduit for its dissemination. The good for which the road is named, silk, was a luxury prized by the elite of many societies around the world, and Chinese monopoly on this regal good reinforced her own regal consciousness. The ancient Silk Road was not only an important transportation route connecting the ancient world economically, but also a synonym for cultural exchanges between the oriental world, with China at the center of this oriental world, and lands to the west. Framing China's most recent efforts in terms of building a New Silk Road implies the potential for China to return to this era of cultural and technological primacy, economic advancement, and ideological influence. While this policy in no way represents the culmination of these efforts, it is one step along a path toward a more influential China on the both the regional and global levels.

One Belt, One Road is becoming the signature policy of China's most aggressive and nationalistic leader in recent history. Since his ascension to President of China in early 2013, Xi Jinping has played an integral role in driving China's rising global influence. Xi has adopted a more aggressive foreign policy stance in the South China Sea, concentrated domestic political power through a widespread anticorruption campaign, and sought to further liberalize the Chinese economy and integrate it into the global economy. Xi branded his vision for China through his slogan of achieving the "Chinese Dream." While this term is somewhat amorphous, it contains elements of social and economic development, much like the "American Dream," and also emphasizes national pride and a desire for national revitalization. In recent decades, although China has officially rooted its foreign policy on the concept of "peaceful development" to avoid connotations of striving to achieve hegemon status, rhetoric coming from Beijing has

become more aggressive. Xi Jinping stated a year ago that a rejuvenated Chinese nation will build a “new type of international relations” through a “protracted struggle over the nature of the international order.”<sup>10</sup> A major element of this “new type of international relations” is promoting a burgeoning multipolar world and giving greater say to developing countries. This ties in closely with OBOR given that most countries along the Belt and Road are developing countries in Southeast Asia, Central Asia, the Middle East, and Africa. One Chinese academic writes that, “Under the guidance of the great strategic vision of the ‘Chinese Dream’, Xi Jinping’s OBOR initiative is an important breakthrough in the existing structure of economic development, offering critical support for the economic development of emerging economies. China as the world’s largest developing country has an unparalleled influence on the regional and global economies.”<sup>11</sup> Xi Jinping is seeking to drive China’s rising global influence, and he is doing so in large part by targeting the developing world.

China has sought to expand its sphere of influence in the developing world for decades, and OBOR will help it to continue to do this. Beginning with the non-aligned movement and the Bandung conference of 1955, China sought cooperation with other countries of the third world to help reduce their reliance on the U.S. and Europe. Building on the Five Principles of Peaceful Coexistence framed in negotiations between India and China in 1954, the countries attending the Bandung Conference sought to build solidarity among nations subjected to colonialism. They adopted a list of core principles that represented the “spirit of Bandung,” including political self-determination, mutual respect for sovereignty, non-aggression, non-interference in internal

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<sup>10</sup> Allison, Graham, “The Thucydides Trap: Are the U.S. and China Headed for War,” *The Atlantic*.

<sup>11</sup> Mengyuan Li, “Socialism with Chinese Characteristics and the Realization of the Chinese Dream,” *Xiandai Jiaoyi*, December Edition, 2015.

affairs, and equality.<sup>12</sup> In recent years, China's involvement in Africa has garnered significant attention. Since the early 2000s, along with a rapidly growing economy and a focus on "going out," China's economic presence in Africa has risen dramatically. China became Africa's largest trading partner in 2008, when trade reached an estimated \$198 billion USD.<sup>13</sup> The Chinese government, state owned enterprises, and even private entrepreneurs have invested billions of dollars in Africa's infrastructure and other developmental needs. Between 2009 and 2012, China's cumulative investment in Africa more than doubled from \$9.33 billion USD to \$21.23 billion USD, and estimates show that 2,000 Chinese businesses operate in fifty African countries.<sup>14</sup> As a developing country, China has shown a sustained interest in other developing countries, which Xi Jinping calls the "basis" of Chinese foreign relations.

One Belt, One Road will draw developing countries further into the gravitational pull of China's large economy and help advance a Chinese politico-economic alternative that OBOR embodies. This comes during a time when the Global South is increasingly dissatisfied with Western wisdom on economic development and governance. For decades, Western governments and development institutions like the IMF and World Bank have enacted development policy in line with the so-called Washington Consensus, but the results have been questionable. Moreover, the 2008 financial crisis exposed the weaknesses of unchecked economic and financial liberalization. Politically, largely unsuccessful wars in the Middle East indicate an American foreign policy that is both overly hawkish and that does not fully take into account the unique conditions of each country, creating more conflict than it has resolved. On the other hand, China

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<sup>12</sup> U.S Department of State, Office of the Historian, "Milestones: 1953-1960 (Bandung Conference)," <https://history.state.gov/milestones/1953-1960/bandung-conf> (accessed March 15, 2016).

<sup>13</sup> Cai Liang, interview by author, Chinese Embassy, Pretoria, South Africa, January 24, 2014.

<sup>14</sup> Simon Freemantle and Jeremy Stevens, "Insight and Strategy- BRICS-Africa- fingers off the panic button." Standard Bank, last modified January 22, 2014, <https://m.research.standardbank.com/Research?view=1671-CD7744D113F64BF2BA7EA5F511A11655-1>

has charted an economic and political course over the past several decades, which some have called the “Beijing Consensus,” that differs from that of the West in key respects. It has led to a so-called “economic miracle” and allowed China to develop with relative social stability and minimal foreign entanglements. The originator of the term Beijing Consensus, Joseph Ramo, writes, “Beijing has provided the world’s most compelling, high-speed demonstration of how to liberalize economically without surrendering to liberal politics.”<sup>15</sup> Moreover, he writes that China is, “marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful center of gravity.”<sup>16</sup> OBOR represents another large step along the “path” that China is marking, giving the initiative potential for great ideological influence.

In the next chapter, I will explore the different politico-economic approaches of Washington and Beijing, utilizing the concepts of the Beijing and Washington consensuses as the basis for my analysis. The term “approach” is utilized deliberately so as to avoid the certainty and broad applicability associated with the word “consensus.” While the concepts of the Washington Consensus and Beijing Consensus help us formalize general philosophies about the political economy of development touted by the world’s largest powers, we should view these “consensuses” with some skepticism. For one, they risk setting up a binary, East-vs.-West framework that overemphasizes the differences between Beijing’s and Washington’s view of the world. Much of what has sparked China’s rapid economic growth has been plugging into a global, capitalist economy promoted by the U.S. Secondly, with respect to China, there is in fact

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<sup>15</sup> Joshua Ramo, “The Beijing Consensus: Notes on the New Physics of Chinese Power,” *The Foreign Policy Centre*, London, May 11, 2004.

<sup>16</sup> *Ibid.*

little evidence of one ideology or consensus that has driven all of her economic policy moves. But nevertheless, China and the U.S. certainly disagree on certain fundamental aspects of economics, domestic governance, and foreign policy, and these “consensuses” serve as a signpost to these differences. Understanding these differences will illuminate what about the alternative Chinese approach resonates with developing countries around the globe.

In my third chapter, I will analyze the One Belt, One Road initiative as a signature 21<sup>st</sup> century extension of several key themes of this Chinese approach. I will focus on four aspects of this approach, namely: prioritizing the hardware of economic development, state involvement in the economy, foreign policy based on equality, and cultivation of people-to-people exchange. Given that ideas often travel along the arteries of commerce, OBOR has the capacity to strengthen the ideological foothold of the Chinese approach and to bolster its growing global influence. In fact, the “Chinese approach” may just be one of the most influential “exports” along the Belt and Road, attracting developing countries that are increasingly dissatisfied with Western politico-economic prescriptions for development. In my conclusion, I address the One Belt, One Road initiative and its underlying trends from a U.S. perspective. Specifically, should the U.S. embrace OBOR and come to terms with the world’s growing multipolarity or take a more adversarial approach, seeking to defend its regional and global hegemony?

## Chapter 2

### **The Washington and Beijing Consensuses: Signposts to Different Approaches**

After the fall of the Soviet Union, many heralded the triumph of liberal democracy and free-market capitalism. The West's prescription for political and economic governance seemed unrivaled. The famous political scientist Francis Fukuyama introduced the idea that human kind had reached the "end of history" by finally discovering the best way to organize human political and economic activities. In Fukuyama's words, "What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government."<sup>17</sup> Around the same time, John Williamson developed the concept of the "Washington Consensus" to reflect a burgeoning consensus among those in Washington about how poor countries should manage their economies. This consensus, while purely economic in nature, is now often considered to go hand in hand with the promotion of liberal democracy and other Western values, like human rights. This collection of ideas, the U.S. politico-economic approach, has been promoted throughout the developing world by the U.S. government and various institutions led by the U.S. and Europe like the World Bank, UN, and IMF. This "approach" is neither exhaustive nor entirely prescriptive, but it illuminates how Washington generally believes a country should be run, how to develop one's economy, and how to treat foreign nations. While the U.S. approach has been nearly unrivaled and highly effective in some respects, members of the Global South have become increasingly dissatisfied with it, turning instead to an alternative approach offered by China.

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<sup>17</sup> Francis Fukuyama, "The End of."

## **The Washington Consensus: Economic Principles**

The Washington consensus was first formally articulated by John Williamson in 1989 for a conference on international economics. This consensus is a list of ten policy prescriptions for robust economic development intended to be applied to economic policy in Latin America. The contents of this list were generally agreed upon by those in Washington, defined broadly as members of Congress, the economic agencies of the U.S. government, the Federal Reserve, and think-tanks.<sup>18</sup> Acceptance of the Washington Consensus policies also prevailed throughout OECD countries. Williamson's list includes: fiscal discipline, reordering public expenditure priorities, tax reform, liberalizing interest rates, a competitive exchange rate, trade liberalization, liberalization of inward foreign direct investment, privatization, deregulation, and property rights.<sup>19</sup> In general, the ten policy implications promote globalization and free-market capitalism. The Chief Economist at the World Bank at the time, Stanley Fischer, remarked, "Williamson has captured the growing Washington consensus on what the developing countries should do." Williamson's paper, however, was not met with universal acceptance. Richard Feinberg of the Overseas Development Council suggested there was not much of a "consensus" but rather "convergence on key concepts" with some room still for argumentation. Nonetheless, Williamson well codified the pulse of economic development ideology in Washington.

