Paris Lodron University of Salzburg
Department of Political Science

University of Sarajevo
Faculty of Political Sciences

POSIG Joint Master in Political Science – Integration and Governance

Developing Countries at the Crossroads – An American Protectorate or Alliance with China Growing Economic Giant

Master thesis

Student:

Nikolina Martinović

Mentors:

Prof. Dr. Yuleng Zeng

Prof. Dr. Ehlimana Spahić

Salzburg/ Sarajevo, 2022.

Contents

Acknowledgments and dedication

On this occasion, I would like to emphasize my sincere gratitude and appreciation to all my professors from Political Science Department, especially to my mentors Prof. Dr. Yuleng Zeng and Prof. Dr. Ehlimana Spahić, for their patience, endeavor, and remarkable mentoring.

I dedicate this thesis to my mother, who encouraged me to defiantly and boldly embark on new victories in a difficult period of our life.

INTRODUCTION

China's dramatic rise in the economic sphere has resulted in it being the second-largest economy in the world, right behind the United States. About 15% of the world's gross domestic product (GDP) is contributed by China; it ranks next to only the United States in terms of military spending (Maher, 2018). For a country that, not long ago, spent less than 4% of the United States defense budget on military spending, its growth trend is both a lesson in economic policies and a critical case study in international relations.

Along with rapid economic development, increasing military and political clout has challenged the "unipolar" movement, which is historically headed by the western democratic powers (Maher, 2018). Usually, it is perceived that the rise in new powers or world order gives rise to conflict (Lawrence & Lum, 2011). China's rise will eventually change alliances and aspects of international relations and institutions. As seen from the current world affairs, there is evidence proving this hypothesis as seen from the ongoing strenuous relationship between the United States and China.

Interestingly, the current Sino-American relationship is reminiscent of the U.S-Soviet relationship. Despite the familiar feeling, social scientists digress from this rhetoric and underscore some essential features that make the Sino-American relationship unique and different from the U.S- Soviet one. For instance, the strenuous U.S-Soviet relationship was triggered immediately after the second world war. During this time, the U.S aligned itself with China, taking advantage of the tensions between the two communist heavyweights (Maher, 2018).

Even after China opened its economy, rather than isolating it- the policy followed by the United States against the Soviet Union, the United States welcomed China into international organizations. The Sino-American relationship continued to grow, and China's cooperation was used to rebalance and combat joint world problems (Lawrence & Lum, 2011). The U.S has taken advantage of China's position as a permanent member of the United Nations Security Council to limit the nuclear ambitions of countries like Iran and North Korea.

Since the U.S and China are now the top two countries in terms of greenhouse gas emissions, the U.S is always seeking cooperation with China to curtail these emissions. The U.S also engages in dialogues and cooperation with China in order to maintain peace in the Asia-Pacific region, especially when it comes to Taiwan, South China, and the East China sea (Lawrence & Lum, 2011).

Despite maintaining a relationship based on mutual-co-operation and a unified goal of free market transactions and economic development, the Sino- American relationship is, at the same time, marred by mutual mistrust and following political systems and economic models that are on the opposite side of the spectrum.

Hence studying the growing dynamics between these two economic powerhouses has become a research question of primary interest in both political and economic spheres. In this light, the current paper highlights the relationship between the United States and China, traces its journey to its origin, and highlights the bumpy roadblocks the two countries have had during various administrations, especially underscoring the sour relationship during the Trump presidency.

This thesis describes in detail all the initiatives that were started to satisfy two underlying factors – economic development by taking advantage of bilateral agreements and other projects across various economic corridors and expanding its soft power in trans-continental regions.

This thesis contributes to the literature in two ways: firstly, the broader understanding of the dynamics between the United States and China's international relations. Secondly, it also contributes to the growing field of literature related to the study of economic development through capital outflows in three ways – by highlighting all economic agreements and programs initiated by China with other countries, via extensive literature review of studies focusing on capital outflows in the form of foreign direct investment (FDI) and empirical analysis of the relationship between FDI and economic development. Although this paper highlights several initiatives between China and other countries, I focus on the impact of capital outflows in the form of FDI on the economic development of host countries part of the One Belt One Road (OBOR) initiative or countries that are at the receiving end of FDI from China under this initiative.

Namely, this thesis has VI chapters. The methodological and theoretical framework of the thesis is elaborated in the first chapter. More precisely, this chapter elaborates on the research problem and subject, scientific and social research goals, selected methods, and the hypothesis system.

The theoretical framework consists of relevant international relations theory and theory and concepts of international economics with particular reference to the classical and recent history of trade.

When it comes to the methodological part, the hypothesis tested in this thesis is that countries that are part of the OBOR initiative see an improvement in their GDP (economic development) because of FDI from China. In this regard, I utilize panel data analysis with random fixed effects; for data from 2016 to 2017, I include data related to exchange rates, corruption, the distance between China and the host country, and dummy variables indicating whether the host country and China share a common border or not, into the model along with the primary independent variable of Chinese investment with the dependent variable being GDP.

I perform Hausman tests and provide visual evidence supporting residuals' normality and homoscedastic nature. The results from the analysis do not support the hypothesis that China's investment in the form of OFDI in OBOR member countries has a positive impact on the host country's economic development. However, the null results should not be taken at face value and imply that OFDI from China, as part and package of the OBOR initiative, has no impact on the economic development of host countries.

There is precedence in the literature showing evidence of the positive impact of FDI on the host country's economic development. So, the null results can be attributed to the trim panel incorporated for data analysis in this paper and the methodology used. Despite these limitations, the results contribute to the growing debate about the causal impact of FDI and specifically support one side of the argument that supports the notion that countries part of the OBOR initiative do not gain any economic development through this initiative.

Furthermore, the remaining part of the research is organized in the following way – section 2 reports the chronological order of the development of the relationship between China and the United States with a brief introduction about the One Belt One Road Initiative and the importance of this project and its course of implementation over different periods.

Closely related, section 3 is explicitly dedicated to the OBOR initiative and other economic corridors. It obtains detailed information about the initiative's existence, its operation at a high level, as well as the methods of financing that are of particular importance. In addition, this section clearly shows the lines of communication, i.e. the basic trajectories on which the work of the One Belt One Road Initiative is based.

Section 4 provides a comprehensive literature review of FDI, OFDI, and China's soft power. This part relies heavily on the methodological, complementing it from the theoretical point of view, which enables an easier and simpler understanding of the methodology of the work itself and presumptive dependent and independent variables. At a glance, section 5 describes the empirical analysis, followed by concluding remarks.

1.1. THEORETICAL FRAME

1.1.2 Theory of Realism

Understanding international relations requires knowledge of history, previous experiences, and the relations between two or more countries. Great powers have particular importance in international politics, whose behavior and actions can be understood based on their actions and openness to cooperation. Emphasizing the example of the USA and China, we conclude that history had remained relatively close to those moments when the state's primary goal was maximizing power. Precisely power, prestige, and interest are some of the synonyms of the vital theory of realism woven through the works of Machiavelli, Hobbes, Hume, Morgentau, Etc.

At the core of realism is the thought that the nation-state is the fundamental postulate of international relations with full power in charge. At the same time, other entities inside this frame remain limited. Realism understands politics as a competitive atmosphere without a specified hierarchy, where countries can only rely on themselves. (Sandrina Antunes & Isabel Camisão, 2017).

In Morgenthau's account, every political action is directed towards keeping, increasing or demonstrating power. The thinking is that policies based on morality or idealism can lea0021ense pursuing the national interest is 'amoral' – meaning that it is not subject to calculations of morality.

In the struggle for power and peace, Hans Morgenthau (1948) discusses the notions of morality, ideals, and what key concept should contain good politics. Specifically, he states that focusing on what is moral in politics can only be expressed as liability, rather than that, each political action should demonstrate power. Morgenthau considers the difference of opinion of individuals in the state as a possible or potential reason for conflict. For this reason, he emphasizes the "balance of power," where states can strive for power, but at a glance, balance will lead to stability.

On the other hand, Mearshemir underlines that the essential prerequisite for the state to show defensive and aggressive behavior is the desire to survive. The mistrust that reigns between countries weakens the possibility of prosperity and cooperation. The author highlights the existence of a "security dilemma" in its whole meaning - any strengthening of the defense forces of a country for any reason can pose a threat to the opposite side, further increasing mistrust and increasing the aggressiveness of countries. (Mearsheimer, 2001)

As an almost first theory in international relations, realism aims to understand the reality of politics. Indeed, this theory rests on human instincts, which are based on an insatiable aspiration and desire to be better, stronger, and more extensive. Despite this theory's many criticisms daily, realism remains one of the most important links in explaining international politics. (Sandrina Antunes & Isabel Camisão, 2017).

1.1.3 Theory of Liberalism

A more optimistic way of looking at international relations is provided by liberal theory, which cultivates the values of democracy, equal chances and opportunities, and morality as an essential aspect of the functioning of both states and individuals. Nevertheless, in political analysis, liberalism found itself on the scale of highly criticized theories, mainly characterized as utopian or imaginary.

In contrast to the theory of realism, this moral-based theory focuses on the role and establishment of institutions and international organizations to protect the individual as the essential and most important factor in politics in general. The liberal theory advocates that foreign policy significantly defines the internal policy of a state. Guided by that example, any strengthening of the country's defense forces represents an external and internal threat to its population (Jeffrey W. Meiser, 2017). Andrew Maitland Moravcsik gives an exciting overview of the importance of the theory of realism, focusing on the advantages that liberalism has. Namely, he argues that liberalism is a "theory in action" that constantly moves forward while offering different perspectives on state relations (Moravcsik, 1997).

At the soul of liberalism is the idea of a world in peace and happiness, establishing individual freedom on a higher level with a guarantee of security by institutions and other state mechanisms. To have successful cooperation, one country needs to limit the development of aggressive and hostile politics on an international and domestic level. For instance, the country should work on the improvement of economic interdependence and more liberalization. (Jeffrey W. Meiser, 2017).

1.1.4 Theory of Neoliberalism

The theory of neoliberalism refines and completes the rest of the puzzle created by the enormous growth and popularity of liberal theory. Likewise, the concepts of dignity and individual freedom are at the center of neoliberalism. At the same time, the newness of this theory is that these concepts can only be implemented with free access to the market and liberalization of global trade.

Namely, neoliberalism was introduced to the public by Margaret Thatcher in the UK and Ronald Reagan in the USA in the 1980s as a response against Keynesian reformist liberalism. At that time, a new meaning and methodology of the word "governance" were introduced, meaning that government becomes only one part of the policy implementation system without decision-making authority. Instead, those with capital possession are in charge of decision-making. Neoliberalism combined innovative segments of politics and economics that appeared to be popular concerning the free market model on the very act of management. (Ives, 2015).

1.1.5 Theory of Constructivism

In his “Anarchy Is What States Make of It: The Social Construction of Power Politics," Alexander Wendt (1992) focuses on building a bridge between two traditions, realist-liberal, by developing a constructivist argument. The author recognizes the importance of two features, self-help and power politics, arguing that anarchy is not something given or already there; it is the final result of state decision-making. As a tipping point, it is argued that interests and identities within the country can change, thus, the system changes. Therefore, constructivism places interest and identities as another central point in the theory.

Given the example of the Cold War, Wendt explains that the goals and behavior of the two main power included in the conflict were not the same at the beginning and the very end. Hence, as he believed, the interests of states can change depending on what they stand to gain or lose, which brings us to the point that it is defined by process, not structure.

A third key concept in constructivism is social norms. With that inclusion, states can clearly see what behavior results as good and the opposite. The theory of constructivism gives a unique perspective to international relations with the inclusion of ideas, identities, and norms. Indeed, it touches another part of the system that helps the function. (Theys, 2017).

1.1.6 Theory of Marxism

Marxism was introduced by Karl Marx (1818–1883) as a unique theory that included the viewpoints of philosophy and sociology, but also as a reaction resulting from dissatisfaction with capitalism. The theory developed significantly as a progressive resistance to the regime's pressure suffered by a particular working group. Essentially, this theory centered on the importance of equality in work and the socialization of people, as well as the concept of the industrial revolution.

Namely, the theory of Marxism brings up historical materialism seen as a necessity for survival and reproduction. Focusing mainly on contribution to citizens and the environment, Marxism fights against the politics of class and brings to IR different perspectives of what can change in the system. According to Marxism world should be seen as what is real and what changes are possible to adopt instead of constantly seeing it as "utopian" or idealistic. Marxism is interested in how people depending on each other can and indeed are using public good such as the environment, to reproduce and shape political institutions (Pal, 2017).

1.1.7 The Theory of Hegemonic Stability, Hegemonic Power, and International Political Economic Stability

Keohane was one of the first to analyze this theory, along with Kindleberger, Gilpin, and Krasne. The theory of hegemonic stability represents a close connection between power and peace. Despite these two concepts having splendid differences, the theory advocates that in international relations, these two factors contribute to the stabilization of peace.

Having hegemonic power allows the state autonomy and the possibility to sanction the party that engages in negative behavior. According to the author, the type of punishment for the aggressor is necessary in order to establish peace and improve the system of international relations. In this sense, the power of the state means peace. In addition, by imposing sanctions in the form of soft or hard diplomacy, it ranks the hegemon on a larger scale of power and strengthens its reputation at the global level in the long run. (Noor & Yazid, 2015)

In After hegemony, Keohane (1984) directly disputes the argument that states will have better international cooperation with the existence of a hegemon. On the contrary, states can find cooperation in significantly different segments related to foreign and domestic trade, the level of tariffs, and the prices of services and goods. Therefore, he believes that it is necessary to establish an international regime in order for cooperation to proceed smoothly. The author argues that countries will reach an agreement when each act peacefully in the process by imposing lower expenses and threats.

There is a thin line between hegemon stability and free trade, Gowa argues that a hegemon in power can affect terms of trade and also violate them at a certain point. "The possession of power in a trade-theory sense, for example, necessarily implies the use of tariff only if the hegemon cannot find a more efficient way to redistribute income from its trading partners to itself. Because other states lose more than the hegemon gains." (Gowa, 1989).

1.1.8 Theories of International Regimes

Based on the author's opinion, existing theories of international regimes neglect the domestic political process and thus need to show the whole picture of countries' influence choices. It is argued that interdependence is needed to ensure good domestic and international cooperation. Domestic, in most cases, have a boomerang effect on international. Thus, consequences appear in the long term (Haggard & Simmons, 1987).

The two-level game theory advocates that the state acts on the domestic and foreign levels at the same time. Through the two levels of the game, Putman clearly explains that both sides in the negotiation process must be ready to make some concessions and find a balance. The result of each negotiation may be satisfactory at level 1, while at level 2, it may be disputed. However, a successful negotiation actually makes both parties relatively satisfied, which means that only some of the parties achieved the absolute goal of the negotiations. Nevertheless, most importantly, they left with an agreement. The author argues that three key points are of great significance for a turnout of the negotiation process 1. relations between powers, 2. institutions' credibility, and 3. negotiators’ strategy (Putnam, 1988).

This theory, in some way, breaks the GAP created due to the difference between the applicability of theory and practice in formulating and solving the conflicts that have arisen. Namely, unlike the previous theories, it is popular in the modern world, where states often come into the phase of soft diplomacy, i.e., negotiations at multiple levels to either overcome the problem or achieve a more excellent result of cooperation.