The ideology underpinning Williamson's Washington Consensus found a home, and indeed was shaped by, the Bretton Woods institutions. During World War II, the Bretton Woods institutions were created in Bretton Woods, New Hampshire during the United Nations Monetary and Financial Conference at the Mount Washington Hotel. At the conference, member nations

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<sup>18</sup> John Williamson, "A Short History of the Washington Consensus," Proceedings from *From the Washington Consensus towards a new Global Governance*, Barcelona, Spain, September 24-25, 2004.

<sup>19</sup> *Ibid.*

agreed to create a family of institutions to address critical issues in the international financial system and to help rebuild the shattered post-war economy. The two most well-known products of Bretton Woods are the World Bank and the IMF. The World Trade Organization also spawned in the 1990s from plans drafted at Bretton Woods to create an International Trade Organization, and it replaced the General Agreement on Tariffs and Trade (GATT) adopted at Bretton Woods. The IMF's purpose is to regulate currency exchange rates and to be a lender of last resort when a member country experiences problems with balance of payments. The original purpose of the World Bank was to lend money to Western European governments to help them rebuild their countries after the war. In later years, the World Bank shifted its attention toward development loans to third world countries, adopting its current motto of, "working for a world free of poverty." Beginning in the 1980s, both institutions shaped their policy around the ideas underlying Williamson's Washington Consensuses, with Structural Adjustment Programs (SAPs) as the cornerstone.

Since the early 1980s, the World Bank and IMF have championed Structural Adjustment Programs targeting developing countries. They formed in response to a growing debt crisis in Latin America sparked by oil shocks of the 1970s. This economic strain revealed fundamental weakness in many Latin American economies, due to problems such as poor tax collection by governments, balance of payments deficits, flawed import substitution policies, and inflationary financing to maintain government spending patterns.<sup>20</sup> When countries came to the IMF or World Bank for help to pay off outstanding debt, they were provided financing only under the condition they adopt certain policies that encouraged the "structural adjustment" of an economy. These adjustments aligned closely with the policies of the Washington consensus, focusing on

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<sup>20</sup> Brian F. Crisp and Michael J. Kelly, "The Socioeconomic Impacts of Structural Adjustment," *International Studies Quarterly* 43 (1999): 533-52.

removal of excess government controls and promoting market competition, fiscal discipline, etc. Williamson's Washington Consensus became the guiding philosophy of the SAPs. The focus on financial liberalization, trade liberalization, and deregulation was supposed to spur private investment and spur growth, while devaluation of the host country's currency on the open market would stifle demand for imports and help exports grow, solving balance of payments issues. Generally speaking, SAPs represented the idea that the orthodox neoliberal paradigm was the solution to the economic woes of developing countries, and this paralleled the growing neo-liberal agenda of both the World Bank and IMF.<sup>21</sup>

Between 1980 and 1995, SAPs were applied to roughly 80% of the world's population. They were not warmly received in the developing world. Countries like Mexico, Argentina, Bolivia, Peru, Ecuador, Venezuela, Sudan, Uganda and others saw violent protests against specific SAP stipulations, from increases in fuel prices to currency devaluation, to food-price riots.<sup>22</sup> But, painful changes are usually associated with longer-term improvements. Many countries were overspending, so getting their fiscal houses in order was naturally difficult. Looking back on several decades of SAP policy, some of the macroeconomic goals of SAPs seemed to be achieved. Speaking about the legacy of SAPs, Fareed Zakaria writes, "For the first time ever, most countries around the world are practicing sensible economics. Consider inflation. Over the past 20 years hyperinflation, a problem that used to bedevil large swaths of the world from Turkey to Brazil to Indonesia, has largely vanished, tamed by successful fiscal and monetary policies." The share of people living on \$1 a day has plummeted from 40% in 1981 during the beginning of SAPs to 18% in 2000. Granted, China has been the single greatest contributor to this fall and did not accept structural adjustment wholesale. Nevertheless, Zakaria

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<sup>21</sup> World Health Organization. "Structural Adjustment Programs (SAPs)." Article from Trade, foreign policy, diplomacy and health. <http://www.who.int/trade/glossary/story084/en/> (accessed March 4, 2016).

<sup>22</sup> Stefan Halper, *Beijing Consensus: Legitimizing*, 62.

summarizes this notion by saying, “The expansion of the global economic pie has been so large, with so many countries participating, that it has become the dominating force of the current era.”<sup>23</sup> This economic pie has been growing by encouraging countries around the world to liberalize, privatize, and globalize: the exact prescriptions of SAPs.

### **The U.S. Approach: More than Just Economics**

Although predominately an economic concept, the Washington Consensus is also linked to political freedom and liberal democracy. In fact, some argue that economic freedom is derived from political freedom; thus, both are necessary for each other to survive. One author describes this relationship as follows, “[Milton] Friedman’s idea of a market society wasn’t just an economic theory; it laid the basis for a comprehensive political-economic philosophy. The power of the market lay in economic freedom, but economic freedom could only exist in the context of political freedom, where the individual was free to choose how to live, what to buy, and what to produce.”<sup>24</sup> Thus, the U.S. approach can be thought of as promotion of the free-market ideas of the Washington Consensus and the liberal democratic values touted by Western governments. In contrast to China’s hands-off approach to the internal affairs of foreign countries, rooted in the “Bandung Spirit” and the 5 Principles of Peaceful Coexistence, the U.S. and her Western allies have been highly interventionist in countries around the world, seeking to promote liberal democracy. The liberal democratic approach of the U.S., then, is not one simply to be contained at home but spread anywhere it can take root.

Throughout the course of the Cold War, the U.S. aggressively promoted its political ideology abroad. Wars in Korea and Vietnam were largely waged to stem the tide of

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<sup>23</sup> Fareed Zakaria, “The Rise of the Rest,” *Fareed Zakaria* (personal blog), May 12, 2008, <http://fareedzakaria.com/2008/05/12/the-rise-of-the-rest/>

<sup>24</sup> Stefan Halper, *Beijing Consensus: Legitimizing*, 55.

communism. More recently, the U.S. attempted to democratize Iraq following the ousting of Saddam Hussein. The U.S. has covertly supported violent groups in countries from Latin America to Africa to achieve political outcomes more aligned with U.S. values and vision. From a soft power approach, organizations like the National Endowment for Democracy based in the U.S. offer strategic support and financial resources to promote democracy globally. Human rights, which are the cornerstone of the democratic values promoted by the U.S. and many Western countries, are promoted strongly around the globe. American politicians and organizations like the UN, World Bank, and IMF will criticize the human rights track record of other countries to pressure them into change, and sometimes place sanctions on countries not meeting human rights standards. Generally speaking, the U.S. views interference in the affairs of countries around the world as laudable to promote peace and democratic values, contributing to America's informal title of "World's policeman." Thus, not only does the U.S. aggressively promote its free-market ideology around the globe through programs such as SAPs, but it also promotes liberal democracy as an important corollary to economic freedom.

### **Critiques of the U.S. Approach**

The aggressive promotion of both free-market economics and liberal democracy has been a mainstay of the American politico-economic philosophy. This approach has won many supporters, but it has also spawned many critics, particularly in the developing world. In regard to SAPs, there has undoubtedly been robust global economic growth since the 1980s, but these programs have appeared to play little role in actually eliminating poverty in places where they operate. As a result, the Washington Consensus, which goes part and parcel with SAPs, has drawn criticism. Of those countries participating in SAPs, 57 out of 83 with per-capita income of less than two thousand dollars stayed equally poor or became poorer. By 2000, 54 countries on

various support plans were poorer than they were in 1990.<sup>25</sup> An American and one of the world's foremost development economists, William Easterly, published a paper in which he argues, "In country after country, structural adjustment programs (SAPs) have reversed the development successes of the 1960s and 1970s, with . . . millions sliding into poverty every year. Even the World Bank has had to accept that SAPs have failed the poor, with a special burden falling on women and children. Yet together with the IMF it still demands that developing countries persist with SAPs."<sup>26</sup> He later goes on to write, "IMF and World Bank adjustment programs typically force the government to make adjustments in a few highly visible macroeconomic indicators, which again affect mainly the formal sector. On the other hand, a home-grown reform program (for example, that of China over the last two decades, with only three adjustment loans in the 1980s and none in the 1990s) would generally include a more sweeping transformation of incentives that affect the formal and informal sectors alike." As Easterly alludes to, China is one of few developing countries that consistently resisted many conditions of SAPs, and it is most likely better off for it.

Many African leaders are highly critical of SAPs and other Western economic and political prescriptions. In 2007, Ethiopian Prime Minister, Meles Zenawi, critiqued the neo-liberal reforms of the World Bank and others as failing to, "generate the kind of growth they sought." He suggested that the only kind of good governance that takes root is homegrown and not imposed from the outside.<sup>27</sup> A 2005 report written by the Commission for Africa well represents the discontent across the continent aimed at the U.S. approach. The Commission for Africa was set up by Tony Blair in early 2004 and originally contained seventeen members, nine

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<sup>25</sup> Stefan Halper, *Beijing Consensus: Legitimizing*, 62.

<sup>26</sup> William Easterly, "IMF and World Bank Structural Adjustment Programs and Poverty," *Managing Currency Crises in Emerging Markets*, ed. Michael Dooley and Jeffrey Frankel (Chicago: University of Chicago Press, 2003), 361-391.

<sup>27</sup> Akwe Amosu, "China in Africa: Its (Still) the Governance, Stupid," *Foreign Policy in Focus*, March 9, 2007, [http://fpif.org/china\\_in\\_africa\\_its\\_still\\_the\\_governance\\_stupid/](http://fpif.org/china_in_africa_its_still_the_governance_stupid/) (accessed March 2, 2016).

of which were from Africa, all working in their individual and personal capacities for the creation of a strong and prosperous Africa. Their review reads as follows.