1.2. METHODOLOGICAL FRAMEWORK

1.2.1. Research problem

When states are uncertain about the actions of another state, when their main goal is to increase its power - we are talking about a real play game. According to the latest events, there is a New World Order challenged by two hegemons or to say so the US and China. In fact, the world already witnessed the consequences of the Cold War, and that is the main reason why the public keeps an "open eye" on this conflict. This is a political economy story that obtains two strong part the US and on another hand China. Despite the two-face confrontation in multiple fields, they remain important and unpredictable. The goal of the thesis is to observe at first the roots of relations between the two and find a reason why states cannot find peace, and instead, they wage a war in its multiple dimensions. A lot of theorists try to understand and find a problem why do the US and China go into war, and what are the causes of that, instead, in this thesis we will see what stops them from reaching an agreement.

China with its rise showed up as an independent economy, and mysterious diplomacy, followed by many initiatives and cooperation around the globe. One of those master initiatives is One Belt One Road, which covers many countries through the sea and air. At first, the thesis will be touched the aim of OBOR from a political and economic perspective. As well, at the core of the thesis is the effect of the USA - China conflict on member OBOR countries and where is their position in international relations. Note: Concerning the fact that trade wars are not considered real wars, my key research subject is to focus on conflict tensions at the political economy level, and not in a military or nukes path.

1.2.2. The subject of Research

This master's thesis with the title "Developing Countries at the Crossroads – An American Protectorate or Alliance with China Growing Economic Giant" will explore the position of the member countries of the OBOR initiative, as well as their political and economic orientation towards China and/or the United States. More precisely, the thesis obtains a dataset with 170 observations from the One Belt One Road Initiative, on which exactly I test the hypothesis.

1.2.3 Scientific Research Goal

This thesis aims to expand the literature dealing with political economy, economic conflicts, the causes of war, international trade, as well as relations between states. Moreover, it focuses on analyzing existing theories on international relations, and the international economy, while trying to identify the main causes of the conflict and understand in roots political and economic relations between the US and China.

1.2.4. Social Research Goals

Likewise, theory, at a certain point, does not guarantee success in practice, especially when it comes to international relations. Hence, the primal goal is to explain how the US and China, two enormous political and economic powers, function in practice. As well as the importance of the existence of the so-called bridge between China and the rest of the world - the One Belt One Road initiative and the understanding of how such a type of infrastructure can affect not only the members of the initiative but also a global level, setting new standards of relations, is indispensable. Especially of great importance is the methodology of this thesis, which enables us to see through the numbers how foreign investments can influence and influence the growth and development of OBOR member states.

1.2.5. System of Hypothesis

The data set contains a set of 170 observations that include countries and regions from the One Belt One Road Initiative over the period 2016 to 2017. The data for FDI inflows to host countries are taken from AidData[1], exchange rates, and GDP from World Bank. The geographical data relating to distance and dummy variables indicating whether the countries share a contiguous border or not are taken from CEPII[2]. Due to a lack of information, some countries in the data set may have missing values, so the panel is unbalanced.

The model contains one dependent (y) variable and an independent variable (x) with four other control variables (x). Thus, the main dependent variable (y) is the Gross Domestic

[1]Custer, S., Dreher, A., Elston, T.B., Fuchs, A., Ghose, S., Lin, J., Malik, A., Parks, B.C., Russell, B., Solomon, K., Strange, A., Tierney, M.J., Walsh, K., Zaleski, L., and Zhang, S. 2021. *Tracking Chinese Development Finance: An Application of AidData's TUFF 2.0 Methodology*. Williamsburg, VA: AidData at William & Mary. **(2)** Dreher, A., Fuchs, A., Parks, B. C., Strange, A., & Tierney, M.J. (Forthcoming). *Banking on Beijing: The Aims and Impacts of China's Overseas Development Program*. Cambridge, UK: Cambridge University Press. Retrieved from **https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-2-0**

[2]For more information, please refer to CEPPI n.d. About CEPPI. Retrieved from http://www.cepii.fr/CEPII/en/cepii/cepii.asp

Product (GDP) of One Belt One Road countries. Secondly, Foreign direct investment or differently assigned in the data set - (Investment in constant USD 2017) of China to OBOR countries is the main independent variable (x).

Control variables are included in the models to account for endogeneity issues and limit the correlation of independent variables with error terms. The control variables are:

a) exchange rates of countries (exchange rates)

b) corruption index across countries (CPI)

c) dummy variable for whether the country shares a common border with China (Dummy for Common border) with values 1, which indicates that it does have a common border and 0 otherwise.

d) geographical distance between China and OBOR countries (Distance Between CHN and country).

1.2.6. Research Design

The objective of this section is to highlight the empirical analysis undertaken to investigate the research question - How does the US-China trade war influence the behavior of developing countries in terms of opening their economy for capital flows from China? Specifically, I posit that because of contentious Sino-American relationships and subsequent policies adopted by China to reduce its dependency on the USA, it has pivoted its investment towards mainly developing countries in Asia and other European countries, diversifying its investment. In this regard, I specifically test the hypothesis on the One Belt, One Road initiative. I hypothesize that China's investment in the form of OFDI in OBOR member countries tends to positively impact the host country's economic development.

The methodology employed in this paper is panel data analysis with fixed and random effects, and a Hausman test is used to determine the best model. Panel data analysis is ideal for establishing a cause-effect relationship between the dependent variable GDP and the leading independent variable investment. Additionally, I provide OLS and multi-variate regressions, I also test assumptions by testing for heteroscedasticity, etc.,

1.2.7. Conceptual-categorical apparatus

Gross domestic product (GDP) is a measure of a country's total monetary or market value; specifically, it is the total value of the finished goods and services produced within a country during a specific fiscal year. Hence, it’s a broad measure of the value of local products and can be considered a report card of a country’s economic health. (Investopedia)

Foreign direct investment (FDI) – is a form of cross-border investment in the form of owning a certain amount of interest in a company. Usually, the interest amounts to a substantial stake that grants the investing company a right to make business decisions and is seen as a way to expand the investing company’s reach or expand its operation. (Investopedia)

The Corruption Perceptions Index (CPI) - scores countries on levels of corruption. The CPI is released annually by Transparency International, an independent nonprofit organization that aims to fight corruption, especially in the public sector (Transparency International). The scale ranges from 1 to 100, where a score of 0 indicates that country is highly corrupt, and a score of 100 means the country is very clear.

An exchange rate is a rate at which currency is exchanged between countries. Exchange rate changes affect businesses by changing the cost of supplies purchased from different countries and changing the demand for their products from overseas customers. (Investopedia)

Common border with China - A border is a real or artificial line that separates geographic areas. Borders are political boundaries and demarcate regions, countries, states, provinces, counties, cities, and towns. The government of a region can only create and enforce laws within its borders. (CEPII)

Distance between China and countries - The geographical distance between mentioned countries in the dataset and China.

2. CHRONOLOGY OF COOPERATION BETWEEN THE UNITED STATES OF AMERICA AND CHINA

Following the dissolution of the Soviet Union during the post-Cold war and the subsequent creation of the "New International World Order" that was initiated by President George H.W. Bush and further developed by Presidents Clinton, Bush Jr., and Obama, international institutions played a crucial role in establishing and maintaining order.

This order provided a way for the dominant power – the United States - to exert its influence and make other countries "play by the rules" set down by these organizations (Mearsheimer, 2019; Ikenberry, 2018).

Expanding the membership of the existing international institutions and creating new ones was deemed critical for the process. Considering that Russia and China were right behind the USA as the most powerful countries in the world, their integration into these institutions was of fundamental importance for the "New World Order" successful expansion.

According to Mearsheimer (2019), the ultimate goal was to fully integrate these (and many other) countries into the open international economy and instigate their eventual conversion into liberal democracies. The author refers to the opinion of the late State Secretary Albright that, to have peaceful cooperation with China, the US should not repeat the confronting and restrictive Cold War politics it used to maintain with Russia but instead "engage with it" (State Secretary M. K. Albright, 1997).

The policy mentioned above would induce China to join the major international organizations that are pillars of the international order. This strategy was expected to lead to China's integration into the liberal economic order led by the US and transform its system into a liberal democracy.

Also, China has been a member of the International Monetary Fund (IMF) and the World Bank since 1980, while only joining WTO in 2001 after seeking entry in 1999. This particular step is deemed the most important in maintaining the liberal economic order, considering the crucial role of the World Trade Organization (WTO). Having a "communist" country (which at that moment was the seventh world's economy) access to the pillar of the liberal economic order and thus abide by the rules of that order was considered to be the triumph of US hegemony (Beeson & Watson., 2019).

However, while integrating China into the international economic order and helping it to rise economically, this process did not convert it into a liberal democracy. As Mearsheimer (2019) remarks, the US efforts to turn China into a liberal democracy and thus absorb it (together with Russia) into the liberal world order dominated by the United States have failed.

This mission has failed despite the optimism of bringing China close to the liberal order. Again, it was an overall naive expectation because of two main reasons. First, by doing so, China would support increased economic and military domination of the United States. Second, China as a country is too distinctive - historically, geographically, culturally, and economically – to be simply absorbed into a world order established by another power (Nye, 2020).

America's failed strategy to "convert" China by incorporating it into the US-led liberal world order is expressed in the 2017 US National Security Strategy Report, which concludes that this strategy's only result was to make China much more potent (Wang & Zeng, 2020).

Disagreements and a lack of understanding regarding the "liberalization" of China further aggravated the already strained relationship between the two economically and politically most potent powers. However, there were more attempts to resolve the situation. Based on the USA - China initiative from 2006 to 2008, Strategic Economic Dialogue (SED) was launched as a form of soft diplomacy and an attempt to establish balanced relations in the long term. (Morrison, 2011)

Since the agreement was not reached in the mentioned period, President Obama and Chinese President HU set out a new dialog under the U.S.-China Strategic and Economic Dialogue (S&ED) title. The dialog had three rounds, mainly focused on two key subjects on the "Strategic Track" and the "Economic Track," including valuable topics related to economic and trade issues, human rights, Etc. (Morrison, 2011)

For the last 50 years, the rise of China has been impressive in terms of any economic measurement. Chinese economy became larger than America in 2014 regarding purchasing power parity (PPP). However, despite such, it has not yet overtaken the United States as the significant economic power because PPP is a metric that shows the welfare of a nation, but not strictly its economic power. (Nye, 2020).

Generally, experts in the field of the economy believe that China will surpass the USA as the largest economy in terms of GDP, in USD, by 2030 or mid-century (Nye, 2020). On the other hand, US per capita income remains higher than Chinese.

Apart from China's remarkable rise over decades, contemporary authors have also analyzed this phenomenon in the context of the United States of America's weakening position.

This became especially relevant since President Trump took over the office in light of his "America First" doctrine. In that context, many political and economic analyses over the years have focused on whether China may take over the international leadership position currently held by the US. Some authors (Beeson & Watson, 2019; Mearsheimer, 2019) argue that the international leadership position is likely to become vacant rather than be taken over by China.

2.1. Sino-American relations during Trump Presidency

China and the United States maintained a predominantly peaceful and good relationship throughout the '90s and 2000s (Mearsheimer, 2019). Despite the conflict in Tibet and Taiwan, the Sino-American political relationship of this period was only marred by minor episodes. Outbreaks were firmly linked to China's neighbors' attacks and Chinese disapproval of the USA's plan to hold naval exercises in the Yellow Sea in 2010. This resulted in Obama's administration deciding to conduct the exercise in the Sea of Japan. (Mearsheimer, 2014).
This episode speaks primarily of China's wish for strength and regional influence and its ambitions to push the US navy currently based in its neighborhood further away from its borders.

The two countries' economies have been growing gradually more dependent on each other since the year 2000 when President Clinton granted China "Normal Trade Status." The same year, the United States Congress established The U.S.-China Economic and Security Review Commission (USCC), a body mandated to monitor and report on the US-China trade and economic relations and their effects on national security (U.S.-China Economic and Security Review Commission, n.d.).

The two countries increasingly tight, intertwined, and symbiotic economic relations during the 2000s inspired some authors to create the word "Chimerica" (Ferguson & Schularick, 2007; Wang & Zeng, 2020). This symbiotic relationship lasted until 2008, when the global financial crisis kicked in. Although the same authors declared the end of the "Chimerica" (Ferguson & Schularick, 2011), the economies of the two powers remained interdependent to a large degree.

Within this example, we can track the roots of interdependencies back to the 90s. At this time, the United States became a significant consumer of the Republic of China's inexpensive essential goods while paying for them in USD. At the same time, the Republic of China kept holding US dollars and Treasury bonds and even providing loans to the United States. This symbiosis was based on the dollar's status in the world market and China's dependency on it (Wang & Zeng, 2020).

Interestingly, the US-China economic relationship was estimated as an asymmetric symbiosis between 2001 and 2008. Huge turnout came after 2008, when relationships increasingly became competitive. Likewise, 2008 was marked by the global financial crisis, a process that peaked during the "Trump-Xi era" when it turned into a "trade war" (Wang & Zeng, 2020).

President Donald Trump's presidency period from 2017-to 2021 played a significant part in the relationship between the two economic and political powers. Namely, during his legacy, Sino-American cooperation worsened due to increased tariffs and trade cases against China, which eventually escalated into a conflict. One more product of the president Trump period was a change in the United States' role in the international order.

This change is outlined in the 2017 US National Security Strategy (NSS) report (White House, 2017). In the same report, China was referred to 33 times and openly defined as a revisionist power with global expansion tendencies challenging American security and prosperity; at the same time, it was announced that the US increased its competition agenda (Wang & Zeng, 2020; White House, 2017). The NSS was supported by the ensuing US Department of Defense's National Defense Strategy (NDS), which contained similar wording concerning China (Wang & Zeng, 2020).

In line with the "America first" approach and proclaiming the institutions regarded as pillars of the international liberal order to be outdated and obsolete (Mearsheimer, 2019), Trump's administration withdrew from some international organizations while obstructing the work of others.

A marked deterioration of US-China relations is a distinctive feature of this period, with President Trump's administration claiming that the admission of China into the WTO was a mistake, blaming the country for disrespecting the organization's rules and even for undermining it (Donnan, 2018; White House, 2017).

Joining WTO has helped China develop into the second economic power in the world to the extent that President Trump argued that it serves China's purpose only (Beeson & Watson, 2019).

In terms of gains from economic interdependence, both the United States and the Republic of China reaped benefits. On the side of relative terms, "China's Gross Domestic Product (GDP) has grown more than nine-fold in the past 17 years", declared Vice-President Pence in 2019, quoting President Trump's words that the US has re-built China while weakening the USA in what he called "the greatest transfer of wealth in the history of the world." (Pence, 2019)

Related to China's benefits, it is noticeable that the trade surplus (particularly with the US) marked a remarkable increase after the World Trade Organization accession. At the same time, the Republic of China was criticized for keeping its currency, the Renminbi (RMB), at undervalued exchange rates to enhance its exports (Wang & Zeng, 2020).

Chinese spectacular growth started in the 1980s in line with Deng Xiaoping's "reform and opening-up policy" (Wang & Zeng, 2020) and the country's extensive measures for attracting foreign investments and businesses. Hence, before mentioned benefits could not be the only source of Chinese strength. As discussed before, with China's membership in the WTO, its inexpensive goods became highly competitive in the global market, developing substantial trade surpluses and inducing China's overall economic growth.

Simultaneously, China used its foreign exchange reserves to buy US Treasury bonds. (Wang & Zeng, 2020). Therefore, the 2001-2008 "symbiotic" period was marked by the Chinese extraordinary export-induced growth (primarily based on US overconsumption) and its equally remarkable increase in holdings of US securities.

Although these trends may depict China as having gained more from this situation, the 2008 Global Financial Crisis (GFC) (essentially produced by the US) showed its vulnerability. China's economy was hit hard due to its heavy dependence on exports. As a result, its leadership has not only taken immediate steps to alleviate China's losses but has also decided to take measures to decrease the country's economic overdependence on the US market and USD. The economic growth course changed from heavily relying on exports of low-cost goods and low-efficiency investments to growth driven by domestic consumption and innovation during the presidency of Xi Jin Ping, who assumed office in 2013.

The changed course resulted in the expected decrease in growth. However, the purpose was to make China's economy less dependent on the US. According to some scholars, this also gave China the freedom to make some brutal moves toward the US if necessary (Wang & Zeng, 2020). Thus, the measures undertaken would not only save the Chinese economy. At the same time, most of the world suffered dire consequences for a prolonged period, but it also helped it emerge from that crisis as a global economic and political power (Lattemann et al., 2018).

2.2. China's Three Major Initiatives

During the crucial period when China began to see itself rise among the global power, three significant initiatives were established as part of China's foreign policy and, as a result, became a source of concern for the US. As discussed, the US-China relations were already complex enough and became more convoluted with Chine's intention to spread its influence worldwide. The three primary Chinese "weapons" to US domination are the Belt and Road Initiative (BRI), the creation of the Asian Infrastructure and Investment Bank (AIIB), and China's plan for "Made in China 2025". From the United States' perspective, the three mentioned initiatives aim to completely change the worldwide economic order (Kim, 2019).

2.2.1. “One Belt One Road (OBOR) initiative”

In 2013 President Xi Jin Ping, on the occasion of his visits to Kazakhstan and Indonesia, presented "The Silk Road Economic Belt" and "21-Century Maritime Silk Road" projects, respectively.

These later became known as the "One Belt One Road" (OBOR) initiative, to be finally referred to as the "Belt and Road Initiative" (BRI). It is a global infrastructure development strategy envisioned to include 70 countries across Europe and Asia. From China's perspective, the purpose of BRI is to strengthen regional networks at all levels. On another side, the US and its allies sensed it as a threat and China's aspiration to strategically spread influence (political or economic).

2.2.2. “The Asian Infrastructure and Investment Bank (AIIB)”

Proposed by China, it launched in October 2014 and began its operation in 2016 with 57 members, which number will increase to 103 by 2020. The Bank has since 2017 received the highest ratings from the top credit rating institutions and was granted Permanent Observer Status in the UN in 2018 (Asian Infrastructure and Investment Bank. Introduction). AIIB is established to fund infrastructure development in Asia especially. Leaders in China stated that AIIB should be related to financial institutions such as International Monetary Fund and World Bank. OBOR and AIIB should contribute to the internationalisation of RMB, decreasing China's dependency on the USD. (Wang & Zeng, 2020).

2.2.3. “Made in China 2025.”

With an ambition to become a leader in innovation and hi-tech manufacturing, China declared an essential step in reforms, and in 2015, this plan was set out and made public. The main goal of the agenda mentioned above is to show China's ability to ship different goods. New information technology, numerical-controlled machine tools, robotics, aerospace equipment, and ocean engineering equipment are sectors that need to be nourished and developed in the agenda (Wang & Zeng, 2020).

China has introduced several incentives to boost the local high-technology industry, such as providing favorable loans for acquiring tech companies, supporting joint ventures, and buying technology-developing companies in developed countries. Increased investment in human resources is another measure implying sending its professionals to specialize in countries with developed high technology and, recently, bringing foreign researchers and professionals to China (OECD, 2018).

While the extent of the achievement remains to be seen, the strategy has already resulted in a notable shift in China's exports toward technology-based products. This development will increase China's competition with the country's leading innovative technologies, primarily US. (Wang & Zeng, 2020).

OBOR initiative is a significant manifestation of China's increasing power. The potential source of its dominance in the region has caused concern in the US which has since taken many steps against this initiative. These are, among others, strengthening cooperation with Japan, India, and Australia in infrastructure projects in the Indo-Pacific region, simultaneously with increasing financing of the Asian Development Bank and the World Bank to support these projects (Kim, 2019).

The US also exerted its influence to prevent China from establishing the AIIB. This effort ended unsuccessfully, with 57 countries joining the new institution as founding members, including Germany, Great Britain, France, Italy, Australia, Israel, and South Korea, the only exception among the traditional US allies being Japan (Kim, 2019). Thus, the United States has failed to prevent the creation of AIIB, but the failure has further contributed to its weakening position.

Finally, the United States considers "Made in China 2025" (a country's ambitious plan to become a technological leader recognized primarily for its technologically advanced products instead of cheap essential consumer goods and low-quality electronics, which has been the case so far) to be another significant threat to its current position as the world's no.1 technological power (Nye, 2020). President Trump openly said that some tariffs his administration imposed on China were directed at obstructing this initiative (Hopewell, 2018). Some accusations from the US administration even asserted that China was stealing US intellectual property (Wang & Zeng, 2020).

The course taken by the US administration during the Trump presidency caused many experts to warn against breaking ties or "decoupling" as the costs may be enormous for the US economy and would only further weaken its position. Instead, the two powers should maintain the relationship of "competitive rivalry" or "smart competition" (Nye, 2020; Wang & Zeng, 2020). The former authors also point out that this economic relationship evolution from symbiotic to competitive does not translate into the overall relationship between the two, and more importantly, the perceptions of the two leaders are of great significance for this relationship, both due to the constitutional rights attributed to their offices and their personalities.

2.3. Sino-American economic interdependence

Nye (2020) argues that interdependence between two countries can be a power source if it is asymmetrical. The author lists seven dimensions of the interdependence between China and the United States, of which six were also summarized by the former Australian Prime Minister Kevin Rudd: Trade, Foreign Direct Investment, Technology, Capital Markets, Currency Markets, Education/Research/Talent, Military and Environment (Nye, 2020; Rudd, 2019), each of them characterized by different levels of asymmetrical power/vulnerability.

Concerning trade, between 2010 and 2020, 19% of China's exports went to the USA, while China received only 8% of total U.S. exports, seemingly putting the U.S. in a more favorable position. However, U.S. consumers still depend to a large extent on various Chinese goods (Nye, 2020). The trade value between the two countries amounted to approximately 560 billion USD, of which 124.6 billion USD export value and a 4,354 billion USD import value. (Ma, 2021). Billions of dollars worth of trade between the two economies are embodied mainly in logistics, i.e., integrated supply chains - implying that "intermediate products are shipped back and forth before the final product reaches the consumer" (Statista Research Department, 2021). This is an obvious example of a significant interdependence between the two economies.

As of 2019, the total US FDI in China reached 269 billion USD, while the Chinese FDI in the U.S. amounted to 145 billion USD (Nye, 2020). According to data provided on Statista, there has been a dramatic increase in Chinese FDI in the U.S. since 2015. Chinese companies invested 38 billion U.S. dollars into United States corporations in 2020 when measured on a historical cost basis (Statista Research Department, 2021). Still, analysis shows that American Foreign Data Investment in China is way higher, automatically placing China in the 13th position of the countries receiving American foreign data investment (Statista Research Department, 2021).

The Republic of China's government plays a vital role in Chinese companies. For that reason, most of China's foreign direct investment activities are presented through the Chinese delegation on a high level. Also, some authors stress that China is using its FDI as a tool to promote its foreign policy (Randall et al., 2021), which, in turn, raises concern among some voices in the U.S. regarding the actual value of these FDI for the U.S. economy (Globerman, & Shapiro, 2008).

When it comes to Capital Markets, the overall financial relationship is over 5 USD trillion, comprising close to two trillion in Chinese listings on U.S. stock exchanges and 1.3 trillion USD in Chinese official holdings of U.S. government bonds (Nye, 2020).

An essential element of the interdependence is U.S.'s continuously growing trade deficit with China. One of China's benefits of the trade relationship with the U.S. is acquiring some of the largest reserves of U.S. treasury bonds (Beeson & Watson, 2019). As of September 2021, China held 1.05 trillion U.S. dollars in U.S. securities, which puts her in second place among foreign owners of the total U.S. debt (7.55 trillion USD), right behind Japan with 1.3 trillion USD (Duffin, 2021).

Purchasing debts of other countries is an average transaction in the liberal and open economic world, which does not give the owner of the debt much power over the debtor, in this case, instead speaks of the closeness of the two economies and serves as the illustration of China's economic rise (China Power Team, 2020).

About Currency Markets - U.S. President Trump accused China of currency manipulation after it decided to depreciate its value following the U.S. tariff imposition to gain an unfair trade advantage and enhance its exports (Wang & Zeng, 2020). From another perspective, China wants to internationalize its currency and sees BRI contributing to this goal (Wang & Zeng, 2020). Despite criticism, it has failed to undertake reforms that would lay the ground for the yuan to become the primary reserve currency (Nye, 2020).

In the field of Technology, the role of China specifically, its "Made in China 2025" agenda plays a key role. This agenda brought up many debates, and scholars define it as one more threat to the United States. The decades-long dispute over Huawei between the People's Republics of China and the United States, at the same time, reflects China's growing technological influence. This conflict relates to China's agenda and, as the authors believe, its ambition to be a world hegemon in technological innovations.

It expresses the increasing technological competition between the two economies, including that over 5G technology. As President Trump openly declared: "The race to 5G is the race America must win "(Bases, 2019).

The U.S. banned Huawei networking equipment in 2012 because the company, known to be close to the government, may use its equipment for spying. This controversy continues as President Biden signs law to this effect, continuing the practice of his predecessors (Reardon, 2021.) Meanwhile, the U.S. administration has impacted its allies in Europe to stand by it on this issue, which has led to some E.U. countries banning Huawei from supplying 5G infrastructure.

Many economists and experts have warned that such behavior may show in changing technical standards and provoke other problems. It is valuable knowing that China intends to regulate internet usage and has banned Facebook and Google for over a decade (Nye., 2020).

. The story of Sino-American cooperation in the field of education officially starts with Yung Wing, the first Chinese student in the U.S. who graduated from Yale in 1854. The "forefather of overseas Chinese students" is the initiator of this cooperation by being the first Chinese to study in the U.S. but also by dedicating his life to making it possible for other Chinese students to get an education in the U.S., organizing Chinese Education Mission (Yung Wing (Rong Hong), 2020).

While this collaboration was maintained for 170 years, it was often marred with problems stemming from political issues, particularly during communist times or cultural differences (Fish, 2020). President Donald Trump's administration then requested to suspend international students' right to work in the U.S. after graduation; this discouraged many students, including one from China. (Fish, 2020).

When China was again given the status of the most favored trading nation in 2001, the intensity of educational and academic exchanges surged (Postiglione, 2021).

Nye (2020) reports that more than 3 million Chinese students attended American Universities, and over 350,000 Americans studied in China in the past 20 years. This number has been declining with the American changing policies and visas increasingly challenging to obtain.

Professor Postiglione of the University of Hong Kong, in his analysis of possible negative consequences of the deteriorating Sino-American relations (education cooperation), warns that Universities have a significant role in maintaining peace and international security (Postiglione, 2021), and as a result, science and knowledge may become victims of the politics. In these times, universities and academia have an increased responsibility to ensure the free exchange of ideas and minds (Postiglione, 2021).

When it comes to the military, each country is a nuclear power and, in this sense, "holds each other hostage" (Nye, 2020), which is the case with all other nuclear weapon-possessing countries. In a military sense, the U.S. is still far more powerful, which some authors see as a deterrence factor regarding the possible conflict between the two (Mearsheimer, 2014).

The U.S. and China share the infamous reputation of being the two leading polluters in the world, with China recently surpassing the U.S. as the world's no. 1 producer of greenhouse gases. Together, they produce 40 % of the total emissions. (Nye, 2020). Both have pledged to work jointly to alleviate this environmental problem on numerous occasions.

2.4 Weakening relations between China and America

Despite the U.S. perception of China's peak of power, China seems to be dissatisfied with its role in leading economic organizations WTO, IMF, and G20 (Beeson & Watson, 2019; Kim, 2019).

For that reason, China established its 'counterparts', such as the Shanghai Cooperation Council and especially the Asian Infrastructure Investment Bank (AIIB), in 2015, where it can exercise a more prominent, if not dominant, one. As history shows that regional domination precedes world domination, these steps are perceived as China's ambition to replace the US as the world hegemon (Kim, 2019; Mearsheimer, 2014), despite its efforts to deny such allegations (Wang & Zeng, 2020). China's unprecedented growth will inevitably lead to its regional domination and overall domination in Asia, which, according to some, may elicit the cooperation of most of its neighbors with the USA to suppress this domination (Mearsheimer, 2014).

The US-China faced completely different relations since July 2018, when the trade war officially started with the US imposing a 25-per cent tax on imports of $34 billion of goods from China and China immediately responding with a 25-per cent tariff on imports of soybeans, other agricultural products, and automobiles (Dollar, 2018).

Also, China was accused of unfair and dishonest trading practices, theft of intellectual property, cash manipulation, unfavorable conditions, and lack of market access for American companies, which contributed to already frosty relations. China saw these measures as an attack on its new position and strong economy, but when it came to imposing tariffs, China acted reciprocally.

In January 2020 US and China signed a document to improve their trade relations in which both sides made some compromises. (BBC, 2019). However, the trade war continues even with the new US administration. Despite China's insistence that the US should remove the tariffs imposed during the Trump era, which are detrimental to both US and China as well as the global economy, President Biden responded by accusing China of failing to adhere to its promises to increase the import of American goods (Fromer, 2022).

Considering the interdependency of the two economies, one can conclude that the trade war is damageable for both countries; Kim argues that the US behavior can be found in its fear of losing strength in its economic and global order. (Kim, 2019). About, Wang & Zeng (2020) believe the trade war is just the "tip of the iceberg" in the strategic competition between the two hegemons. However, this trade war happened to have global effects.

Kim (2019), referring to Organski's theory (Organski, 1958), even argues that under the circumstances – when there are two powers of which one is declining and the other one rising, the latter is looking for a way to eliminate the existing gap – by waging a real war. A similar argument has been presented by Allison (2015), who presented a case examination of 16 cases in the past 500 years of a rising power threatening the established one. In 12 out of these 16 cases, a war broke out. This possibility is also discussed by Mearsheimer (2014), who concludes that while China has caught up or surpassed the USA in some economic parameters, its military power is still behind that of the United States, making a military confrontation between them very unlikely.

Another Mearsheimer argument favoring this opinion was that, unlike China, the US has many significant allies worldwide. Most importantly, China will seek to maintain and grow its influence in the region and all over Asia using economic power, allowing it to dictate the rules.

China's methods for developing its economic power and spreading its influence globally include avoiding "open conflict" and identifying the words of Deng Xiaoping: "Hide our capacities and bide our time but also get some things done." (Mearsheimer, 2014).

This strategy was formulated at the 16th National Congress of the Communist Party of China (2002) as "China's path to peaceful rise." Some of the five pillars of this strategy were formulated as "unswervingly regard economic development as the central task, boldly cling to opening-up and remain linked to rather than disengaged from economic globalization, insist on relying on our own while actively engaged in economic globalization, struggle to rise following the independent foreign policy of peace, and never seek hegemony" (China's Institute for Innovation and Development Strategy, n.d.).

Wang & Zeng (2020) argue that it is too early to say that economic relations between the two powers have fundamentally changed, insisting that it is an evolutionary process even if encumbered by the USA's perception of China's increasing threat. Indeed, the presidential administration in the United States played an essential role in defining relations with China. For example, President Bush focused on engaging with China economically and strategically after President Obama continued this engagement while importing some strategic changes. President Trump turned China into a competitive power with close relations (Wang & Zeng, 2020).