*There is also skepticism in some quarters about the developed world's insistence that the continent should follow an economic and political prescription which some Africans perceive as differing from the ones followed by the industrialized world in its own development. Developed countries, they argue, did not get where they are now through the policies and the institutions that they recommend to Africa today. Most of them actively used policies such as infant industry protection and export subsidies – practices that are now frowned upon, if not actively banned, by the World Trade Organization (WTO). In addition, development did not grow from the adoption of democracy; history shows that matters often proceeded the opposite way round. Why, say some Africans, should we be denied the very policy instruments used by Europe and America for their own development<sup>12</sup>? “Is there a hidden agenda or conspiracy?” they ask.<sup>28</sup>*

In addition to dissatisfaction with the SAP policies of the World Bank and IMF, many developing countries believe the governance of the Bretton Woods institutions to be unfairly dominated by Western powers, especially as countries like China, India, and Brazil produce a greater share of world GDP. The president of the World Bank is traditionally an American, the managing director of the IMF is typically a European, and the U.S. Congress has veto power over any major decisions of the World Bank or IMF. The voting rights associated with both

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<sup>28</sup> Commission for Africa, *Our Common Interest: Report of the Commission for Africa*, March 11, 2005, <http://www.commissionforafrica.info/about> (accessed February 12, 2016).

entities are allotted according to how much capital a country contributed, rather than something like share of world GDP or population, which places the power overwhelmingly in the hands of G7 countries. Efforts to reform the voting rights in favor of granting China a larger share, for example, have been vetoed by the U.S. Congress on multiple occasions. In response, the BRICS countries, i.e. Brazil, Russia, India, China, and South Africa, have formalized an annual summit in which they collaborate on various policy issues, one of which is encouraging “IMF reform” to strengthen the role of developing countries. They also state, “In the political realm, the BRICS advocate the reform of the United Nations and of its Security Council, aiming for more inclusive representation and a more democratic international governance.”<sup>29</sup> They have even begun their own intra-BRICS institutions, the New Development Bank and the Contingent Reserves Arrangement, which parallel the functions of the World Bank and IMF respectively. The BRICS, and the Global South at large, have been increasingly willing to forge their own path, build new relationships with non-Western powers, and create non-Western institutions to address the problem of exclusion from the Washington dominated world order.

Outside of economics, Western foreign policy has also come under criticism. Political vacuums in Libya, Egypt, Iraq, and Iran have allowed oppressive leaders and terrorist groups, such as ISIS, to gain influence. More problems have been created than resolved in the Middle East, while lives and resources have been squandered. Larry Diamond, a Stanford University political scientist, coined the term “democratic recession” in his 2008 book *The Spirit of Democracy* to describe the phenomenon that U.S. policy designed to improve democratization has actually caused the opposite. According to the Freedom House, 2007 was the worst year for freedom in the world since the end of the cold war. Almost four times as many states (38)

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<sup>29</sup> BRICS, Ministry of External Relations, <http://brics.itamaraty.gov.br/> (accessed Jan 24. 2016).

declined in their freedom scores as improved (10).<sup>30</sup> Suisheng Zhao, the director of the University of Denver's Center for China–U.S. Cooperation, argues that the U.S. does not recognize fully the conditions of many developing countries as being different than developed countries in its policy actions. He writes, “Politically and diplomatically, the American model treats less developed non-Western countries as developed societies in which Western institutions could automatically take root. It imposes liberalization before safety nets are set up, privatization before regulatory frameworks are put in place, and democratization before a cultural of political tolerance and rule of law is established.”<sup>31</sup> This lends credence to the remarks of Meles Zenawi, former Ethiopian Prime Minister, who said that good governance must be homegrown and not imposed from the outside.

These shortcomings of the Western economic and political order have been echoed by Chinese policy makers and academics. Chinese academics have called the 1980s the, “10 years of lost opportunity for economic development,” due to effects of the World Bank, IMF, and SAPs.<sup>32</sup> Speaking about their effects in Africa specifically, one Chinese writer remarks, “Real-world results have proven that the West’s method of attaching conditions to aid has not fundamentally resolved African countries’ issues of development. Africa has yet to shake off poverty, civil war is frequent, corruption is rampant, and infectious disease is overflowing. Africa is still the most backward region in the world.”<sup>33</sup> Because of this failure, the conventional wisdom is that the door has been left open for Chinese policy to be welcomed in Africa. *The People’s Daily*, considered to be the mouthpiece of the Chinese government, suggests, “The

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<sup>30</sup> Thomas Friedman, “The Democratic Recession,” *The New York Times*, May 7, 2008, [http://www.nytimes.com/2008/05/07/opinion/07friedman.html?\\_r=0](http://www.nytimes.com/2008/05/07/opinion/07friedman.html?_r=0)

<sup>31</sup> Zhao, Suisheng. “Can the China Model Replace the Western Model?” In *In Search of China’s Development Model: Beyond the Beijing Consensus* (New York: Routledge, 2011), 58.

<sup>32</sup> Xinying Wang, “The successes and challenges of China’s aid to Africa,” *Zhongguo yanjiu can kao*, February, 2013.

<sup>33</sup> *Ibid.*

reason Chinese policy toward Africa has succeeded is because, against the backdrop of failed IMF structural adjustment programs and damage to the reputation of the Washington Consensus, China has provided Africa with a more readily acceptable economic ideology.”<sup>34</sup> Another Chinese academic suggests that the, “huge setback inflicted by the Washington Consensus in Latin America and former Soviet countries,” shows the Beijing Consensus is more suitable to emerging markets.<sup>35</sup> Lastly, America’s push for hegemony and dominance of a unipolar world through hard power aggression after the end of the Cold War alienates many Chinese authors, who view the U.S. as power hungry and controlling.<sup>36</sup>

Given this dissatisfaction with the U.S. approach among those in the developing world, what then is the alternative? China offers more than a critique of the status quo. China provides an example of how a government can navigate economic development and manage its domestic and foreign affairs in ways that depart from the Western model. As one author articulated, “Many developing nations have been increasingly fed up with the doctrinaire Western model of democratic promotion and increasingly impressed by a Chinese model that emphasizes pragmatism, economic growth, and political stability.”<sup>37</sup> The Chinese approach is gradual, thoughtful, and pragmatic—picking and choosing what seems appropriate from the Western experience. The next section will begin to unpack this Chinese approach, using the Beijing Consensus as the jumping off point for analysis.

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<sup>34</sup> People’s Daily, “China is not exclusively entering into Africa,” Beijing, China, May 16, 2012 (3<sup>rd</sup> edition).

<sup>35</sup> Ruyi Zhang, “On the ‘Washington Consensus’ and the ‘Beijing Consensus’,” *Zhejiang shifan daxue fazheng xueyuan* (2012, 9).

<sup>36</sup> Yugui Han and Yuxia Wang, “New characteristics of American hegemony post-Cold War,” *Dangdai shiye yu shehui zhu yi shuang yue kan* (2006, 2).

<sup>37</sup> Suisheng Zhao, “Can the China Model,” 58.

## Beginning to Understand the Chinese Approach

Joseph Ramo sparked the debate on juxtaposing the Washington Consensus with what he calls the “Beijing Consensus.” Ramo was a former editor at *Time* magazine, a managing partner of Goldman Sachs, and a professor at Tsinghua University. In 2004, he published an essay in which he argued that China’s economic development model is an alternative to the Washington Consensus promoted by the IMF, World Bank, and U.S. Treasury. His “Beijing Consensus”, though a flawed concept, will help us to better understand China’s alternative approach to politics and economics: one which is increasingly attractive to those in the developing world.

Ramo’s analysis of the Beijing Consensus focuses on three axioms: development rooted in innovation, achieving certain “quality of life” targets rather than simply GDP growth, and emphasizing the protection of self-determination. As with the Washington Consensus, Ramo admits that, “The Beijing Consensus...contains many ideas that are not about economics. They are about politics, quality of life, and the global balance of power. Inherently, this model sets China and its followers off against the development ideas and power needs of the status quo.”<sup>38</sup> The first axiom is that China’s modernization has been rooted in innovation and technological leaps, which accounts for rapid increases in total factor productivity. The second axiom is that China has focused on achieving more than just GDP targets but an equitable distribution of wealth and mitigating externalities associated with growth such as damage to the environment. And finally, he emphasizes that China has maintained control over its developmental path and not succumbed to the demands of outside countries, thus preserving its sovereignty.<sup>39</sup>

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<sup>38</sup> Joshua Ramo, “The Beijing Consensus: Notes on the New Physics of Chinese Power,” *The Foreign Policy Centre*, London, May 11, 2004.

<sup>39</sup> *Ibid.*

Ramo's essay sparked a lively debate about the differences between the Chinese and Western models of development, but the core tenets of his "Beijing Consensus" have been questioned by Westerners and Chinese alike. Scott Kennedy, a leading China scholar based in D.C., argues that the Beijing Consensus is a, "useful touchstone to consider the evolution of developmental paradigms...and identify the most distinctive features of China's experience," but that, "Ramo's Beijing Consensus is a misguided and inaccurate summary of China's actual reform experience."<sup>40</sup> He argues that, in regard to Ramo's first point, Chinese enterprises have not been innovation leaders but rather profited from reproducing or making incremental improvements to technologies invented outside of China. Secondly, the evidence of "equitable development" is scant; China's income inequality is among the highest in the world and environmental degradation is alarming. When a tradeoff between environmental protection and economic growth must be made, the latter wins nearly every time. Most Chinese academic and policy makers themselves are skeptical of the Beijing Consensus. Some say that a consensus simply does not exist among those in Beijing, so the concept is inherently misleading.<sup>41</sup> Others argue that many elements of China's development have come straight from the Washington Consensus, so setting off the Beijing Consensus in stark contrast is also misleading.<sup>42</sup> One Chinese writer even sarcastically remarked, "The Washington Consensus and the Beijing Consensus have both originated in Washington!"<sup>43</sup>

While the specifics of his analysis are dubious, Ramo astutely recognizes that China's development example has to some extent been distinct from the West, and it has garnered

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<sup>40</sup> Scott Kennedy, "Myth of the Beijing Consensus," *Journal of Contemporary China* (2010): 19:65, 461-477, DOI: 10.1080/10670561003666087.