Although the US administration has undertaken concrete and radical steps to change Sino-American relations, China's policy to the US has gradually evolved. While it persistently adhered to Deng Xiaoping's principle of "keeping a low profile and never striving for leadership" for decades, particularly with the United States, the scope of China's growing economy and the changing international relations have naturally led to the changed course and a growing interest in the global economy (Wang & Zeng, 2020).

The financial crisis of 2008 urged China to reconsider its role in the world economy, leading to the concept of a "New Type of Great Power Relations," brought into life by Xi Jin Ping's administration in 2012, which some consider be "G2" with Chinese characteristics "suggesting that China's role in the global economy is becoming equal to that of the United

States (Wang & Zeng, 2020). While the new strategy was adopted concurrently with the "New Type of Great Power Relations," it was unobtrusively termed "striving for achievement" (to replace the "never striving for leadership" slogan). This new concept has marked a new era in which China plays a more prominent role in the global economy, of which AIIB and OBOR are just two indicators (Wang & Zeng, 2020).

While admitting the US declining economic dominance simultaneously with China's impressive rise, authors do not envision China having the ambition or capacity to overtake the US position (Beeson & Watson, 2019; Mearsheimer, 2019). Concerning the changing global economic power distribution, Mearsheimer (2019) predicts the emergence of what he calls "three orders" – one American-led, another one China-dominated, and the third one mainly concerned with arms control and climate change. An era of intense competition between China and the USA will be characterized by forming military alliances. However, considering the immensity and importance of the economic trade between the two powers, this will continue unimpeded, as the possible losses for both would be too significant should the current course change.

It is hypothesized that as China's economic influence increases, it tends to change the rules of international economic organizations while creating its own. According to Mearsheimer, evidence can be found in AIIB, regarded to be the competitor of the IMF and the World Bank, and American refusal to join the organization, which only strengthens China's position and influence.

The actual output of Sino-American relations remains to be seen, especially when it comes to three new strong pillars the Belt and Road Initiative (BRI), the creation of the AIIB, and "Made in China 2025."

3. CHINESE GLOBAL PROJECTS, “ONE BELT, ONE ROAD INITIATIVE”

3.1. The Purpose of the One Belt One Road Initiative

The 2008 global financial crisis exposed the vulnerability of the Chinese economy and its overdependence on the US dollar. Following a period when measures to alleviate the consequences of the economic crisis were a priority, the Chinese government came up with several reforms to diminish China's dependence on the dollar, US markets, and exports. During this period, the idea of One Belt One Road was born (Wang & Zeng, 2020). According to some authors, the initiative has both domestic and international agendas: domestically, it aims to solve two problems of the Chinese economy: overcapacity and excessive foreign reserve, and internationally, to support the internationalization of RMB (Wang & Zeng, 2020).

Significantly, the Chinese government held a conference in October 2013 with a critical topic - China's foreign policy or "peripheral diplomacy"- focusing on relations with geographically closest countries. President Xi Jinping pointed out that neighboring countries have "extremely significant strategic value" for China and declared that building the "Silk Road Economic Belt and 21st Century Maritime Silk Road" is necessary to create a new regional economic order. (Cai, 2017).

Again, other scholars define this conference as a turning point and fresh new China strategy relations that should strengthen China and weaken the US. It was a "goodbye" to Deng Xiaoping's famous motto, "hide our strength and bide our time", and launching a more proactive and assertive foreign policy, better expressed by President Xi Jinping's motto ", striving for achievements" (Cai, 2017; Stec, 2018).

Moreover, another speech made by President Xi Jinping caught the public attention. On the "Road to Revival" exhibition at the National Museum of China on November 29, 2012, he spoke of the Chinese Dream, defining it as a dream of Chinese national renewal, which by itself speaks of the new era of Chinese aspirations (Schortgen, 2018).

Three governmental agencies tasked with the implementation of the project are the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce (Cai, 2017), whose strategic joint document "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road" was published in March 2015 (Visions and Action, 2017).

At first, the initiative was called "One Belt, One Road" (yidai yilu); the government gave instructions for the English translation to be "Belt and Road" and also that it should be referred to as the "initiative" rather than "project, program, agenda or strategy" (Stec, 2018).

The initiative consists of two complementary elements, presented by President Xi Jinping in 2013 - "The Silk Road Economic Belt" on his visit to Kazakhstan and the "21-Century Maritime Silk Road" on the occasion of his visit to Indonesia. In a historic speech in Kazakhstan, President Xi Jinping recalled the story of the imperial envoy of the Han dynasty who was sent to Central Asia 2,100 years ago to establish friendly contacts with Central Asian countries and introduce the Silk Road, a transcontinental merchant route along which Kazakhstan occupied an important position and which at the time turned out to be a significant boost for trade and cooperation between the nations involved ("President Xi Jinping Delivers Important Speech", 2007).

He underlined the mutual usefulness and positive outcomes for all countries potentially involved in the project, as had been the case with the ancient Silk Road.

Further, President highlighted that China respects the sovereignty and independent policies of the Central Asian countries and will never interfere in the internal affairs of its neighbors. Also, China's focus is not on a regional leadership role or influence; on the contrary, the proposed project is defined as a way for each country to become stronger while improving relations with its neighbors.

Xi Jinping specifies five benefits for the countries along the route of the "Silk Road Economic Belt": 1) to strengthen policy communication, 2) to improve road connectivity, 3) to promote trade facilitation, 4) to enhance monetary circulation, 5) to strengthen people-to-people exchanges ("President Xi Jinping Delivers Important Speech", 2007).

These general topics include establishing free trade zones; enhancing financial cooperation in the region by actively engaging with international financial organizations; facilitating access to resources and boosting local energy productions by strengthening global cooperation; encouraging the development of multimodal transport (railways, waterways, airways) and improving logistics accesses; cultural, educational, sports and health sectors cooperation (OECD, 2018). Based on their analysis of the initiative, OECD (2018) lists China's motivations for launching OBOR: connectivity, openness, innovation, sustainable development, energy, food security, more balanced regional development, and improving efficiency.

3.2. Funding of the One Belt One Road Initiative

Financial viability and risks related to the Belt and Road Initiative have been the subject of many analyses. Skeptical comments from scholars argue that China is the primary investor of BRI when its debt is coming close to 300% of GDP, and others are worried about a possible lack of transparency on how these funds are spent (Lattemann et al., 2018).

The Belt and Road Initiative is primarily funded through bank loans, primarily by China's three government policy banks, the large state-owned banks, and self-governing wealth funds, including the Silk Road Fund. Apart from these primary lending sources, international financial institutions such as the World Bank, Asian Development Bank, Asian Infrastructure Investment Bank, and New Development Bank provide loans for various BRI projects. Since lenders give loans without specifying whether the funded project is attached to BRI, there is no insight into the scope of the BRI-related borrowing. However, information is available for separate individual projects (Lee, 2020).

According to some estimates, the cost of BRI is near US$800 billion (Alon, 2018); however, as the initiative grows and changes along the way, this sum is difficult to ascertain. Based on official media sources, in 2015 only, China Exim Bank funded over 1.000 BRI projects in 49 countries covering various sectors, such as transportation, electricity, and resources, with close to 80 billion USD (Blanchard & Flint, 2017; "China Exim Bank Boosts Lending to Belt and Road Projects," 2016).

Refinitiv, the global financial data provider, offers the following breakdowns of the Belt and Road projects (as of May 2019):

BRI by project industry: 44% transportation, 23% power &water, 18% real estate, 9% manufacturing, 5% oil &gas, 1% mining, 1% communications.

BRI by funding sectors: 63% government, 31% private, 5% publicly listed, 1% foreign ("What you need to know about the Belt & Road Initiative", n.d)

3.3. Six Economic Corridors of The Silk Road Economic

3.3.1. New Eurasian Land Bridge Economic Corridor (NELBEC)

The international passageway linking the Pacific and the Atlantic. It starts in China's coastal cities of Lianyungang and Rizhao and goes to Holland's Rotterdam and Belgium's Antwerp. The rail link was about 10,800-kilometer-long and passed through five trans-continental countries of Kazakhstan, Russia, Belarus, Poland, and Germany, serving more than 30 countries and regions. It has existed since the 1990s; it is foreseen to get a new stimulus from the BRI initiative. (What are six economic corridors, 2020).

3.3.2. China – Mongolia – Russia Economic Corridor (CMREC)

Proposed at the trilateral meeting with Russian President Putin and Mongolian President Elbegdorj in 2014, CMREC aims to align China's Belt and Road Initiative with Russia's proposal for the Eurasian Union and Mongolia's Steppe Road program. Consequently, the three Presidents signed the development plan proposal in 2016. This plan foresees as many as seven areas of cooperation: transport infrastructure and connectivity (main focus); port construction, customs, and border inspection and quarantine services; industrial capacity and investment; trade; cultural and people-to-people exchanges; environmental protection; and cooperation with adjacent regions. (What are six economic corridors, 2020).

3.3.3. China-Central Asia – West Asia Economic Corridor (CCWAEC)

This corridor links China with the Arabian Peninsula and closely follows the route of the ancient Silk Road. It runs across Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Turkmenistan; additionally, it also passes through other regions in West Asia, which include a total of 17 countries, including countries of Iran, Saudi Arabia, and Turkey (What are six economic corridors, 2020).

3.3.4. China – Indochina Peninsula Economic Corridor (CICPEC)

Crossing Vietnam, Laos, Cambodia, Thailand, Myanmar, and Malaysia, this corridor links countries and nations which already have close economic, geographical, and cultural relations and is envisaged to create or intensify a network of railroads and routes to boost the flow of individuals, goods, capital, and information. (What are six economic corridors, 2020).

3.3.5. Bangladesh – China – India – Myanmar Economic Corridor (BCIMEC)

It was presented during Premier Li Keqiang's visit to India in May 2013, to link two vast markets of China and India and enhance regional connectivity. Bangladesh and Myanmar welcomed the proposal and joined the working group for its implementation. The sectors covered are connectivity, energy, investment and financing, facilitation of trade and investment in goods and services, sustainable development, and cultural and people-to-people exchanges. (What are six economic corridors, 2020).

3.3.6. China – Pakistan Economic Corridor (CPEC)

The CPEC is considered to be perhaps the most important project within the BRI initiative and very strongly supported by both sides, the 3,000-kilometer-long corridor starts from China's Kashi and ends at Pakistan's Gwadar, linking the north and south side of the Silk Road Economic Belt and itself in the north and the 21st Century Maritime Silk Road. It is envisaged as a trade network of highways, railways, pipelines, and optical cables. (What are six economic corridors, 2020). It naturally links to the 21 Century Maritime Silk Road.

Some authors argue that this particular corridor may be seen to have more geostrategic importance and that the Port of Gwadar, an important point on this route, may, apart from being economic, also have military weight (Cai, 2017).

3.4. The 21st Century Maritime Silk Road

In his speech to the Indonesian parliament on October 3, 2013, President Xi Jinping proposed that the two countries jointly build a 21st Century Maritime Silk Road. The idea is to create and strengthen a network of interconnected markets linking the ASEAN, South Asia, West Asia, North Africa, and Europe, and a strategic partnership for the South China Sea and the countries having access to the Pacific and Indian oceans. (What are six economic corridors, 2019).

The 21 Century Maritime Silk Road was envisaged to cover 19 countries: Bangladesh, Brunei, Cambodia, China, India, Indonesia, Iran, Japan, Malaysia, Maldives, Myanmar, Pakistan, Philippines, Republic of Korea, Singapore, Sri Lanka, Thailand, Timor-Leste, Vietnam.

In 2019 the United Nations World Tourism Organization (UNWTO), in cooperation with a Chinese tourism marketing agency, published a book named “21 Century Maritime Silk Road: Tourism Opportunities and Impacts”. (The 21st Century Maritime Silk Road – Tourism Opportunities and Impacts, 2019) in which the historical and contemporary Silk Roads are described. The book investigates the opportunities for tourism expansion to avail of the infrastructure development foreseen by the 21 Century Maritime Silk Road. It also presents potential and ongoing related projects per each country involved.

Blanchard & Flint (2017) are critical of numerous analyses of the Belt and Road Initiative for not distinguishing between its two elements: The Silk Road Economic Belt (SREB) and the Maritime Silk Road Initiative (MSRI), and instead are commenting on the Belt and Road initiative as a whole. The authors point out that the two are very different in political, economic, and social aspects and cover very different countries, actors, and counterparts, implying different political, economic, environmental, and other challenges (Blanchard & Flint, 2017). Although both legs of the project ended up in Europe (at least they were according to the initial plan), the MSRI significantly goes through Africa, concluding that it aims to boost the trade between Asia and Africa (Blanchard & Flint, 2017).

3.4.1. The Polar Silk Road

In January 2018, China's State Council Information Office published a white paper named "China's Arctic Policy" (China's Arctic Policy, 2018). Referring to the growing importance of the Arctic in light of globalization, climate changes, strategic and economic potentials, natural resources, and scientific research potential, the document points out that the world has reached a point where the significance of the Arctic goes beyond the interest of "Inter- Arctic States.” China is not among the eight countries with sovereignty over Arctic territories (Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden, and the United States). However, it is one of 13 observers to the Arctic Council (since 2013), considering that it is one of the "Near Arctic States" (China's Arctic Policy 2018; Nakano & Li, 2018).

The document keeps the history of China's activities in the Arctic, future intentions, and possible plans with international regulations related to the Arctic and "respect, cooperation, win-win result, and sustainability" (China's Arctic Policy, 2018). Finally, this plan is related to the BRI initiative as China announces its readiness to build a "Polar Silk Road" in cooperation with other interested parties by developing regional shipping routes (China's Arctic Policy, 2018).

3.5. Domestic and Global Significance of The Belt and Road Initiative

Since President Xi Jinping presented it publicly in 2013, the One Belt, One Road Initiative has attracted enormous attention. It has since been the subject of numerous analyses, most of which view this initiative as a demonstration of China's geopolitical ambitions in line with its growing economic power, which is understandable, mainly because it is, as some authors estimate, the most significant development plan in recent history (Cai, 2017).

Although it is an initiative in line with globalization trends and the open economy promoted by the prevailing international liberal order, it is primarily viewed by policymakers simply as China's attempt at regional (and further) domination, which is reflected in some newly created words like Chiglobalisation (Choroś-Mrozowska, 2019) or Globalisation with Chinese Characteristics (Stec, 2018). Just as American analysts tend to view the Belt and Road as a geopolitical threat, Chinese leaders insist on refuting the geopolitical context (Blanchard & Flint, 2017).

The scope of this ambitious project has inevitably imposed geopolitical questions such as will China use this plan to fill the void or at least use the opportunity of the declining power of the US to shape a new economic environment? Will China challenge the existing rules, institutions, and fundamentals of the prevailing economic order to replace them with her own? (Lattemann, 2018).

Despite China's insistence on not having any leadership ambitions with this initiative, it is clear that the economy and politics are intertwined in BRI (Blanchard & Flint, 2017), as they are most often interconnected globally. After all, the same Action Plan released by the Chinese Government in 2015 says that "China is committed to shouldering more responsibilities and obligations within its capabilities and making greater contributions to the peace and development of mankind" ("Action Plan on the Road and Belt Initiative", 2015).

While the aspect of China's growing interest in exerting international influence cannot be denied, such views are simplified, and some authors argue that BRI is envisaged to be of great significance to partner countries, which is clear from the number of them joining the initiative. Particularly less developed countries should see their perspective in participation, where China can be seen as a leader bringing development to partly "forgotten" places. Many developing and developing countries will gain by building their infrastructure, upgrading their economies, gaining access to FDI, and creating jobs (Choroś-Mrozowska, 2019; Lattemann, 2018).