<sup>41</sup> Jianjing Zhang, "'Beijing Consensus' and raising of China's soft power", *Dangdai shijie yu shehui zhuyi* no. 5, (2004), pp. 10-14.

<sup>42</sup> Chunbo Zhou, "Bankrupt Washington Consensus to yet systematic Beijing Consensus", *Xiandai jingji*, (2007), pp. 146-148; Xiao Zhao, "From 'Washington Consensus' to 'Beijing Consensus'", *Nanfengchuang*, (16 July, 2004).

<sup>43</sup> *Ibid.*

attention from the Global South. He writes, “Beijing is the catalyst in chief for two parallel trends that are coalescing to compromise the reach and influence of the Western liberal order. Developing countries and emerging markets no longer have to abide by the Western conditions of financial engagement. Nor must they choose between emulating the Western model and rejecting capitalism. In consequence, the U.S.-led system is losing leverage as a politico economic bloc and losing appeal as a politico economic model.”<sup>44</sup> The question becomes, then, what is a more accurate diagnosis of China’s unique experience that is neither overly prescriptive nor narrow? To achieve this goal we must take a step back and analyze China’s recent past from a more macro-perspective.

China’s economic growth has been achieved through adopting a kind of capitalism with “Chinese characteristics.” To the credit of the West, this development has been a result of selectively entering into the global capitalist system promoted by the U.S and her allies. Since the beginning of Deng Xiaoping’s “Reform and Opening Up,” China has liberalized its economy gradually, following many of the ideas of the Washington Consensus: privatizing home ownership, letting the market determine prices, limiting inflation, and limiting barriers to trade. China’s ascension to the WTO in 2001 further bound it to a Western-led world economic system. But, China has not adopted the Western, free-market capitalism wholesale. The Chinese economy is selectively free. The state maintains ultimate control over strategic sectors of the economy and a large range of core industries, including utilities, transportation, telecommunications, finance, and the media. The People’s Bank of China is controlled by the government, unlike most Western central banks which are independent.<sup>45</sup> The Renminbi does not float freely against other currencies, and China has resorted to protection of key infant industries.

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<sup>44</sup> Joshua Ramo, “The Beijing Consensus.”

<sup>45</sup> Suisheng Zhao, “Can the China Model,” 58.

Politically, China is not a democracy but rather more like an authoritarian state, and transparent government, independent courts, and free flow of information are not present.<sup>46</sup> China often votes against interference in other countries' internal affairs in forums such as the UN Security Council. From this wide array of differences, which only scratch the surface, we must carve out a sensible way to categorize and describe the Chinese approach.

In the next chapter, I attempt to describe four crucial tenets of the Chinese approach that not only have been true historically, but that are reflected in today's One Belt, One Road initiative. They are as follows: prioritizing the hardware of economic development, state involvement in the economy, foreign policy based on equality, and cultivation of people-to-people exchange. This list is not exhaustive and does not reflect a consensus nor a master-strategy on the part of Beijing. It does not stem from one coherent ideology, though one could argue that pragmatism is the foundation. Rather, it well categorizes crucial ways in which China has marked its own path as distinct from the West. It contains ideas that other developing countries find attractive and even necessary as they seek to develop economically and to find their place within the global order. Most importantly to this essay, these four tenets are all embodied in Xi Jinping's One Belt, One Road initiative: China's most systematic and significant economic initiative in history. Through OBOR, China will not only export capital and infrastructure around the globe but also its ideas. The diffusion of ideas along the Belt and Road may in fact be the most significant product of the initiative, helping to catalyze a growing affinity among those of the Global South to the Chinese approach.

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<sup>46</sup> Suisheng Zhao, "Can the China Model," 48.

## **Chapter 3**

### **The One Belt, One Road Initiative: an Extension of the Chinese Approach**

Over the past three decades, China has accumulated more wealth in a shorter amount of time than any other country in history. It has maintained social stability and relatively peaceful relations with other countries while protecting its own sovereignty. All of this followed the chaos of the Cultural Revolution, when China was in societal upheaval, impoverished, and minimally influential on the world stage. China achieved this remarkable turnaround through a mix of both Western and non-Western methods, which Joseph Ramo attempted to formalize in his “Beijing Consensus.” Although a useful touchstone, Ramo’s Beijing Consensus is ultimately insufficient. Rather than employing the concept of consensus, I attempt to describe key elements of the “Chinese approach,” utilizing four distinct categories: prioritizing the hardware of economic development, state involvement in the economy, foreign policy based on equality, and cultivation of people-to-people exchange. Each is a distinct feature of China’s politico-economic approach, and each represents an ideological pillar of the One Belt, One Road initiative. To illustrate their connection to OBOR, the sub-sections below all begin with a quote taken from the report “One Belt, One Road Vision and Action,” the Chinese government’s most comprehensive strategic outline of the OBOR initiative to date. These statements reflect the ideology underpinning OBOR and, coupled with their connection to broader historical trends, help to illuminate OBOR as an extension of key aspects of the Chinese approach.

## Prioritizing the Hardware of Economic Development

基础设施互联互通是“一带一路”建设的优先领域...共同推进国际骨干通道建设，逐步形成连接亚洲各次区域以及亚欧非之间的基础设施网络。

Building a network of interconnected infrastructure is the primary domain of “One Belt One Road”...[OBOR] will promote the construction of the backbone of international transportation and gradually form a network linking every sub-region of Asia with one another and with Europe and Africa.

The One Belt, One Road initiative is built upon the premise that infrastructure development is a necessary pre-requisite to robust economic growth. This premise is not new, per se, as this was the basis for Western countries like the U.S. and England to industrialize and develop economically in the 18<sup>th</sup> and 19<sup>th</sup> centuries. During the current day, however, an emphasis on infrastructure as part of economic growth and integration seems to be lost. Western development institutions have retreated from a focus on infrastructure. Moreover, free trade deals such as the U.S.-led Trans-Pacific Partnership and China-led Free Trade Area of the Asia Pacific have focused the discourse surrounding economic integration on the laws regulating it. Through OBOR, China is refocusing the conversation on the hardware of this integration- the roads, bridges, power plants, and ports that will physically connect trading partners. While OBOR also touches on improving the regulatory environment through actions such as lowering tariffs, it alone devotes significant attention and resources to the hardware. Given the Western neo-liberal discourse of the day, this is certainly the most novel element of the policy.

This mirrors a hardware first approach to economic development that is prevalent in China and which has fueled its economic growth. Among academic and policy makers in China, there exists a “broad consensus” that investment in infrastructure is a top priority for economic

development.<sup>47</sup> Through extensive state-led investment in infrastructure, from 1992 to 2011, China invested an average of 8.5% of GDP on infrastructure, far surpassing other comparable developing economies like India (3.9%) and those of Europe or North America (2.6%). About 96% of infrastructure projects in China have been orchestrated and financed by the local or central government, oftentimes to achieve a centrally mandated development agenda in a particular sector (highways, high speed rail, electricity plants, etc.).<sup>48</sup> Infrastructure has repeatedly been a focus of the development initiatives laid out in the CCP's Five-Year-Plans, and it shows.<sup>49</sup> China's sleek airports, high-speed trains, and sprawling network of highways are testaments to this, and they have become objects of envy for many other developing countries.

Since the beginning of China's "going out" policy established around the turn of the 21<sup>st</sup> century, China has increasingly brought this hardware first mentality beyond its borders. The "going out" policy encouraged state-owned enterprises (SOEs) to invest overseas and win business in foreign countries. As a result, Chinese companies have won contracts to develop infrastructure around the globe, from Southeast Asia, to Africa, to Latin America. Governments on the receiving end of this infrastructure are often given generous financing packages by Chinese policy banks, either at market rates or subsidized via foreign aid, to make the projects financially feasible. For the building of infrastructure, China has invested more than \$8 billion USD in Brazil, \$19.5 billion in Argentina, \$1.63 billion in Venezuela, and hundreds of millions of dollars in other Latin American states.<sup>50</sup> According to World Bank estimates, China's Exim Bank alone has disbursed over \$12.5 billion USD for large-scale infrastructure projects in Sub-

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<sup>47</sup> Wang Zhang, "Analysis of Chinese infrastructure investment effect on the volatility of economic growth," *Tongji yu xinxi luntan*, (May 2007).

<sup>48</sup> Chen, Yougang, Stefan Matzinger, and Jonathan Woetzel, McKinsey Quarterly, "Chinese infrastructure: The big picture."

<sup>49</sup> KPMG, "Infrastructure in China: Foundation for Growth," Business Report, September 2009, [https://www.kpmg.de/docs/Infrastructure\\_in\\_China.pdf](https://www.kpmg.de/docs/Infrastructure_in_China.pdf)

<sup>50</sup> Denise Zheng, "China's Use of Soft Power in the Developing World: Strategic Intentions and Implications for the United States," *Center for Strategic and International Studies* (March 2009), [http://csis.org/files/media/csis/pubs/090310\\_chinesesoftpower\\_\\_chap1.pdf](http://csis.org/files/media/csis/pubs/090310_chinesesoftpower__chap1.pdf)

Saharan Africa.<sup>51</sup> Beginning with the Chinese aid project called the Tanzania-Zambia Railway in the 1970s, the single longest railway in sub-Saharan Africa at the time, and continuing through the modern day, Africa is laden with highways, railways, and bridges both financed and built by the Chinese. While the West has been primarily concerned with security, governance, and other institutional reforms in Africa, China has been more focused on developing economic hardware. Addressing this divergence, Professor Hongsheng Sheng of the Zhejiang Sci-Tech University Law School suggests that peace is much easier to attain when basic infrastructure needs are met and people have jobs, rather than jobless and hungry. He writes, “Peace should parallel development and the key method to eliminating war is to eliminate the causes from which wars arise.”<sup>52</sup> The Chinese are attacking these root causes by stimulating economic activity through its investment in infrastructure and trade with the continent.