Many Chinese and foreign analysts made attempts to explain other – if not the most critical dimensions of this ambitious plan – and that is, China's internal development and the benefits it will bring to its economy and industry (Cai, 2017), and that actually, Chinese foreign policy reflected in BRI is subordinated to its efforts to enhance internal development (Vinokurov, 2016). Vinokurov makes an economic analysis to calculate China's gains by transporting goods to the west directly from its western provinces instead of from the southern ones, which has been the case before BRI.

Therefore, in terms of the benefits for internal growth, one of the expectations of the project is to boost the economic and overall development of China's interior (Cai, 2017), which can be easily understood by looking at the map of the plan – the "Silk Road Economic Belt" starts from Central China's hinterland, continues through Central Asia, and ends in Europe. The "Maritime Silk Road" connects China's southern ports with ports of South Asian countries, continues across the Indian Ocean to reach Africa, and continues to Europe after passing through the Suez Canal, where it connects with the "Belt".

While it is understandable that the political elite and many analysts give the geostrategic dimension of the BRI enormous importance, this view undervalues the economic agenda of the project. It fails to realize that these two elements are complementary, i.e., while the idea is economic prosperity and gain of all its participants, it ultimately increases China's influence and positions China as a driving force behind it (Cai, 2017). Additionally, the significant momentum this project will give to China's economy and its further development is of enormous importance.

Peter Cai lists three primary internal economic goals China will be able to address through BRI – i) encouraging regional interior development through improved integration with neighboring economies; ii) upgrading Chinese industry while exporting Chinese standards, and iii) addressing the problem of excess capacity (Cai, 2017.).

Firstly, the scope of importance of the BRI for the development of China's unevenly developed regions is not often considered or even understood by some analysts. However, this is a major economic and political issue in China. In this particular sense, BRI follows the steps of China's "Go West" initiative of 2000, which aims to develop its traditionally lagging provinces, usually including Gansu, Guangxi, Ningxia, Shanxi, Yunnan, and Xinjiang. (Singh, 2002; Blanchard & Flint, 2017).

In 2014 BRI was officially integrated into China's national economic development strategy. While China has complete control over the development of the elements of BRI in its own country, the components built in the partner countries are and will be linked to them with different levels of success. Peter Cai (2017) offers the example of Xinjiang as one of China's less-developed provinces with a predominantly minority - Turkic-speaking Muslim population, dissatisfied with the province's lagging development. Within BRI, Xinjiang is the region that links with Pakistan's Port of Gwadar – considered to be one of the most crucial points in the Belt project. According to an economic analysis by Evgeny Vinokurov, with this initiative, China seeks to stimulate growth in the Xinjiang Uyghur Autonomous Region (XUAR) which borders EAEU countries, along with the Tibet Autonomous Region and the Qinghai Province. (Vinokurov, 2016).

This speaks of China's efforts to address a burning economic and political issue through regional and international initiatives. All Chinese provinces understandably see the project's potential for, primarily, infrastructure development and are eager to participate, which speaks of the BRI's domestic importance.

The second goal is exposed in the "China 2025" strategy – upgrading China's industry from a low-cost manufacturing industry to an innovation-driven industry, from quantity production to quality production. For BRI, exports to the Chinese are essential, but primarily in technological standards, so China can become a leader in innovation. China's increased participation in a vast international market makes its companies more competitive. (Cai, 2017)

In favor before mentioned, the high-speed railway technology marketing is an excellent example of China's manufacturing possibilities. The result is that over 50% of the world's high-speed railways are Chinese. A story that serves as the best example of China's strategy in this segment is that after an intense bidding competition with Japan overbuilding the 142 km high-speed rail from Jakarta to Bandung in Indonesia, China won the bid by offering to build the railway with its funding. While suffering a financial loss, China affected Indonesia's adoption of "Chinese standards, Chinese technology, and Chinese equipment", which paved the way for Chinese high-speed technology to be accepted in the region and further (Cai, 2017, p.11).

Other sectors besides the high-speed railway to be endorsed are energy and telecommunications. Building telecommunication networks is crucial and may have merged as a critical component of BRI, with Huawei, ZTE, and China Mobile developing the 5G technology. Therefore, it can be concluded that China indeed is a leader in many energy technologies: ultra-high voltage lines, solar power cells (60% of the global production); advanced wind power; hydroelectric power; batteries; (OECD, 2018) and will surely profit of BRI to support its technologies.

Finally, the Chinese Government alleviated the consequences of the financial crisis of 2008 by providing its economy with a huge stimulus package that should produce massive excess capacities in different sectors (steel, cement). While some analysts view the BRI as

China's opportunity to increase its export of excess products, others observe that its primary intention is to move production facilities to other countries, as it has been a global pattern for years. Moving production capacities to where the product is needed will also boost the industries of less developed countries; this strategy creates a win-win situation. This is yet another indication of China's changing role in the international economic order. From one of the countries where the production capacities were moved to developed countries with high production costs, China now plans to move its production to other less developed countries. In his communication to the participants of the 17th ASEAN Conference, Prime Minister Li Keqiang encouraged Chinese steel, cement, and sheet glass producers to relocate their capacities to ASEAN countries (Li Keqiang, 2014).

Obviously, one of China's benefits resulting from moving the production capacities mentioned by the Premier would be to decrease air pollution, one of China's burning problems (OECD, 2018), considering its infamous reputation of being the No.1. polluter in the world.

However, some Chinese analysts doubt that the BRI countries will be ready to accept China's surplus production capacities, mainly if they refer to those sectors in which these countries compete with China. They also express concern that production migration to other countries will deprive the current surplus farmers of getting manufacturing jobs (Cai, 2017).

The organization for Economic Cooperation and Development (OECD) warned that China must ensure that BRI is not just about moving excess capacity and environmentally problematic industry and resources to other countries but aim to find a middle solution to global advantage (OECD, 2018).

3.6. Challenges And International Reception Of BRI

It is expected that an initiative of this scope is bound to meet various challenges in its practical implementation. Political concerns are some of the – outstanding political issues between China and some of the partner countries; India is the most obvious one (Cai, 2017), although the initiative may also remedy some of these problems and bring the opposing parties together. Other problems to consider are the low-level credit rankings of some countries, or even the lack of primary stability, such as in Pakistan (Cai, 2017). Bankers have concerns about lending money to projects abroad, whether because of the mentioned instability, low credit rating, or economic sustainability of some projects. (Cai, 2017).

In addition to some countries' political and economic instability, their legal systems can be an obstacle if they are not sufficiently developed and sound (in the sense of no corruption) to deal effectively with large-scale contracts or any related legal issues that may arise from them. In sum, implementing the idea of BRI will depend on China's ability to handle many political, economic, territorial, and military disputes in various places along the "road" (Lattemann, 2018).

Blanchard & Flint (2017) point to the possibility that some companies in participating countries may be negatively affected by increased imports from China or penetration of competitive companies from China into their market. Also, there is a concern that some countries outside BRI may be negatively impacted if their investments are redirected to participating countries. (Blanchard & Flint, 2017).

In October 2017, the BRI was incorporated into the Constitution of the Communist Party of China on the occasion of the Party's 19th National Congress. This was unexpected and greatly appreciated worldwide (Goh & Ruwitch, 2017).

Commentators agreed that it is apparent that China, "cementing" the BRI initiative in this way, sees the project as its leading economic and political tactics and external and internal development strategy. This gesture was of historical importance for the initiator of the BRI, President Xi Jinping; it also ascertains that the project will continue even when his leadership period is over (Panda, 2017).

There is a lack of consensus concerning American views and acceptance of BRI; analysts' opinion largely depends on whether the initiative is regarded from an economic or political point of view (Chance, 2016). While some see the initiative solely as China's attempt to establish a new world order according to its own rules, others question its economic viability or even consider it detrimental to China's economy - there are views that the BRI has the potential to "re-establish Eurasia as the world's largest world market" (Chance, 2016).

Chance (2016) points out the Chinese initiative's positive impact on regional stability – such as the integration of Afghanistan and the neighboring region into the world economy. Some analysts are doubtful of the level of Chinese efficiency or diplomacy, based on past investment experiences, while others think that pitfalls of the initiative lie in risky investments and unreliable environments in some of the countries covered by BRI (Chance & Mafinezam, 2016; OECD, 2018). When the initiative was introduced, it became popular to refer to it as "China's Marshall Plan", which inspired some authors to analyze their similarities and differences (Shen & Chan, 2018). In sum, the authors conclude that when the U.S. came up with the Marshall Plan in 1948 it was in a world of complete post -WWII chaos, and U.S. main rival was a force on the rise.

On the other hand, China's BRI is moving in a well-established world system, but in an era of prolonged stagnation, and even in some aspects of decline, with the main rival (USA) not at its peak or rise. (Shen & Chan, 2018).

Speaking of MSRI specifically, Blanchard & Flint (2017) observe that China has intensified its contacts with participating countries, exerting an effort to strengthen or improve relations and using the opportunity of high-level visits to explain the Belt and Road initiative further.

The Organization for Economic Co-operation and Development (OECD) notes in one of its reports that there is still a huge infrastructure gap in the world that is a barrier to trade and overall prosperity and a growing funding gap. Purpose, promising to make this gap even more comprehensive. The most significant needs for investments are in the transport and energy infrastructure, and that is precisely where the largest underinvestment is predicted. The report's authors point out that the Belt and Road Initiative is a significant step toward eliminating or reducing this gap (OECD, 2018).

According to the Chinese government, more than 100 countries and international organizations have expressed support for the initiative and participated in related activities (as of 2020). The UN General Assembly and Security Council have also referred to the initiative in some of their resolutions. (*What are six economic corridors under Belt and Road Initiative,* 2020).

In his speech at the opening ceremony of *the Belt and Road Forum for International Cooperation* held in Beijing on 26 April 2019, the UN Secretary General Antonio Guterres spoke affirmatively of the BRI, calling it an opportunity to "contribute to the creation of a more equitable, prosperous world for all" (*Secretary-General's remarks at the opening ceremony of the Belt and Road Forum for International Cooperation,* 2019).

3.7. Sum up

Over the years, the Belt and Road Initiative has gained momentum to different extents in its components and sub-projects, which are so numerous that it would not be possible to cover them here, just as the innumerable analyses and papers written about it. As an illustration, in 2017 alone, over 23,800 works on the BRI were published in China (Stec, 2018). Chinese government's portal (Belt and Road Portal) provides updates, statistics, and news related to global and domestic projects related to the BRI. However, it is not always clear which projects are carried out as elements of the BRI (Stec, 2018). Within China, local authorities sometimes are eager to present their projects as part of BRI to show their support or secure funding (Lee, 2020). On the other hand, all Chinese projects abroad may be presented as part of the BRI. However, BRI projects should strictly entail signing a memorandum of understanding between China and the host country or at least a joint statement of funding (Lee, 2020).

In any case, BRI is an ongoing project growing and changing from one day to another, and what may have started as an initiative has turned into a process. BRI is continuously changing and growing, whether in its complexity, to include other elements apart from infrastructure (transport corridors), such as industry, technology, cultural and environmental components, or in its geographical range - emerging from the idea of the historical Silk and Road, ending by covering almost the whole world (Stec, 2018).

Although the countries joining the project may be doing so at different levels of participation, it is clear that the BRI has, in the meantime, grown to cover many more than the initial 61 countries, notably after China extended the initiative to include South America in 2017, and with numerous African countries joining. As of 2021, the BRI is reported to have grown to include 139 countries, which account for 40 % of the global GDP (Sacks, 2021). While some countries have only expressed their support for the initiative or signed non-binding documents, others are heavily, economically, and otherwise, involved in it. At this point, it is easier to count the number of countries that have refrained from joining, which is 57 as of January 2020. Apart from USA and Canada, they are primarily European and Latin American, with just a few in Africa (Nolan & Leutert, 2020). Some authors remark that those countries which have not (at least not to date) joined the BRI are generally more democratic, politically stable, and economically developed. In contrast, others point out that even US allies have joined, e.g., Greece, Italy, Saudi Arabia, and the United Arab Emirates (Sacks, 2021).

According to the Chinese government, China's trade with countries along the Belt and Road surpassed 11.6 trillion yuan in 2021, the highest amount in the past eight years. It marked a year-on-year increase of 23.6% and accounted for 29.7% of China's total foreign trade the year before. (What are six economic corridors, 2020).

From a geostrategic point of view, some analysts observe that this initiative turns China, once rather a closed country, into a truly global power building bridges, roads, and communications with others, at a time characterized by BREXIT and USA building walls to separate the country from its immediate neighbors (Lattemann, 2018). However, such an endeavor as the Belt and Road and China's new global position emerging from it marks the end of an era of China's neutrality as it will be impossible for the country not to become involved in any geopolitical and global issues, is directly linked with so many countries in the world within BRI (Lattemann, 2018). Whether the idea behind the Belt and Road Initiative is political, as some American and western analysts insist, or the concept of a mutually beneficial economic and developmental endeavor, BRI has a substantial transformative potential whose outcomes are yet to be seen (Blanchard & Flint, 2017).

While even China's original Belt and Road Initiative plan was highly ambitious, the project has surpassed the initial idea and grown into a global phenomenon. The economic and geostrategic initiative, which emerged from the idea of strengthening ties with neighboring countries has gradually extended to include the Arctic and South America,. Having incorporated the initiative into its Communist Party Constitution,China is only expected to continue furthering its development plan in the future.

4. CAPITAL INFLOW AND OUTFLOWS TO AND FROM CHINA: AN OVERVIEW OF LITERATURE

In the past two decades, the world has seen the rapid rise of China in terms of economy and integration with foreign markets at a remarkable pace. As part of its new open-door policy that emphasizes peaceful integration and rising on the global stage, contrary to the fractious and revolutionary policy during the Mao era, China has opened its economy to foreign capital. This shift has been hypothesized to play a significant role in its economic development, and the development has come to a stage where China has now become a home country that invests in capital outflows to other countries. This concept of cross-border investment and capital flows is an integral concept of FDI, making it essential to learn about FDI and Soft power.

Foreign direct investment and portfolio investment form an intrinsic part of international capital flows, which is seen as one of the critical components of financial integration and globalization (Alguacil et al., 2011). In recent years, FDI has become increasingly important relative to domestic economic activity (Sørensen et al., 2010) and subsequently has attracted a plethora of scholarly attention resulting in numerous studies focusing on its determinants and spillover effects.

However, the popularity of FDI is not just limited to the sphere of academia. Several countries have adopted policies to open up their economies to attract foreign capital in their local markets. It is not surprising that China too jumped on the bandwagon as part of its Open Door Policy introduced in 1979 by the "architect of modern China", Deng Xiaoping (Dees, 1998).

The study of China in terms of FDI is a compelling case of foreign money, which was once viewed with suspicion and consequently banned before 1979 but was later adopted openly to transform China's economic prospects. Fast forward to the early 2000s, China became the second largest outward foreign direct investor (OFDI) in 2015 (Li, 2018).

This reverse FDI flow from a developing country like China has attracted the attention of scholars investigating the cause and impact of this rise. One impact that has gathered attention is China's soft power ambitions projected via OFDI. However, before understanding the pathways to increase soft power via OFDI, it is vital to understand the theories underlying the determinants of FDI and how the same determinants can be applied to China as a home country to facilitate its choices of host countries and, consequently the impact on its soft power.