During the past several decades, unlike China, Western countries and institutions have retreated from a focus on infrastructure. One researcher at the World Bank describes this worldwide trend as, “The retrenchment of the public sector since the mid-1980s, in most industrial and developing countries, from its dominant position in the provision of infrastructure, under the increasing pressures of fiscal adjustment and consolidation.”<sup>53</sup> The Bretton Woods institutions in the 1950s and 1960s once promoted infrastructure and industrialization as the prime means of accelerating economic development, but during Robert McNamara’s term as the President of the World Bank following his tenure as the U.S. Secretary of Defense, Cold War considerations led to an overhaul of institutional strategies and a new focus on poverty

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<sup>51</sup> Lucy Corkin, Christopher Burke, and Martyn Davies, Johns Hopkins School of Advanced International Studies, “China’s Role in the Development of Africa’s Infrastructure.”

<sup>52</sup> Alula Iyasu, “China’s Non-Interference Policy and Growing African Concerns,” *African Arguments*, July 18, 2013, <http://africanarguments.org/2013/07/18/china’s-non-interference-policy-and-growing-african-concerns/> Iyasu 2013 (accessed June 8, 2014)

<sup>53</sup> César Calderón and Luis Servén, “The Effects of Infrastructure Development on Growth and Income Distribution,” *World Bank*, March 2005. <http://www1.worldbank.org/publicsector/pe/PEAMMarch2005/WPS3400.pdf>

alleviation. In the 1980s, structural adjustment programs (SAPs) became the new focus.<sup>54</sup> Since this time, infrastructure has not been the priority of the Bretton Woods institutions.

Recognizing a huge lack of infrastructure globally, and an estimated \$800 billion USD infrastructure gap in Asia, China enters into this gap with its hardware first mentality.<sup>55</sup> Through OBOR, China plans to embark on a wide range of infrastructure projects that will form the “backbone of international transportation.” It plans to construct ports in Asia, Africa, and the Middle East, highways from China to Europe, cross-border fiber optic networks, an intercontinental submarine cable project, pipelines for oil and gas, and satellite information channels.<sup>56</sup> China contributed \$50 billion USD and recruited over 50 partner countries to found the Asian Infrastructure Investment Bank, which is devoted to, “address the daunting infrastructure needs in Asia.” The China Development Bank announced last June that it would invest \$890 billion USD in over 900 One Belt, One Road projects across 60 countries.<sup>57</sup> To date, China has already funded a liquefied natural gas project in Russia and a \$46 billion USD infrastructure program in Pakistan that will double the country’s electricity supply.<sup>58</sup> China is focusing the conversation of regional development back on the hardware, and it is contributing the capital to back it up.

China is quickly becoming a champion of infrastructure globally. Emerging from the destruction and poverty of the Mao years, China has shocked the world with its speedy building of infrastructure both at home and abroad: physical points of connection that have stoked China’s economic ascent. Other developing countries watch in envy as lack of roads and bridges in their

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<sup>54</sup> Richard Ghiasy, Stephan Mothe, and Frances Pontemayor, “China’s Developing World Edge,” *The Diplomat*, September 13, 2013, <http://thediplomat.com/2013/09/chinas-developing-world-edge/1/>

<sup>55</sup> Biswa N. Bhattacharyay, *Infrastructure for Asian Connectivity* (Cheltenham, UK: Edward Elgar, 2012), 349.

<sup>56</sup> National Reform and Development Commission, Ministry of Foreign Affairs, Ministry of Commerce, “One Belt, One Road Vision and Action.”

<sup>57</sup> Vikram Mansharamani, “China is spending nearly \$1 trillion.”

<sup>58</sup> *Ibid.*

own countries stymie commerce. Author Randal Peerenboom of the University of California writes, “The Chinese have made their move at a time when the doctrine of Western development economics, along with its namesake, the Washington Consensus, is tarnished. Chinese investment and project management...have left a succession of infrastructure projects- roads, bridges, telecommunications systems and transport- across the developing world that would not have been built without Chinese finance and know-how.”<sup>59</sup> The One Belt, One Road initiative makes infrastructure its foundation. It typifies China’s hardware first mentality, a distinctive aspect of the Chinese approach, while leaving a trail of physical reminders across the world that point back to China- the champion of infrastructure.

### **State-involvement in the Economy**

遵循市场规律和国际通行规则，充分发挥市场在资源配置中的决定性作用和各类企业的主体作用，同时发挥好政府的作用。<sup>1</sup>

We will abide by the laws of the market and accepted international rules. We must fully utilize the decisive role of the market in allocating resources and the principal role of enterprises of all types, while at the same time bringing into play the usefulness of government.

China’s economy is best described as state-run capitalism. Although China is technically a communist country, since Reform and Opening Up, the Chinese economy has grown increasingly free and markets-based. The communal farming of the Mao years has been disbanded, residential real estate can be purchased, private enterprises are becoming more prevalent, most prices are determined by the market, etc. China is a thriving member of the World Trade Organization, which is one of the pillars of the U.S.-led free-market capitalist system. Since joining the WTO in 2001, China has become the world’s largest exporter of merchandise goods and the second-largest importer of such goods. This makes the Chinese

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<sup>59</sup> Randall Peerenboom, *China Modernizes* (Oxford: Oxford University Press, 2007), 36.

economy much like Western ones. Yet, China strikes a balance between the neoliberal economic world order in which it operates and its Marxist-Leninist roots. In fact, many believe China's calculated balance between utilizing the markets and free-trade while maintaining state control has been crucial to China's stable economic development.

The Chinese government tightly regulates many aspects of the economy. Financial flows into China are regulated and foreigners cannot own certain types of stocks called A-shares, which are the majority of Chinese stocks. The Chinese Yuan does not float freely against the dollar. Most of the biggest enterprises in China are state-owned. China has utilized infant industry protection, export discipline, and directed state funds to investments in sectors identified as priorities by the state.<sup>60</sup> China has consistently resisted the efforts of the World Bank and IMF to implement a series of changes that would bring the Chinese economy in line with the Washington Consensus- a practice known as shock therapy. Randall Peerenboom writes, "Rather than blindly following the advice of the IMF or the World Bank, the government has taken care to adapt basic economic principles to China's current circumstance."<sup>61</sup> China's impressive GDP growth is a testament to its methods, and its experience during the disastrous Asian Financial Crisis of the 1990s also provides us insights. This crisis devastated much of Asia as Western capital fled the region, but China avoided most of the problems due to its refusal to expose its capital account to speculative and volatile flows of foreign money.<sup>62</sup>

Joe Studwell, author of the *Economist's* best book for 2013 *How Asia Works: Success and Failure in the World's Most Dynamic Region*, argues that Beijing's oversight of the economy was key to its success. Its practice of "export discipline" by providing financing, tax,

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<sup>60</sup> Joe Studwell, *How Asia Works: Success and Failure in the World's Most Dynamic Region* (London: Profile Books LTD, 2013).

<sup>61</sup> Randall Peerenboom, *China Modernizes*, 5.

<sup>62</sup> Nicholas Lardy, "The Case of China" (paper presented at the Conference on Comparative Study of Financial Liberalization in Asia, Honolulu, September 1999), <http://www.brookings.edu/~media/research/files/articles/2003/3/spring%20china%20lardy/lardy20030101.pdf>

and other incentives to companies that are explicitly linked to their ability to export, while at the same time stoking domestic competition and “culling losers” that exhibited weakness, was a key aspect of becoming a strong exporting country. Moreover, Chinese leaders kept finance on a “short leash” and utilized it for industrializing means.<sup>63</sup> Rather than allowing private banks to chase short-term returns from investments that may have little transformative effect, such as luxury hotels or speculative investments, savings were captured and directed to longer-term development goals. He writes, “in a world of bad development advice, the Chinese government did not make the mistake of south-east Asian states and listen like a patsy to the imprecations of the World Bank, the IMF and the U.S. government to deregulate its economy prematurely. China worked closely with the World Bank- enjoying a great deal of project-specific technical support as well as considerable financing in the 1980s and 1990s- but very much on its own terms.”<sup>64</sup> Contrary to the principles of the Washington Consensus, the Chinese government’s active involvement in guiding its economic lift-off was critical to its growth.

The economic principles undergirding One Belt, One Road align closely with China’s state-run capitalism. On the one hand, the Chinese government stresses the need to “adhere to market operations” and “fully utilize the decisive role of the market in resource allocation.” Chinese leaders suggest expanding currency swaps and the use of RMB in settlement, promoting the opening and development of Asia’s bond market, and allowing creditworthy governments, businesses, and financial institutions located along the New Silk Road to issue RMB denominated bonds in China.<sup>65</sup> These aspects of OBOR reflect a free-market approach, yet the Chinese government also emphasizes the role of the state. The government stresses “bringing to

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<sup>63</sup> Joe Studwell, *How Asia Works*, 239.

<sup>64</sup> *Ibid.*, 224.

<sup>65</sup> National Reform and Development Commission, Ministry of Foreign Affairs, Ministry of Commerce, “One Belt, One Road Vision and Action.”

bear the use of the government” in overseeing the economic activities of OBOR.<sup>66</sup> The exact form of government intervention is not made explicit in the report, but we have already seen an example of how this might work. The Chinese government marshalled \$40 billion USD nearly overnight to create the New Silk Road Fund, which is designed to invest in OBOR projects. The fund became active in February of 2015 and is backed by multiple arms of the state: China Investment Corporation, China Development Bank, the Export-Import Bank of China, and the State Administration of Foreign Exchange.<sup>67</sup> Not only did this involve quick and decisive marshalling of resources, but directing these resources to long-term economic and political objectives required a long-term vision that markets alone would have lacked. State-owned enterprises will also play a major role in OBOR. The Chinese government stresses “the primary role of enterprises of all types” to implement OBOR, leaving operating space for state-owned enterprises.<sup>68</sup> In fact, the majority of large Chinese infrastructure firms are state-owned, and these will be instrumental to building the infrastructure projects along the Belt and Road. This may come to the chagrin of many in the West; for example, one critical reason why China does not meet the criteria of the U.S.-led Trans-Pacific Partnership is the lack of agreement over the reform of state-owned enterprises.

Beyond marshalling financial resources and use of SOEs, given that OBOR is not yet fully developed, the extent of the Chinese government’s involvement in the initiative is uncertain. If history is any indication, however, this may include: training Chinese and foreign workers, directing export credits to countries seeking to build OBOR projects, and relocating peoples affected by the projects. Other governments seeking to plug into China’s Belt and Road may

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<sup>66</sup> National Reform and Development Commission, Ministry of Foreign Affairs, Ministry of Commerce, “One Belt, One Road Vision and Action.”