4.1. Theories of determinants of FDI

There are three main theories regarding understanding the factors behind the determinants of FDI, first expounded by Dunning in the OLI paradigm (ownership advantage, location advantage and internalization factors) (Dunning,1977). This theory forms the basis for several studies that borrow their model settings from here.

Kachoo & Khan (2012) study the determinants of FDI inflows to developing countries; they do so by panel data analysis of 32 developing countries for data spanning over two decades from -1982 to 2008. FDI was regressed over GDP, total reserves, electric power consumption, wage rate and trade openness variables. They posited that a host country with more forex reserves would likely attract more FDI. Total reserves coupled with GDP and energy usage positively and significantly affect GDP inflows. However, the wage rate harms FDI inflows.

Stephen (2020) used OLS regression for 116 developing countries database that was mainly taken from UNCTAD to analyze the determinants of liberalization in FDI. This paper mainly tested two theories behind liberalization on FDI policies in developing countries: external pressure or influence from the USA and other neo-liberal organizations like IMF, etc., and the other theory that FDI inflows would improve the economic projections of the host country. The study showed that external pressure rather than the prospect of a better economy influenced the liberalization of FDI policies. Country size, human resources and trade openness were other macro-economic determinants of liberalization.

Macroeconomic stability proved to be an essential determinant in several studies. Demekas et al. (2007) use cross-section and panel regression (gravity models) on 15 host countries and 24 source countries of European transition economies from 2000 to 2002. Population or GDP per capita as a proxy for market - size, the distance between source and host countries, a dummy was capturing historical or cultural ties, tax rate, the ratio of tariff revenues to the value of imports, the index for foreign exchange and trade liberalization, the index for infrastructure reform, EBRD transition reforms, labour costs and “bribery tax”, taken from surveys by EBRD and World bank. Most of these data are taken from EBRD indices and IMF. The study concluded that geographical and cultural proximity, host economy size, foreign exchange and trade openness index positively affect FDI. In contrast, labour costs and tax burden have significant adverse effects.

Mottaleb & Kalirajan (2010) use panel data analyses on 68 low to lower-middle-income developing economies for the period 2005- 2007 to understand why Asian and lower–middle–income countries were preferred among the sample for FDI. They tested three hypotheses for this - Do high GDP and GDP growth rate and more openness to trade attract FDI? Do countries receiving more foreign trade attract more FDI? and lastly, do more business-friendly countries attract more FDI? The variables used to test these hypotheses are GDP, annual GDP growth rate, trade (for the openness of trade), foreign aid, industrial value added (labour quality), availability of labour and number of internet and telephone users per 100 people (a proxy for infrastructure), days to start a business, the time required to pay tax and inflation (a proxy for the business environment). The study could not conclusively support the second hypothesis, i.e., countries receiving more foreign aid attract FDI. The results are more persistent in lower-middle economies than in low economies.

Tham et al., (2018) used panel data analyses for eight service industries from 2003 to 2010 to test the location theory for determinants of FDI in Malaysia. The study posited that market size, skilled labour, communication infrastructure and wages had a significant and positive impact in attracting FDI, and the Regulatory index is insignificant.

Okafor Webster (2015) used Pooled OLS, GMM and fixed effects panel data analyses on the impact of the four locational motives in the sub-Saharan African region from 1996 to 2010. The variables used here are proxies for market-seeking, resource- seeking and efficiency-seeking theories. In all three models, trade openness had a positive significance, corruption had a negative, and infrastructure was insignificant. Several variables used here were secondary indicators taken from World bank development indicators, UNCTAD, World Bank governance indicators and the United States energy statistics database.

Mina (2007) examined the determinants of FDI in gulf co-operation countries (GCC)[3],as per Dunning's OLI paradigm, oil is seen as a valuable resource to attract FDI. Hence this study provides an interesting setup for a panel data analysis. Using data from 1980 to 2002, the analysis shows that, contrary to common belief, the location advantage of oil reserves is disadvantageous to FDI inflows to GCC countries. Additionally, oil production and oil prices also negatively impact FDI inflows. Other factors included in the model are human capital, trade openness, infrastructure and institutional quality. Human capital negatively affects FDI inflows, whereas other factors positively influence FDI inflows to GCC countries.

A comparative analysis was carried out by Zheng (2009) by comparing FDI determinants in India and China. A panel data of 28 home countries from 1984 to 2002 was considered for China, and a panel data of 29 home countries dating from 1991 to 2002 was considered for India. Using panel data analysis on independent variables related to market size, export, labour costs, market growth, import, inflation, exchange rate, borrowing cost, country and political risk or policy liberalization, geographic distance, culture and common linguistics, the results provide some common trends and differences when it comes to determinants of FDI for the two countries under consideration. Common to both countries, factors related to market growth, imports, labour costs and liberalization and or policy significantly affect FDI. The differences can be seen in terms of essential determinants for FDI in India are geographical and linguistic differences, while for China, borrowing costs, exports and market size are essential.

4.2. FDI and Economic Development

Several studies focused on studying the relationship between FDI and economic growth; however, these studies show ambiguous results, with some attesting to a positive impact and others neutral or even harmful. The mixed results mentioned earlier are mainly attributed to studies not accounting for financial markets (Azman-Saini & Law, 2010). So, using a threshold regression model, Azman-Saini & Law (2010) investigate the role of financial markets as an intermediary channel between FDI and economic growth.

Data from 91 countries covering a period from 1975 to 2005 was used for analysis, and the findings support the hypothesis that the positive impact of FDI on economic growth only starts

[3] GCC countries are groups of Arab states comprising of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

when financial market development reaches a threshold point, and prior to this development, there is no significant relationship between these two factors.

Pegkas (2015) quantify the impact of FDI on economic growth in the Eurozone region. The study's paper is twofold, primarily to investigate the correlation between FDI and economic growth and to quantify that relationship. Using data from 18 countries and panel analysis from 2002 to 2012, the results indicate a positive and significant relationship between FDI and economic growth in the Eurozone region. The impact of FDI was investigated in Africa by Zekarias (2016); a dynamic GMM estimator was employed on panel data of 34 years from 1980 to 2013 for 14 east African countries. The analysis showed the significant and positive impact of FDI on economic growth.

Yao (2006) investigate the role of exports and FDI on economic growth in the context of China. Employing dynamic panel data estimators on data from 28 provinces in China for 23 years, ranging from 1978 to 2000, their findings support the hypothesis of appositive relation between FDI and exports on China's economic growth. The independent variables included in the model are GDP, exchange rates, human capital, transportation and effective wage rate.

Despite mixed results, many countries follow policies that stimulate FDI inflows by opening up their markets. Amidst the several favorable policies, they are also policies that act as barriers to FDI. Ghosh et al. (2012) investigates this research question by taking advantage of FDI inflow data from 1981 to 2004 for 23 OECD countries and find that FDI restrictions hurt FDI stock in host countries in the short and long run.

Madariaga & Poncet (2007) investigate the spillover effects, at the regional level, of FDI inflows to China. Using a GMM estimator on panel data from 1990 to 2002, the authors investigate the research question of whether FDI inflows to one location have spillover effects on other locations within the same country. The estimates show that FDI inflows have a positive impact on economic growth in both local as well as adjacent/ nearby cities. Specifically, a 7-percentage point increase in FDI inflows to local cities results in an increase in income per capita by the same amount in the surrounding areas. In the same way, one standard deviation increases the real per capita GDP in proximate areas, increasing income per capita by 10%.

Antwi et al. (2013) studied the impact of FDI on economic growth in Ghana by utilizing time-series data from 1980 to 2010. An OLS regression on annual data is employed on GDP, GDP growth rate, Gross National Income (GNI), inflation, manufacturing, GDP per capita, industry and trade. They find that GDP, GDP growth rate, GDP per capita, and trade positively correlate with FDI.

Athukorala (2003) investigated the same research question but focused on Sri Lanka. Using time series data from 1959 to 2002 and employing error correction and cointegration models, the authors find no significant relationship between FDI inflows and economic growth in Sri Lanka. The authors also model attitudes of civil society and firms and find that the net attitudes about investment and local economic growth are positive. Interestingly their study also shows that the net attitudes of foreign firms about FDI in Sri Lanka are not positive, mainly due to negative perceptions about law and order, governance, corruption and bureaucracy.

Hansen & Rand (2006) investigate the causal relationship between FDI and GDP using granger causality tests on a sample of data for 31 countries between 1970 and 2000. The results show a bi-directional relationship between FDI to GDP ratio and GDP. Their analysis shows that the impact of FDI on GDP lasts longer, whereas that of GDP is short-run. This study also emphasizes that the channel through which FDI influences economic growth is via the transfer of knowledge and the adoption of new technology.

4.3. Drawbacks of FDI

The benefits of FDI are well documented. However, Liu et al., (2015) studied the domestic impact of outward FDI in Taiwan and found that OFDI was detrimental to domestic income distribution irrespective of the recipient country. This study examined the Taiwanese OFDI of the past decade, how it affected the representative firm’s employment, output, and investment at home, and the share of labor payments in the firm’s total outlay. They used firm-level panel data of 1084 manufacturing firms in Taiwan from 2000 to 2010 using the panel fixed effects model and system GMM model for estimation.

4.4. FDI Inflows of China

Using panel data analyses of outward FDI of 11 countries to China from 1983 to 1995, Dees (1998) studies the determinants of FDI in China and found that domestic market size, openness to the world, and cost advantages positively impact FDI to China.

Zhao (2003) uses multi regression model on pooled cross-country time-series data of 21 countries' investments in China from 1983 to 1999 to investigate the relationship between FDI and country factors, namely market condition, risk, and financial factors. Results show that market conditions and exchange rates positively impact FDI flows to China. In contrast, political risk and the high cost of borrowing have a negative and significant impact on FDI flows to China.An important line of study that was taken was to understand the direction of causality between FDI inflows and economic development. Mah (2010) undertook a cointegration and granger causality test on China's annual data from 1983 to 2001. The results show that since China's economy proliferated after the reform, it became attractive to foreign investors and increased FDI inflows.

Using 31 provincial-level data from 1978 to 2008, Zhao (2013) utilized panel data analysis to investigate and quantify the factors causing economic growth during the period above. Found that FDI coupled with privatization is significantly important for economic growth.

4.5. Determinants of Chinese OFDI

Tan et al. (2021) 's objective was to study the impact of "intimate" relations - as measured by cross-genetic distance, number of immigrants, number of bilateral senior leaders' visits and the institutional similarities between China and other countries - on China's outward FDI(OFDI) in the context of the energy sector. The four "intimate" variables significantly impact China's OFDI in the energy sector. Specifically, bilateral leaders' visit to China and an increase in a country's immigration to China has a significant and positive impact on OFDI. In contrast, an increase in cross-genetic and institutional distance visit leads to a significantly negative impact on OFDI. Results also show that when compared to developed countries, developing countries experience more FDI flow from China when close/intimate relations are stronger.

Using data from China's actual OFDI for 142 host countries and the rule of law index that measures confidence in institutions and natural resource data from the world bank throughout 2003 to 2006, Kolstad & Wiig (2012) investigate the host country's determinants of Chinese FDI. Their results show that Chinese OFDI is more attracted to countries with more natural resources and a bad institutional environment.

Wei & Alon (2010) tests the seven macroeconomic determinants of the home country, i.e., China, that help determine the factors that influence the amount of Chinese OFDI. Data on China's OFDI from 1987 to 2006 is used and regressed with GNP, the number of patents that is a proxy for the technological capability of China, interest rates, exchange rates openness of the economy and foreign currency reserve. By utilizing a partial least squares regression, results show that the openness of the economy, interest rates, exchange rates and foreign reserves of China are essential determinants of OFDI from China.

Alam Iqbal et al., (2019) focus on the Asian region and investigate the determinants of Chinese OFDI in that region. Data related to China's OFDI and the host country's inflation rate, financial development, market potential, bilateral trade, corruption, political stability, geographic distance, and lastly, the infrastructure of 27 host countries from 2006 to 2015 is used for panel data analysis. The results show that inflation rate, corruption, infrastructure, exports, imports and geographic distance are significantly associated with Chinese OFDI.

A paucity of research focuses on determining the determinants of Chinese OFDI in OBOR-connected countries. A study by Liu et al. (2017) focuses on this research question by utilizing a dataset with a sample of 44 non-OBOR countries and 49 OBOR-related countries from 2003 to 2015. Employing a GMM estimator, the primary dependent variable of FDI inflows from China is regressed with nominal exchange rates, exchange rate volatility, political environment, real GDP, the openness of the economy, labour costs, endowment of natural resources, infrastructure, technology and indicator variables for indicating whether a country is part of OBOR or not and year dummy which indicates if the period is before 2013 i.e., the year where OBOR was announced. The results show that the Chinese OFDI is sensitive to exchange rates but not exchange rate volatility. Chinese OFDI has no significant relationship with the political environment or natural resources but is significantly positively associated with GDP, which can be seen as a proxy for market potential and is also significantly positively associated with market openness.

The determinants of Chinese OFDI in the European Union are studied by Dreger et al., (2017). Although FDI from China is less when compared to other countries, Chinese OFDI has been gradually increasing in the EU region, especially in the last decade. Using panel data on greenfield and mergers & acquisitions of Chinese OFDI in the EU region and Poisson regression in a panel setting, OFDI investment in greenfield and mergers & acquisition is a regression with per capita GDP, relative labour costs, openness to trade and indicators of institutions and sectors. The results show that larger countries and countries with bilateral trade ties are positively associated with Chinese OFDI flows to the EU region. A significant finding from this study is that Chinese investors are risk-averse and tend to invest less in business-friendly countries because of high competition.

Employing panel data analysis for the period between 2003 to 2009, Zhang & Daly (2011) find that Chinese OFDI is attracted to those countries that have an established trade relationship with China, and the trade volume is high along with high GDP and rapid economic development in the form of growth in GDP. Chinese OFDI is challenged by countries with a good endowment of resources and countries with an open market, i.e., openness.

4.6. China's OFDI and its Impact

As I have highlighted the impact of inward FDI on China's economic development, it is important to learn more about China's OFDI on other host countries. Doku et al., (2017) use panel least square regression and granger causality tests to empirically determine the impact of Chinese OFDI among 20 African countries between 2003 to 2010. Their results show that Chinese investment in Africa positively and significantly impacted the host country's GDP. Obobisa et al., (2021) undertake a study in the context of 24 sub-Saharan countries. Using aggregated panel data covering 1999 to 2018 and a feasible generalized least squares (FGLS) estimator, they found that Sino-African trade harmed economic growth and China's OFDI was only beneficial to low-middle- and low-income African countries.

Donou-Adonsou & Lim (2018) investigated the same research question of the impact of Chinese FDI in Africa. They compared the impact of Chinese FDI along with other prominent and traditional economic partners- the United States, Germany and France, with the help of instrument variables and fixed-effects methodology on a sample of 36 African countries between the period 2003 to 2012, the authors find that Chinese FDI had a significant and positive impact on income and most importantly Chinese FDI crowded out U.S investment. However, France continued to be the main competitor to China. This study shows an essential spill-over impact of China's OFDI – namely, crowding out U.S competition in the African region, increasing its competition with traditional partners, and hence increasing its influence in that region.

They were staying on the same path as Chinese FDI in Africa; Mark & Michael (2011) state that essential factors contribute to Africa's economic growth due to Chinese investment. An increase in demand for resources has led to an increase in the price of commodities; many African countries do not possess the technical know-how to extract their resources, the most crucial channel through which China is impacting Africa is through infrastructure, potential in the development of Africa's manufacturing sector, investment causing an increase in employment, increase in access to Chinese markets and benefit to African consumers because of low prices of manufactured goods. However, there is no such thing as a free lunch, and the authors caution that the positive impact on infrastructure could be eclipsed by high costs and low spill-over effects on employment, prices, and technology.

In trying to determine the determinants of Chinese OFDI in Africa, Kolstad & Wiig (2011) use OLS estimation on a sample of 29 countries from the period 2003 to 2006 and find that the primary determinant of Chinese OFDI is the presence of an abundance of natural resources and the high prevalence of poor institutions in host countries. Interestingly, China is not the only investor to take advantage of such negative factors, as natural resources and corrupt institutions are the main determinants for traditional partners. The resource-seeking factor is supported by Cheung et al. (2012)'s study. Their results also point to the traditional factors in the literature related to FDI and trade intensity.

The environmental impact of investment involving international capital flows is also a critical case study. As climate change has become a contentious and urgent matter at hand, the impact of China's OFDI on host countries and on itself has garnered much attention among contemporary social scientists. Two important hypotheses dominate the argument when discussing the impact of FDI and the environment – the pollution halo hypothesis and the pollution shelter hypothesis. The pollution halo hypothesis postulates that because of the technological spill-over effect, there is an improvement in energy usage in the host country, leading to pollution reduction. On the other hand, the second hypothesis postulates that because of the inflow of capital investments, the host countries tend to bear the brunt of pollution and degradation of the environment.

The relationship between FDI and the environment is not just dominated by the hypothesis above but can also be traced back to the predominant environmental Kuznets curve (EKC) hypothesis. This hypothesis postulates that the initial periods of FDI would lead to an increase in economic growth and pollution; however, once a threshold point is reached in terms of per–capita GDP, pollution and growth decrease.

Since infrastructure and tourism-related projects are an integral part of the One Belt One Road initiative, Zhuang et al. (2021) study the impact of such projects on the host country's carbon emissions. A cross-sectional autoregressive distributive lag model found that as FDI and technological innovation led to a decline in carbon emissions, FDI related to tourism development led to an opposite effect. Some exciting points can also be inferred from studies investigating the impact of Chinese OFDI on its own country. Hao et al., (2020) use data from 2003 to 2016 for 29 provinces in China and utilize a simultaneous equations model and find that China's OFDI led to an increase in pollution in China as well. This increase is mainly attributed to the scale effect, i.e., Production activities are scaled up; however, because of reverse technology spill-over effects lead to an improvement in technological and industrial structure and hence to a decrease in pollution in the home country.

The One Belt One Road initiative is also a transcontinental connection and cooperation project, which includes land and maritime projects that could profoundly affect trade by reducing transport time and stimulating economic growth among member countries. A major study investigating this line of research is that of De Soyres et al., (2018).

They focus on projects related to the transport sector and study the impact on shipment timings and trade costs. In this initiative, they build two databases that have information about 1000 cities and 47 sectors, with one of the databases focusing only on countries that are part of One Belt One Road. Shipping times are calculated by combining spatial data and network algorithms, and a value of time derived from shipping costs is then transferred to trade costs. The results show that, on average, for the world, shipping times were reduced by 1.2% to 2.5% percent, and this reduced transportation time led to a reduction in trading costs by an average of 1.1% to 2.2%. Whereas for the One Belt One Road initiative, the shipping times were reduced by 1.7% to 3.2% and trade costs by 1.5% to 2.8%.

Baniya et al. (2019) paper is a supplement study to the same research question of the impact of the one belt, one road initiative on trade. Using the same database as used by De Soyres et al. (2018) and combining spatial data with a gravity model and comparing trade timings by using a difference-in-difference estimator, before and after the one belt one road initiative, the authors find that this initiative led to an increase in trade among member countries by 4.1%. Additionally, the authors posit that if member countries followed policies that decreased tariffs and delays at borders via bilateral trade agreements, this impact could be scaled up thrice the amount.

Using a CGE model and simulations, Villafuerte et al., (2016) study the potential impact of the OBOR initiative on road and sea transport and the consequences on trade at the national, regional, and global levels. The simulations show that the land and water transport development of the OBOR initiative could increase GDP in central, western, and south- Asian regions by 0.1 to 0.7 percentage points. The welfare effects from this project are estimated to range from $6 billion to $100 billion, and exports could also increase from $5 billion to $135 billion. However, the authors caution that the distribution of development is heterogenous across the Eurasian region; additionally, political issues like corruption and trade embargoes could hamper the development that could have been achieved from this initiative.

Lall & Lebrand (2020) use granulated spatial data of economic activity, population and transport costs in Central Asia and China, along with a general equilibrium model to understand how likely cities and or regions are bound to get impacted by the transport investment projects part of PBOR initiative and indirectly examine how trade openness and improvement in connectivity bring about a change in people's mobility and hence economic development within countries that are recipients of the infrastructure projects. This is done by quantifying the interaction between transport costs and changes across sectors. This study can be seen as a compliment to De Soyres et al. (2020), and the results show that urban hubs closer to trading routes tend to benefit more significantly from the OBOR initiative.

4.7. China Soft Power

China's economic and political rapid rise has attracted much attention from the traditional western superpowers. The focus of studying China's rise in power has been economic or militaristic; however, equally important is the study of its soft power which refers to cultural, diplomatic and political ideology. When it comes to culture, the steps taken by the Chinese government to promote Chinese culture are by promoting the learning of the Chinese language by setting up Confucius Institutes in about 23 countries by the latter half of 2005 (Gill & Huang, 2006).

Among the various studies examining the working and correlations of Chinese soft power are studies focusing on Confucius institutes. Unlike other cultural and language institutes established by countries like Germany, France and the U.K, these institutions have a very close relationship with the Chinese government. Hence, many studies emphasize that these institutes promote China's political interests (Huang & Xiang, 2019). A critical study in this regard is that Huang & Xiang (2019) perform an extensive – N analysis using a novel dataset about Confucius institutes established between 2004 and 2014 in over 100 countries. The study found three main factors that act as an incentive for establishing a more significant number of these institutions in host countries. Firstly, China is likely to establish a more significant number of institutions if the host country has a large population; secondly, if there is already an established close trading relationship with a host country, then more likely it is to host several Confucius institutes and lastly, if a host country shares the same kind of voting in the United Nations general assembly, then it is more likely to host several Confucius institutes.

Akhtaruzzaman et al. (2017) 's study also focuses on Confucius institutes. However, their research question specifically investigates the question from an economic point of view by focusing on their presence in Africa. They examine the impact of Confucius institutes on log-transformed Chines OFDI and control for natural resources and Chinese foreign aid. Using a three-stage least squares estimator, the analysis shows that these institutions affect the expected Chinese OFDI the following year. Lien et al., (2012) also investigate the relationship between the presence of these institutes and Chinese exports and its net OFDI from 1996 to 2008. The gravity model analysis shows a significant positive relationship between Confucius institutes and trade and net OFDI from China to developing countries and an insignificant impact on trade and OFDI to developed countries. Many scholars believe that the rise of undemocratic Chinese soft power would lead to the decline of America's soft power, replacing the traditional Washington consensus[4] with the Beijing consensus or Chinese economic development model (Wang, 2008). This model is anti-thesis to the Washington consensus, i.e. unlike the Washington consensus, which believes in a uniform market-friendly policy for all crises - stricken developing countries despite its idiosyncratic characteristics, the Beijing model emphasizes development policies that take into account each country's characteristics (Gill & Huang, 2006).

Another essential contributor to China's soft power is foreign diplomacy. The radical foreign policy followed during the Mao era was reversed in the post-Mao period and contradictory to its complex foreign policy that promoted the export of revolution to third-world countries. It was reversed in the 1960s to a less controversial and confrontational policy. The "good neighbor" policy promotes peaceful and constructive relationships with neighboring countries by settling territorial issues. The second and most crucial point of its changed foreign policy is developing constructive relationships with the world's traditional strong powers like the United States, promoting and developing its socio-economic development (Gill & Huang, 2006).

Additionally, as part of its open-door policy, it has become a member of and actively participates in several international organizations. It actively contributes to the UN peacekeeping operations, ASEAN and International Monetary Fund (IMF).

[4] This consensus refers to a set of economic policies that is considered as a standard in terms of market -friendly economic policies promoted by organizations like World Bank, IMF and the United States Treasury.

International sporting events are another venue for countries like China to showcase their soft power. Grix & Lee (2013) hypothesize that sporting mega-events offer an avenue to boost a country's soft power capability. This is why large developing countries like Brazil, South Africa and China vie for hosting such expensive and prestige-giving mega-events.
One of the main questions arising from this trans-continental project is the relationship with FDI or OFDI China. Several studies hypothesize and confirm statistically that the OBOR project is significant to China, not just in terms of expanding its soft power but also in terms of economic development.

The main channel for economic development is hypothesized to be via capital outflows from China. However, they are few studies that try to establish a correlation between OFDI and OBOR initiatives. Du & Zhang (2018) investigate this research question wherein they compare China's mergers and acquisitions and greenfield investments before and after the announcement of this initiative. They use data about Chinese greenfield investment and cross-border investment from 2005 to 2015 and employ the difference-in-difference methodology. They found that when compared to greenfield investments, mergers & acquisitions increased in the post-OBOR announcement period. State-controlled enterprises had an advantage over infrastructure projects, and private Chinese companies dominated non-infrastructure-related projects.

There is also a scarcity of empirical work on FDI and its influence on soft power. The few papers that study this relation in the context of China mainly focus on China's Belt and Road initiative. Voon & Xu (2020) use difference–in–difference methodologies to study the impact of China's belt and road initiative - where China supported the cross-border infrastructure development of more than 60 emerging economies to increase trade and investment, on its international image or soft power. The analysis showed that China's overseas FDI did indeed have a significant impact on its soft power. However, contrary to popular belief, the BRI initiative did not significantly increase its soft power.

Rose (2019) uses the gravity model on panel data from 2006 to 2017, along with an annual Gallup survey about leadership (dis) approval in countries of China, Germany, Russia, the UK and the USA, to test whether foreign country's perception of favorability of the leader leads to an increase in exports. Results show that an increase in leadership approval has a positive and significant impact on that country's exports. Krum's (2020) analysis also supports the above study's findings, reinstating the fact that a country's approval or disapproval plays a significant role in FDI inflow.

This study performs OLS regression along with fixed effects on panel data of the host country's investing in the United States from 2006 to 2017.

5. RESEARCH RESULTS

Table 1 provides a glimpse of summary statistics of the variables used in the model. GDP and exchange rates are log-transformed in order to normalize the data. The average GDP of the countries is about 24, and the corruption perception index is 38, meaning that most of the countries in the sample are mostly corrupt.

Figure 1 provides the graphical representation of the linear relationship between investment and GDP; the graph shows a roughly positive relationship between these two factors, from which it can be inferred that as Chinese investment increases in host countries, so does the GDP. However, this graph does provide an accurate statistical representation of the relationship. In order to establish one, analysis including multivariate and panel data analysis is used.

Table 1: Descriptive Statistics of Variables

Statistic	N	Mean	St.Dev	Min	Max
log(GDP)	324	24.049	2.106	18.418	30.141
Investment (Constant USD2017)	259	1,482,551,611	4,094,879,225	0	37,588,000,000
CPI	307	38.378	15.723	0	90
log(Exchange Rates)	300	3.707	2.787	-1.197	10.339
Distance Between CHN and country	332	9,046.895	3,930.625	809.538	19,297.470
Common border	340	0.076	0.266	0	1

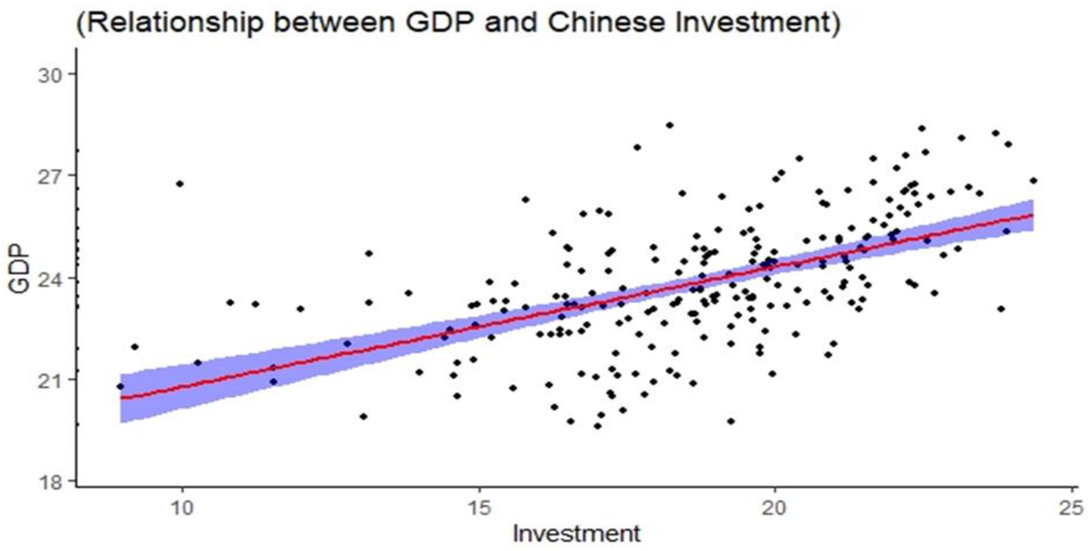

Figure 1: Relationship between GDP and Chinese investment

Baseline model (1):

$Log(GDP)_{it} = \beta_1 + \beta_2 \, log(Chinese\ Investment)_{it} + \epsilon_i$

Model (2):

$Log(GDP)_{it} = \beta_1 + \beta_2 \, log(Chinese\ Investment)_{it} + \beta_3(CPI)_{it} + \beta_4 log(Exchange\ Rates\ )_{it} + \beta_5(Common\ Border)_{it} + \beta_6(Distance\ between\ China\ and\ Country\ )_{it} + \epsilon_i$

Model (3):

$Log(GDP)_{it} = \beta_1 + \beta_2 \, log(Chinese\ Investment)_{it} + \beta_3(CPI)_{it} + \beta_4 log(Exchange\ Rates\ )_{it} + \beta_5(Common\ Border)_{it} + \beta_6(Distance\ between\ China\ and\ Country\ )_{it} + \chi + \varepsilon_i$

The dependent variable in models 1 to 3 is the log-transformed GDP of the host country receiving Chinese investment $Log(GDP)_{it}$ of country *i* in year *t*. The baseline model is simple regression on economic resources ($log(GDP)_{it}$) and the main independent variable $log(Chinese\ Investment)_{it}s$.

Model 2 is an extension of the baseline model, where control variables for CPI, Exchange rates, the distance between China and the host country and a dummy variable which takes the value 1 if the country shares a border with China and 0 otherwise.

Model 3 includes random effects (χ) where country and year effects take into consideration the variation with country and time. The estimates obtained from here are not biased unlike the estimates in Model 2 since heterogeneity is taken into consideration.

The results of the regression are provided in table 2 where column 1 has the estimates for the baseline model, column 2 has estimates for the Model and the standard errors are adjusted for heteroscedasticity.

The baseline model shows that the GDP of the host country receiving Chinese investment as part of the OBOR initiative increase by 0.35% for every 1% increase in investment and this is significant at a 95% confidence interval (CI) ($p<0.05$).

When controlling for various factors, we see that the GDP of the host country increases by 0.32% for every 1% increase in Chinese investment and this too is significant at 95% CI ($p<0.05$). The estimates on the control variables of CPI, exchange rates, a dummy for common border and distance between China and the host country are all insignificant. Since the main hypothesis being tested is that Chinese investment in the host country leads to an increase in the GDP of that host country, multivariate analyses show that this hypothesis has been successfully tested and is established. The F statistics is significant in all the models, meaning that models have predictive capability.