<sup>67</sup> Wei, Xi, State Council News Office, “10 billion USD put in place for the first phase of the Silk Road Fund.”

<sup>68</sup> *Ibid.*

begin to direct credit within their economies to industries that will harmonize with the initiative, presumably infrastructure or related industries. While the specifics are not clear, one thing is certain; the Chinese government will continue to balance the power of the markets with the government's oversight and ability to plan long-term.

### **Foreign Relations Based on Equality**

尊重各国主权和领土完整、互不侵犯、互不干涉内政、和平共处、平等互利...尊重各国发展道路和模式的选择...共建“一带一路”顺应世界多极化.

Respect each country's sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in internal affairs, peaceful coexistence, and equality and mutual benefit...respect each country's choice of development path and model...jointly build the "One Belt, One Road" to conform to our multipolar world.

Beyond methods of economic development, the Chinese approach also contains key ideas about how to carve out a space in global politics and interact with other sovereign nations. Ever since the Bandung Conference and the non-aligned movement, China's foreign policy has been based on equality with other nations both developing and developed alike. This stems from the Five Principles of Peaceful Coexistence, which emphasize "mutual equality and benefit." This notion of equality underlies two crucial aspects of China's foreign policy: inclusive multilateralism and mutual non-intervention. Inclusive multilateralism encourages countries of all types to play active roles in global institutions, oftentimes contrary to the West's desire to keep power concentrated in the hands of a few, select countries. China's dogged support of "mutual non-intervention" in another country's internal affairs also stems from a posture of equality and is itself one of the Principles of Peaceful Coexistence. China rejects the notion of infringing on another country's sovereignty by intervening in its internal affairs, seeking to avoid a "Beijing knows best" mentality. Both of these principles stand in contrast to Western foreign

policy, where exclusion and foreign intervention are par for the course. Both inclusive multilateralism and mutual non-intervention are pillars of the One Belt, One Road initiative. In fact, according to Chinese officials, OBOR embodies a so-called “new type of international relations” stressed by Xi Jinping that deeply emphasizes greater equality among nations.

China has been a major supporter of multilateral forums and expanding representation within them for developing countries to achieve inclusive multilateralism. In the words of Xi Jinping, China’s strategy is, “making relations with major powers as the key...developing countries the basis, and multilateral forums important stages.”<sup>69</sup> China is an active member of the major multilateral institutions created by the West such as the UN, IMF, World Bank, WTO, WHO, etc. China is one of five permanent members on the UN Security Council, and it contributes more personnel to the UN Peacekeeping Force than any of the permanent members of the UN Security Council.<sup>70</sup> Rather than abandon major Western-led multilateral forums, China has sought to work within these institutions to give developing countries more say, though most often to no avail. In response, China has helped to found its own multilateral institutions such as the BRICS institution to give developing countries more representation. The BRICS grouping holds periodic summits among heads of state, with their sixth summit slated for 2016, and frequent ministerial meetings. The first BRICS joint resolution included, “support for a more democratic and just multipolar world order based on the rule of international law, equality, mutual respect, cooperation, coordinated action and collective decision-making of all states.”<sup>71</sup> From Bandung to BRICS, China has sought to engage developing countries and make them a

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<sup>69</sup> Yu Bin, “The Shanghai Cooperation Organisation, China and Eurasian Integration,” In *Eurasian Integration: The View from Within* (New York: Routledge, 2015), 264.

<sup>70</sup> Michael Martina, “China’s Xi to Commit 8,000 Troops for U.N. Peacekeeping Force,” Reuters. September 28, 2015, <http://www.reuters.com/article/us-un-assembly-china-idUSKCN0RS1Z120150929> (accessed March 22, 2016).

<sup>71</sup> BRICS, “Joint Statement of the BRIC Countries Leaders.” Yekaterinburg, Russia, June 16, 2009, <http://brics5.co.za/about-brics/summit-declaration/first-summit/>

part of larger global efforts. The One Belt, One Road initiative will allow China to do this on an even grander scale.

OBOR emphasizes collaboration with multilateral forums both existing and new that will give developing countries a significant voice in the initiative. These include: China-ASEAN “10+1”, APEC, The Asia Cooperation Dialogue, the Arab Cooperation Forum, the Greater Mekong Region Sub-region Economic Cooperation, Central Asia Regional Economic Cooperation, and others. Of particular note is that members of these forums are almost exclusively *developing* countries. The Chinese government has also repeatedly emphasized the utilization of the Shanghai Cooperation Organization (SCO). One central Asian scholar writes, “The SCO, which is the first and still the only multilateral organization named after a Chinese city, has been a testing ground for the Shanghai Spirit, or China’s ‘new type of international relations’ based on ‘mutual trust, mutual benefits, equality, consultation, respect for diverse civilizations, and seeking common development.’<sup>72</sup> Perhaps the most significant example of China’s transformative commitment to an inclusive multilateral paradigm is the creation of the AIIB. This Chinese-led institution has garnered support from 57 countries. Unlike most developing-world multilateral institutions, the AIIB includes support from major developed as well as developing countries, including Germany and the U.K. This makes the AIIB one of the first non-Western institutions to gain such broad membership from across the world, underscoring China’s emerging role as a bridge between the developing world and the developed world.

Beyond inclusive multilateralism, another key tenet of China’s foreign relations based on equality is mutual non-intervention. This principle reflects the idea that one country should not

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<sup>72</sup> Yu Bin, 267.

dictate how another country and people from another culture should conduct their affairs. It reflects a Chinese society rooted in the Confucian principle of “harmony because of differences” – tolerance and respect for differences is of the utmost importance. Naturally, mutual non-intervention has significant political ramifications; for example, China has disagreed with the U.S. pursuing regime change in the Middle East. But of equal importance, and more relevant to OBOR, are the economic implications. China does not cease to conduct business with a country where the regime is viewed as corrupt, as was the case in South Sudan during its violent civil war in the early 2000s or with Robert Mugabe in Zimbabwe. As China’s former deputy foreign minister, Zhou Wenzhong, said, “Business is business. We try to separate politics from business.” China often votes against sanctions in forums like the UN Security Council precisely for this reason. This approach has raised questions in the West from those concerned that China is enabling corrupt regimes to survive and implicitly supporting them through business. For better or worse, however, China’s business-first approach appeals to many poor countries, where survival in the economic sphere takes priority.

The One Belt, One Road initiative extends this commitment to mutual non-intervention. First of all, the Chinese government explicitly describes the principles of engagement for OBOR as rooted on respect for “each country’s sovereignty and territorial integrity” and promotion of “mutual non-interference in internal affairs.” It also emphasizes a “respect [for] each country’s choice of development path and model.” Respect for different ways of going about running a country is at the core of justifying non-interference. More revealing than the rhetoric, however, are the partners that China has lined up to participate in OBOR. Among others, these include

Russia, Sudan, Egypt, and Iran.<sup>73</sup> These countries have all fallen out of favor with Western governments due to ongoing conflict either internally or with the West, and therefore have lost the opportunity for extensive economic and business cooperation with the West. But this does not matter to China. Under the auspices of OBOR, China continues the practice of separating business from politics – not tying access to business with another country’s internal affairs.

The ideals of equality underpinning OBOR are well represented by China’s so-called new type of international relations. China’s Foreign Minister, Wang Yi, stated in a speech that this new type of international relations aims to, “replace confrontation with cooperation, and exclusiveness with win-win cooperation...countries, with or without agreement, could all be partners...we hope that parties may, by acting along the trend of the times, explore a new type of partnership that is more inclusive and constructive.”<sup>74</sup> Minister Wang Yi also stressed the importance of hastening a multipolar world. OBOR embraces this cooperation among countries by prioritizing the development of infrastructure facilities for better trans-national transportation: an ideal “win-win” public good. From Beijing’s perspective, both inclusive multilateralism and mutual non-intervention are important means of laying the foundation of equality, achieving joint international goals, and opposing hegemony, thereby hastening the formation of a multipolar world that will give China and other developing countries more say.<sup>75</sup> Some may critique China’s new type of international relations as simply idealist rhetoric. But nonetheless,

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<sup>73</sup> Hong Kong Free Press, “Explainer: China’s One Belt One Road initiative,” March 6, 2016. <https://www.hongkongfp.com/2016/03/06/explainer-chinas-one-belt-one-road-initiative/>

<sup>74</sup> Wang Yi, “Toward a New Type of International Relations of Win-Win Cooperation,” Speech, Luncheon of the China Development Forum, Beijing, China, March, 2015. [http://www.fmprc.gov.cn/mfa\\_eng/wjzb\\_663304/wjzbz\\_663308/2461\\_663310/t1248487.shtml](http://www.fmprc.gov.cn/mfa_eng/wjzb_663304/wjzbz_663308/2461_663310/t1248487.shtml)

<sup>75</sup> Li Mingjiang, “Chinese multilateralism: implications for Sino-US relations,” *East Asia Forum*, April 27, 2011, <http://www.eastasiaforum.org/2011/04/27/chinese-multilateralism-implications-for-sino-us-relations/>

while the West deliberates over how to make sure only the right or moral countries reap the benefits of a global system, China is taking steps to include all countries as equals.

### **Cultivation of People-to-people Exchange**

民心相通是“一带一路”建设的社会根基...广泛开展文化交流、学术往来、人才交流合作、媒体合作、青年和妇女交往、志愿者服务等。

Intertwining the common aspirations of the people is the societal foundation of One Belt, One Road...we must extensively develop cultural exchanges, academic exchanges, human capital exchange and cooperation, media cooperation, exchanges among youth and women, volunteer services, etc.

One Belt, One Road's focus on people-to-people exchange is a significant though often overlooked focus of the initiative. Academic exchanges, for example, may not generate attention-grabbing headlines about billion dollar investments, but this effort to build greater understanding among the people of countries along the Belt and Road highlights an important conduit for Chinese diplomacy and building of soft power. China stresses that each civilization has something to learn from one another and that “intertwining the common aspirations” of the people are crucial to global cooperation. In many ways, this mantra extends the commitment to foreign relations based on equality addressed in the previous section. This aspect of China's foreign relations, however, is realized through an entirely different channel; rather than the high-level, government-to-government channels through which inclusive multilateralism and mutual non-intervention operate, people-to-people exchange works through the hearts and minds of common people. By emphasizing solidarity and understanding among the common people of China and other developing countries along the Belt and Road, China takes advantage of one of its most potent appeals to the Global South- a sense of shared purpose and respect for diverse cultures.

Since the late 2000s, the National People's Congress and top party leadership have emphasized cultural diplomacy to spread Chinese cultural ideas abroad and strengthen soft power.<sup>76</sup> Through cultural festivals, art exhibitions, language training, and other means, China has utilized various forms of people-to-people exchange to spur this cultural diplomacy. Africa is the most salient example. Through the framework of the Forum for China Africa Cooperation (FOCAC), China has increased the number of scholarships to African students for study in China from 2,000 per year in 2006 to 4,000 per year in 2009 to 5,500 per year in 2012. Beijing has a 20+20 cooperation plan for intensive one-to-one cooperation between 20 Chinese universities and 20 African counterparts. China organizes short-term training of so-called "African professionals in various sectors" with numbers reaching 20,000 in the 2012 triennium and 30,000 in the triennium ending in 2015.<sup>77</sup> China has executed 100 joint research and demonstration projects with African nations, and from 2006–2009 China built 30 hospitals and 30 malaria treatment centers in Africa. Following the FOCAC meeting in Beijing in 2012, the "2012 Africa Focus" was launched in nine Chinese cities to highlight African culture through photo exhibitions, performances by African ensembles, press interviews with African diplomats and cultural celebrities, as well as an array of seminars, book releases, and public talks held in universities and research institutions. Also, there are currently long-term plans for a "China-Africa Cultural Cooperation Partnership Program" which lists cooperation between 100 Chinese cultural institutions and 100 African cultural institutions.<sup>78</sup>

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<sup>76</sup> Zhang, Lihua, Shi Anbin, Men Honghua, et al., "China's Cultural Diplomacy: Strategy, Policy, and Implementation," Panel Discussion, Carnegie-Tsinghua Center for Global Policy, Beijing, China, April 17, 2015.

<http://carnegietsinghua.org/2015/04/17/china-s-cultural-diplomacy-strategy-policy-and-implementation>

<sup>77</sup> Kenneth King, "China's Higher Education Engagement with Africa: A different Partnership and Cooperation Model?" In *Education, Learning, Training: Critical Issues for Development*, International Development Policy series No.5, Geneva: Graduate Institute Publications, Boston: Brill-Nijhoff, pp. 151–173.

<sup>78</sup> Ingvild Hestad, "Winning Hearts and Minds: Chinese Soft Power Foreign Policy in Africa," CMI Brief, Volume 12 No. 3, September 2013, <http://www.cmi.no/publications/file/4906-winning-hearts-and-minds.pdf>

China's most significant avenue for promotion of people-to-people exchange in Africa and beyond is China's Confucius Institutes, which operate across the globe. Confucius Institutes were first established in 2004 by the Chinese Ministry of Education to work with local universities and colleges around the world. They provide funding, teachers, and teaching materials for Chinese language and culture courses. As of 2015, a total of 1.9 million people were studying Chinese language and culture in 500 Confucius institutes and 1,000 Confucius classrooms in 134 countries, according to the deputy chief of Confucius Institutes.<sup>79</sup> Xi Jinping has called the Confucius Institutes, "a symbol of China's unremitting efforts for world peace and international cooperation...enhancing understanding and friendship between Chinese people and people of other countries."<sup>80</sup> While some in the West have criticized Confucius Institutes for their refusal to address politically sensitive issues and even expelled them from Western campuses, they have nonetheless been growing quickly, particularly in the developing world. Only six existed in Africa in 2006, whereas over 45 currently exist on the continent. By 2020, the Chinese government plans to operate 1,000 Confucius Institutes worldwide.

These tools of cultural diplomacy are foundational to OBOR. During a conference in the summer of 2015, the Chief Executive of Confucius Institute Headquarters expressed her hopes that Confucius Institutes would help the One Belt, One Road Initiative to facilitate cultural and people-to-people exchange as well as economic and trade cooperation between China and countries along the Belt and Road. In fact, several Confucius Institutes have already taken actions to develop training programs for the building of the infrastructure, communications, and

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<sup>79</sup> Xinhua, "500 Confucius Institutes Worldwide," December 4, 2015. [http://china.org.cn/china/2015-12/04/content\\_37234761.htm](http://china.org.cn/china/2015-12/04/content_37234761.htm)

<sup>80</sup> Shannon Tiezzi, "The Future of China's Confucius Institutes," *The Diplomat*. September 30, 2014, <http://thediplomat.com/2014/09/the-future-of-chinas-confucius-institutes/> (accessed February 24, 2016).

transportation projects associated with OBOR.<sup>81</sup> Outside of Confucius Institutes, the Chinese government has specified a variety of areas through which it hopes to strengthen people-to-people relations within the framework of OBOR. It proposes to do this through cultural exchanges, academic exchanges, human capital exchange, media cooperation, and exchanges among youth and women.<sup>82</sup> More specifically, the Chinese government has committed 10,000 scholarships annually to students in countries along the Belt and Road who wish to study in China. On the scientific front, it plans to strengthen technological cooperation by building a series of joint research centers, an international technology transfer center, and a center for maritime cooperation.<sup>83</sup> Cooperation on prevention of infectious disease and professional training for health services is also a key focus of OBOR. From a purely cultural perspective, China also hopes to develop tourism packages along the Economic Belt that highlight the “special characteristics” of the Silk Road, while also promoting cruise tourism along the Maritime Silk Road.<sup>84</sup> This will help members of countries participating in OBOR to build a greater understanding of their respective cultural and historical backgrounds.

Against the backdrop of Western notions of exceptionalism, often considered patriarchal by those developing countries under its influence, China’s focus on mutual learning and equality strikes a more relatable and accessible tone. China’s Foreign Minister spoke on the subject, “for millennia, different cultures and faiths, including Confucianism, Taoism, Buddhism and Islam, have co-existed in harmony in [China], which is in fact not commonplace elsewhere in the world. The history of progress of the Chinese civilization is a powerful example of how different

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<sup>81</sup> Hanban News, “Mdm. Xu Lin: Confucius Institutes boosts the ‘One Belt, One Road’ initiative.” September 16, 2015. [http://english.hanban.org/article/2015-09/16/content\\_615751.htm](http://english.hanban.org/article/2015-09/16/content_615751.htm) (accessed March 2, 2016).

<sup>82</sup> National Reform and Development Commission, Ministry of Foreign Affairs, Ministry of Commerce, “One Belt, One Road Vision and Action.”

<sup>83</sup> *Ibid.*

<sup>84</sup> *Ibid.*

cultures and faiths could interact and thrive together without doing each other harm.”<sup>85</sup> OBOR seeks to achieve this goal by spurring holistic cooperation and understanding from the government-to-government level down to the level of the common person: different cultures thriving together in economic community and achieving “harmony because of differences.” Strengthening this sense of solidarity between the Chinese people and those from other developing countries makes all aspects of the Chinese approach more palatable to them, spurring the question among those of the Global South: if the Chinese can do it, and we share a number of commonalities with them, then why could we not follow in their footsteps?

### **How to Respond**

The elements of the Chinese approach discussed so far are critical to how China operates and differentiate China from the prescriptions of the West. While not an exhaustive list, they represent some of the main ways China has marked out its own politico-economic path, and they are all core elements of One Belt, One Road initiative. Both prioritizing the hardware of economic development and state involvement in the economy have been key in driving China’s economic miracle, defying the dominant neo-liberal discourse in the West. China’s foreign policy that emphasizes equality, solidarity, and inclusion and de-emphasizes interference in affairs of other countries as well as pressing the issue of human rights has made China a leader in representing the needs of developing countries. China’s brand of foreign policy may not win over those of the developed world, and rightfully so in many respects, but its appeal to those of the developing world is an inescapable reality. As a highly visible and relevant embodiment of these ideas, the One Road, One Belt initiative will help to propagate the influence of the Chinese approach, while strengthening China’s economic and political influence in the process. This begs

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<sup>85</sup> Wang Yi, “Toward a New Type of International Relations.”

the question as to how global actors should response to the One Belt, One Road initiative and its underlying trends. I will attempt to answer this question in my concluding chapter from the perspective of the U.S., the existing world hegemon.

## Chapter 4

### Conclusion

China's One Belt, One Road initiative is a signature, 21<sup>st</sup> century undertaking commensurate with China's growing clout. It not only provides solutions for China's own economic needs, like markets for its products and alleviating industrial overcapacity, but helps to draw countries along the Belt and Road further into the gravitational pull of China's large economy. Moreover, as I have argued, OBOR both embodies and propagates the ideas underpinning China's own quest to develop economically and mark out its place in the global system: the "Chinese approach" that includes prioritizing the hardware of economic development, state involvement in the economy, foreign policy based on equality, and cultivation of people-to-people exchange. In the words of the Director of American Studies at Cambridge University, Stefan Halper, "China's rise reflects a familiar historical theme- namely, that ideas travel along the arteries of commerce and power. To this extent, the global marketplace has become a transition belt, via which Beijing is inadvertently promoting its most troublesome export: the example of the China model."<sup>86</sup> OBOR's sprawling network of infrastructure meant to create the "backbone of international transportation" will extend these "arteries of commerce" more broadly than ever before, and as a result so will the influence of the Chinese approach.

The One Belt, One Road initiative comes at a unique time in history, as many developing countries simultaneously grow in power and influence while feeling increasingly disillusioned with the Western liberal democratic, free-market system. The World Bank has for too long focused on shock therapy and difficult structural adjustments without enough evidence to suggest these programs actually help to alleviate poverty. The example of successful development states

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<sup>86</sup> Stefan Halper, *Beijing Consensus: Legitimizing*, 32.

like China which employed protectionism and the disastrous consequences of the 2008 financial crisis call into question the wisdom of complete free-market capitalism. On the political side, unsuccessful attempts from outsiders to resolve problems in the Middle East, leaving more problems in their wake, make the West's interventionist foreign policy seem less desirable. Against this backdrop, the Chinese approach naturally appeals to many in the Global South. This approach is not a comprehensive formula for success, nor does it need to be. It is a pragmatic set of ideas that helped China rise from relative obscurity. The foundation for its ideological draw is not grounded in rigorous academic theory or moral superiority but rather that it passes the most important test of all- the reality of recent experience. Those developing countries that are dissatisfied with the Western status quo may just find the tried-and-true example of the world's most recent developmental success, China, to be a source of inspiration.

Voices within China reflect a growing consciousness of China as an emerging face of global development, a source of ideas, and a provider of global public goods. First and foremost, Xi Jinping's leadership has been increasingly assertive and his rhetoric has reflected a growing sense of national rejuvenation, encapsulated in phrases like "Chinese Dream" and a "new type of international relations." Outside of the government sector, one academic writes, "China's economic strength has unceasingly strengthened and her influence in the international community has steadily grown ... as a country of relative strength internationally, my country should be of service to global economic development and therefore needs to build a better economic system."<sup>87</sup> He later asserts that One Belt, One Road represents the implementation of China's development strategy, allowing China to "advance forward as a global power." Another author writes that China, "must constantly innovate in the sphere of economic development

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<sup>87</sup> Manrong Lai, "Research on One Belt, One Road and free trade zone strategy." *Xiamen nanyang zhiye xueyuan* (November, 2011).

theory and of economic models,” and strive to speed up the implementation of One Belt, One Road.<sup>88</sup> Lastly, one academic suggests that OBOR will, “provide crucial support for the economic development of developing countries...As the world’s largest developing country, China has unparalleled influence on the regional and global economy.”<sup>89</sup> Those within China itself recognize their role to play in leveraging their own success to help spur global economic growth and to serve as an example to other developing countries.

Given the growing ambition of China and its ideological draw in the Global South, we must ask how the U.S., as the world hegemon and face of “the West,” should respond to China’s One Belt, One Road initiative and the broader trends it represents. The U.S. should first recognize that the economic strategies employed by China are not in fact so dissimilar from that of the West during its industrialization. Secondly, the U.S. should address the growing trend of multipolarity in the world with realism, adopting a more inclusive posture. And finally, the U.S. should support the One Belt, One Road initiative and frame the discourse surrounding OBOR as one of cooperation and not competition. This will allow the U.S. to begin sowing seeds of cooperation with non-Western countries that will be crucial to address the myriad challenges of the 21<sup>st</sup> century.

First, the U.S. needs to recognize that what China is doing is in fact not dissimilar from what the U.S. and Britain did when they were taking off economically. During her period of industrialization, Britain sought to gain access to new markets and fresh resources in Asia and Africa, albeit through imperial means. Britain built roads, railways, and ports to facilitate those countries plugging into global markets. Winston Churchill called Britain’s “railway diplomacy”

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<sup>88</sup> Manrong Lai, “Research on One Belt, One Road and free trade zone strategy.”

<sup>89</sup> Mengyuan Li, “Socialism with Chinese Characteristics and the Realization of the Chinese Dream.”

a “bright vision” of imperial power and commerce.<sup>90</sup> The U.S. also utilized investment in infrastructure abroad to serve its own interests. In 1903, the U.S. negotiated the Hay-Bunau-Varilla Treaty to gain rights to build the Panama Canal, thus improving the trade route between the Atlantic and Pacific coasts. Following World War II, the U.S. invested massively in Western Europe’s infrastructure through the Marshall Plan, motivated in part by anti-communist sentiment but also by a desire to establish markets for American goods. What China is attempting to achieve through OBOR is not historically unprecedented but rather more of a natural progression.

State involvement in the economy, specifically protectionism, was also a key part of the development of the U.S and England, even though this violates the Washington Consensus. As Ha-Joon Chang describes in his book *Kicking Away the Ladder*, Britain started to promote free trade only after it achieved economic dominance. The industrial revolution was built on protectionism; in 1699, Britain banned the import of Irish woolens and in 1700 banned cotton cloth from India. To protect infant industries, Britain imposed significant tariffs on almost all manufactured goods. Likewise, the U.S. imposed a 35% tax on most imported manufactures by 1816, raising these to 50% in 1832. Between 1864 and 1913, the U.S. was one of the most heavily protected countries in the world.<sup>91</sup> As Joe Studwell argued in *How Asia Works*, state-led industrial policy in Japan, South Korea, Taiwan, Singapore, and China was a key reason for their success. Nevertheless, when discussing free trade and other elements of the Washington Consensus, the West seems to forget its own history. This led the Commission for Africa to wonder, “Why, say some Africans, should we be denied the very policy instruments used by Europe and America for their own development?” The U.S. should temper its reflexively

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<sup>90</sup> Churchill, Winston, *The River War: An Account of the Reconquest of the Sudan*, p. 50.

<sup>91</sup> Ha-Joon Chang, *Kicking Away The Ladder* (London: Anthem, 2002).

negative reaction to those developing countries that wish to undertake an appropriate level of protectionism, lest it risk seeming hypocritical.

Secondly, the U.S. needs to respond with realism to the growing trend of multipolarity in the world. The Chinese government's vision that OBOR may "conform to our multipolar world" is not just flourish or wishful thinking but reflective of reality. The decline in U.S. influence following the War in Iraq and 2008 financial crisis coupled with the rising of emerging markets, particularly the fact that China will soon be (if not already) the largest economy in the world, has produced a greater level of multi-polarity. In 2008, the National Intelligence Council in D.C. published a report stating that the relative strength and potential leverage of the U.S. were in decline in an increasingly multipolar world.<sup>92</sup> The reflexive and often emotional desire to maintain the U.S. as the world's outright number one is not ultimately in the best interests of the U.S. or the rest of the world. Complex global problems, from terrorism to climate change to achieving a stable financial system, will require the cooperation of a range of countries that have major stakes in shaping the world's future, which includes China as well as other traditional outsiders like the other BRICS countries. Marginalizing groups of rising powers that are seeking to contribute to positive change is not productive. The BRICS grouping, for example, is essentially ignored in official U.S. foreign policy circles.<sup>93</sup> Instead, the U.S. should more actively bring rising countries into the global system and give them a say, helping to shape the inevitable outcome of greater multipolarity while minimizing ill-will toward the U.S. in the process.

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<sup>92</sup> Julian Borger, "2025: The end of US Dominance," *The Guardian*, November 20, 2008, <http://www.theguardian.com/world/2008/nov/20/barack-obama-president-intelligence-agency> (accessed March 22, 2016).

<sup>93</sup> Micahel Papa, "BRICS' Pursuit of Multipolarity: Response in the United States," Working Paper in the *Center for BRICS Studies*, Fudan University, November, 2013, <http://www.brics-info.org/wp-content/uploads/2014/03/BRICS%E2%80%99Pursuit-of-Multipolarity-Response-in-the-United-States.pdf> (accessed March 4, 2016).

The U.S. should adopt a kind of inclusive multilateralism of its own. This can start with advocating for voting rights reform within the World Bank and IMF to bring representation more in line with a country's share of global GDP rather than contributed capital. The IMF's recent decision to include the Chinese Yuan in the basket of currencies comprising Special Drawing Rights (SDRs) was a step in the right direction, but more can and should be done. The U.S. should also push the World Bank, WTO, and related institutions to concede more ground on issues of protectionism and other contested elements of the Washington Consensus. The U.S. should actively recognize and engage political groupings of rising developing countries like the BRICS and SCO. One fellow at Harvard Law School wrote, "BRICS has grown more eager to use the grouping to exercise 'go-it-alone power' or serve as an outside option to negotiate the desired changes in global governance. Given these dynamics, marginalizing the BRICS limits U.S. opportunities to mitigate and adapt to potential challenges associated with its rise." To be a leader at this unique moment of history when the global balance of power is shifting will require drawing in and not alienating other future leaders- shaping the multipolar future rather than sitting idly by and denying the reality of it.

Lastly, the U.S. should support the One Belt, One Road initiative. The U.S. has long prodded China to become a "more responsible stakeholder" in the global system. Now that China is taking steps through OBOR to be a source of important global public goods, for example by helping to fill a much-needed infrastructure gap in Asia, the U.S. should affirm OBOR as a step toward becoming a responsible stakeholder. The U.S. should join the Asian Infrastructure Investment Bank during the next round of capital-raising. Rather than rejecting the bank under pretenses of concern over its transparency, the U.S. should welcome a major multilateral effort put forward by China and help to shape the bank from within, as the U.K, Germany, and other

leading Western nations have done. The World Bank and Asian Development Bank should also share best practices with the AIIB and seek collaboration and co-financing on projects. New trade deals spearheaded by the U.S., such as the Trans-Pacific Partnership, should seek to find areas of cooperation with OBOR: if not on areas of substance, at least by publicly recognizing the contribution of OBOR to laying the physical foundation for more efficient global trade. Lastly, the U.S. Navy should work jointly with countries along the Maritime Silk Road to strengthen anti-piracy and other safety measures to ensure that maritime trade is safe, benefiting all countries seeking to conduct commerce along the route.

The U.S. has a choice to make. The first choice is to distance itself from OBOR and adopt the adversarial precedent established in its rejection of the AIIB. The second is to embrace the initiative, affirm a rising power's attempt to provide global public goods, and seek to shape the initiative through financial and technical support. The latter will require the U.S. to recognize the rise of emerging economies not as a force to be contained and the appeal of the Chinese approach to the Global South as, if not legitimate, at least a reality. After all, the Chinese approach may hold less appeal as an alternative to the U.S. approach if the U.S. adopts a more considerate, realistic, and inclusive view of developing countries. This may require conceding that the "end of history" has yet to arrive and that U.S. hegemony may soon meet its end, but this does not contradict U.S. interests. Aligning the American outlook on the international order with reality and seeking to address this reality from a position of cooperation and not competition ultimately benefits the U.S. the most. By doing this, the U.S. may just begin to build bridges of its own: not between Europe and Asia but between Washington, Beijing, and other emerging poles around the world.

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