However, the data we are using is panel data from two years (2016 and 2017), model 2 does not take into consideration the heterogeneity across groups or time and hence the significant estimates we obtained are biased upwards.

In order to account for heterogeneity, I use a panel model with random effects in Model (3) whose results are provided in Column (3). While using panel data, the first question to arise is whether to use random or fixed effects, I use the Hausman test to determine the panel model to be incorporated. Since the p-value of this test is not significant ($p>0.05$), I use random effects in model 3.

Here, the main independent variable is no longer significant, meaning that Chinese investment in the host country has no impact on the GDP of that host country. Our hypothesis of Chinese Investment having a positive impact on the GDP of the host country is not established when using the panel fixed effects model. The R2 of model 3 is 0.546, which means that about 54.6% of the variation in the dependent variable is explained by the model. However, the F- statistic is not significant meaning that the coefficients in the model are not different from zero and hence have no predictive power.

Table 2: Regression Analyses Results

	Dependent variable: *Log(GDP)it*		
	(1)	(2)	(3)
Constant	17.245 ***	18.064 ***	24.123***
	(0.689)	(1.145)	(0.574)
log(*Chinese Investment*)	0.353***	0.319***	0.006
	(0.036)	(0.043)	(0.005)
CPI		0.009	0.001
		(0.011)	(0.002)
log(Exchange Rates)		-0.031	-0.023
		(0.044)	(0.061)
Common Border		0.262	0.877
		(0.408)	(0.608)
Distance between China		-0.00003	-0.00003
and Country		(0.00004)	(0.00005)
Observations	230	213	213
R^2	0.291	0.277	0.546
Adjusted R^2	0.288	0.260	0.535
Residual Std. Error	1.620	1.570	
	(df = 228)	(df = 207)	
F Statistic	93.729***	15.885***	6.210
	(df = 1; 228)	(df = 5; 207)	

Note: $*p<0.1$; $**p<0.05$; $***p<0.0$

I further extend the analysis by incorporating two more models of OLS, as shown below. As seen above, panel models have no predictive power. Although models for panel data don't capture the heterogeneity across time and hence give biased estimates, they are helpful in establishing a rough idea about the relationship between investment and GDP. The dependent variable in model 4 is the annual GDP growth rate (%). In contrast, in model 5 the dependent variable is GDP. Still, here an additional variable of the lagged value of *Log(GDP)* of country *i* in the previous year *t*-1 is added in order to understand the influence of the previous year's GDP on the current year.

Model (4):

$$GDP\_Growthrate_{it} = \beta_1 + \beta_2\, log(Chinese\ Investment)_{it} + \beta_3(CPI)_{it} + \beta_4 log(Exchange\ Rates\ )_{it} + \beta_5(Common\ Border)_{it} + \beta_6(Distance\ between\ China\ and\ Country\ )_{it} + \varepsilon_i$$

Model (5):

$$Log(GDP)_{it} = \beta_1 + \beta_2\, log(Chinese\ Investment)_{it} + \beta_3(CPI)_{it} + \beta_4 log(Exchange\ Rates\ )_{it} + \beta_5(Common\ Border)_{it} + \beta_6(Distance\ between\ China\ and\ Country\ )_{it} + \beta_7 Log(GDP)_{it-1} + \varepsilon_i$$

where ε_i is the standard error and is corrected for heteroscedasticity, the results of these models are provided in table 3.

From column (4) in table 3, we can see that there is no impact of Chinese investment on the GDP growth rate of the host country, whereas the corruption perception index does have an impact. As the CPI score increases by 1 point, the annual growth rate increases by 0.06%, which is significant at 95% CI. Similarly, as the exchange rate increases by 1%, the annual growth rate increases by 0.32%, which is significant at 95% CI. On the other hand, as the distance between the host country and China increases, the annual growth rate decreases by less than 0.05%, which is significant only at 95% CI.

Column (5) form table 3 shows that when adding the lagged value of GDP, there is still no impact of Chinese investment on the host country's GDP. However, an increase in the previous year's GDP by 1% results in an approximately 1% increase in the current year's GDP, which is significant at 95% CI. Countries that share a contiguous or common border with China result in a 95% increase in GDP when compared to the countries that don't share a common border which is significant at 90% CI. Contrary to the previous model, as the distance between the host country and China increases, the GDP tends to increase by a very small percentage (>1%), and this is significant only at 10% CI.

On comparing the R2 value, model 5 explains about 99% of the variation in the dependent variable, whereas model 4 explains only 13% of the variation. The F-statistic in both models is significant, meaning that these two models have predictive power. Since the main hypothesis being tested is that Chinese investment in the host country leads to an increase in the GDP of that host country, these two OLS models don't prove the hypothesis.

Table 3: Regression Analyses

	Results	
	(4)	(5)
Constant	-0.096	0.044
	(2.250)	(0.104)
log(*Chinese Investment*)	0.097	0.003
	(0.084)	(0.003)
CPI	0.058***	0.0001
	(0.022)	(0.001)
log(Exchange Rates)	0.323***	0.001
	(0.079)	(0.003)
Common Border	0.229	0.053*
	(0.725)	(0.030)
Distance between China and Country	-0.0002**	0.00001*
	(0.0001)	(0.00005)
$log(GDP)_{it-1}$		0.996***
		(0.005)
Observations	207	104
R^2	0.126	0.99
Adjusted R^2	0.105	0.99
Residual Std. Error	3.293	0.092
	(df = 207)	(df = 105)
F Statistic	5.998***	7256***
	(df = 5; 207)	(df = 6; 104)

Note: ∗p<0.1; ∗∗p<0.05; ∗∗∗p<0.01

6. CONCLUSION

China's remarkable rise in economic development and international influence has attracted immense interest. While the success of China provides essential lessons to developing nations to model their policies in line to attract investment, political scientists throw an air of caution at the rise of an undemocratic country's rise of soft power at the expense of the United States.

The aggressive and restrictive policies during the Cold War transformed into a more peaceful cooperative "New International world order" wherein membership to several international institutions was open. The subsequent entry of the Republic of China as a member country meant the expansion of liberal economic order in communist countries and a triumph of the USA's soft power. However, owing to China's idiosyncratic qualities, the ultimate goal of "converting" China to a new liberal economy failed.

With inclusion in international institutions, being bestowed with "Normal trade status", and a new domestic "Open door" policy, China opened its market to international capital flows. American consumers' eventual demand for inexpensive goods made in China led to an eventual US trade deficit with China and remarkable economic development there. The erstwhile symbiotic relationship then turned into an aggressive trade war during the Trump-Xi era.

China began to adopt policies to reduce its dependency on the USA following the global financial crisis of 2008. Hence, from 2013, three critical initiatives were launched in part due to the reasons above and partly to increase its political and economic influence globally. One such important initiative was the One Belt One Road (OBOR) initiative, an ambitious infrastructure project spanning 70 countries across Europe and Asia.

The main objective of this initiative and its complementary projects are manifold. However, they mainly include – establishing free trade zones, enhancing financial cooperation among the countries that are part of this initiative, facilitating access to resources and boosting local energy productions, and encouraging the development of different modes of transport and improving logistics, cultural, educational, sports and health sectors cooperation. This initiative is a significant step in increasing its influence and is a massive cause of concern for the USA, which has taken up its initiatives with other countries.

There is precedence in the literature about how the growing economic influence of China's power has sidelined traditional global partners like the United States, Germany and France, especially in Africa. This lends credence to the United States and its allies to look at China's influence cautiously.

Since this initiative's powerful narrative and stated objective are to bring about economic development through upgrading infrastructure and integrating with other economies, it is imperative to empirically understand the possible impact that such projects could induce among the participating countries. Such objective analysis helps isolate the usual general rhetoric about China's ambitious plan.

The overall objective of the thesis is to highlight and trace the Sino-American relationship and its eventual fallout. I dive into the historical development of the relationship between the United States and China, the contentious relationship during the Trump residency. In understanding the rise of China's soft power on the global stage, an emphasis is laid on the potential impact of the One Belt One Road initiative, which is a global infrastructure project between China and 70 other countries across Asia and Europe.

The evidence of economic growth through FDI and infrastructure development projects may attract countries to be part of the ambitious One Belt One Road initiative, and many studies investigate the causal links between economic growth and FDI. Many of them center around the miracle of Chinese economic development, hence making the study of China's OFDI an exciting case study - China, once the recipient of FDI, is now one of the largest developing countries to invest its capital in other countries. About this research question, I utilize the data of 170 host countries as part of the One Belt, One Road initiative and study the impact of China's OFDI on the host country's GDP by panel data analysis.

The central hypothesis tested is that China's investment in a host country, as part of the OBOR initiative, has a positive and significant impact on the GDP of that country. The panel data analysis using random effects shows no significant impact of China's OFDI on the host country's economic development as tested using GDP as the dependent variable. The drawback of this empirical analysis is that a panel with a short period is used. Since the F-statistic is insignificant, we cannot decipher any prediction from this model. Since the panel models do not provide an excellent predictive mode, I perform OLS regression on two other models- one which uses the annual GDP growth rate and the other model I control for previous years' GDP. None of these models provides any significant relationship between Chinese investment and the GDP of the host country. Despite these limitations, this paper contributes to a growing literature investigating the relationship between FDI and economic development. The analysis results contribute to the ongoing debate about the causal impact of FDI and support the argument through empirical analysis that host countries part of the OBOR initiative has not gained economically through this initiative. However, this is a short-term analysis, and the long-term impact of this project is the need of the hour to understand the political and economic impact during these contentious times.

REFERENCES:

1.'Action Plan on the Road and Belt Initiative'. (2015 March 30). Retrieved from: http://english.www.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm

2.A Quick Guide to the US-China Trade War. BBC. Retrieved from: https://www.bbc.com/news/business-45899310 [accessed on 21 January 2022]

3.Akhtaruzzaman, M., Berg, N., & Lien, D. (2017). Confucius Institutes and FDI flows from China to Africa. China Economic Review, 44, 241–252.

4.Alam Iqbal, B., Sami, S., & Turay, A. (2019). Determinants of China's outward foreign direct investment in Asia: A panel data analysis. Economic and Political Studies, 7(1), 66–86.

5.Allison, G. (2015, September 24). The Thucydides Trap: Are the U.S. and China Headed for War? The Atlantic. https://www.theatlantic.com/international/archive/2015/09/united-states-china-war-thucydides-trap/406756/

6.Alguacil, M., Cuadros, A., & Orts, V. (2011). Inward FDI and growth: The role of macroeconomic and institutional environment. Journal of Policy Modeling, 33(3), 481-496.

7.Andrew Ives (2015). Neoliberalism and the concept of governance: Renewing with an older liberal tradition to legitimate the power of capital. https://doi.org/10.4000/mimmoc.2263

8.Alon, I. (2018). Introduction. W. Zhang et al. (eds.), China's Belt and Road Initiative (pp.1-14). Cham. Palgrave Macmillan.

9.Antwi, S., Mills, E., Mills, G. A., & Zhao, X. (2013). Impact of foreign direct investment on economic growth: Empirical evidence from Ghana. International Journal of Academic Research in Accounting, Finance and Management Sciences, 3(1), 18–25.

10.Athukorala, P. (2003). The impact of foreign direct investment for economic growth: A case study in Sri Lanka. 9th International Conference on Sri Lanka Studies, 92, 1–21.

11.Asian Infrastructure Investment Bank. Introduction. Retrieved from: https://www.aiib.org/en/about-aiib/index.html [accessed on 09 January 2022]

12.Azman-Saini, W. N. W., & Law, S. H. (2010). FDI and economic growth: New evidence on the role of financial markets. Economics Letters, 107(2), 211–213.

13.Baniya, S., Rocha, N., & Ruta, M. (2019). Trade effects of the new silk road.

14.Bases, D. 2019. „The Race to 5G is a Race America Must Win“ Donald Trump says as US announces plans to accelerate high-speed wireless development. South China Morning Post, April 2019. Retrieved from: www.scmp.com/news/world/united-states-canada/article/3005988/us-announce-large-scale-5g-development-plans-race?module=perpetual_scroll_0&pgtype=article&campaign=3005988 [accessed on 29 December 2021]

15.BBC News. (2019). A quick guide to the US–China trade war. BBC News.

16.Beeson, M., & Watson, N. (2019). Is international leadership changing hands or disappearing? China and the USA in comparative perspective. Asian Perspective, 43(2), 387-415.

17.Belt and Road Portal, https://eng.yidaiyilu.gov.cn/

18.Blanchard, J. M. F., & Flint, C. (2017). The geopolitics of China’s maritime silk road initiative. Geopolitics, 22(2), 223-245.

19.Cai, P. (2017). Understanding China’s belt and road initiative.

20.Chance, A., & Mafinezam, A. (2016). American perspectives on the belt and road initiative. Institute for China-America Studies, 68-75.

21.Cheung, Y.-W., De Haan, J., Qian, X., & Yu, S. (2012). China’s outward direct investment in Africa. Review of International Economics, 20(2), 201–220.

22.China's Arctic Policy. 2018 January 26. The State Council Information Office of the People's Republic of China (SCIO), Retrieved from: http://www.scio.gov.cn/zfbps/32832/Document/1618243/1618243.htm [accessed on 15 February 2022].

23.‘China Exim Bank Boosts Lending to Belt and Road Projects’. 2016 January 14. China.org.cn. Retrieved from: http://www.china.org.cn/business/2016-01/14/content_37578812.htm

24.China Power Team. 2016 February 2, updated 2020, August 26. "Is it a Risk for America that China Holds over $1 Trillion in U.S. Debt?". Retrieved from: https://chinapower.csis.org/us-debt/ [accessed January 12, 2022]

25.China Institute of Innovation and Development Strategy, n.d., China's Path to a Peaceful Rise, Retrieved from: http://www.ciids.cn/content/2015-10/14/content_14547816.htm [accessed on 29 December 2021]

26.Choroś-Mrozowska, D. (2019). Global and regional consequences of the Chinese Belt and Road Initiative. Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, 63(6), 9-21.

27. Chronology of U.S.-China Relations, 1784-2000, n.d. Retrieved from: https://history.state.gov/countries/issues/china-us-relations [accessed on 29 December 2021]
28. Custer, S., Dreher, A., Elston, T.B., Fuchs, A., Ghose, S., Lin, J., Malik, A., Parks, B.C., Russell, B., Solomon, K., Strange, A., Tierney, M.J., Walsh, K., Zaleski, L., and Zhang, S. 2021. Tracking Chinese Development Finance: An Application of AidData's TUFF 2.0 Methodology. Williamsburg, VA: AidData at William & Mary. (2) Dreher, A., Fuchs, A., Parks, B. C., Strange, A., & Tierney, M.J. (Forthcoming). Banking on Beijing: The Aims and Impacts of China's Overseas Development Program. Cambridge, UK: Cambridge University Press. Retrieved from https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-2-0
29. Dees, S. (1998). Foreign direct investment in China: determinants and effects. Economics of planning, 31(2), 175-194.
30. Demekas, D. G., Horváth, B., Ribakova, E., & Wu, Y. (2007). Foreign direct investment in European transition economies—The role of policies. Journal of comparative economics, 35(2), 369-386.
31. De Soyres, F., Mulabdic, A., & Ruta, M. (2018). Trade impact of BRI: A quantitative prospective study.
32. De Soyres, F., Mulabdic, A., & Ruta, M. (2020). Common transport infrastructure: A quantitative model and estimates from the Belt and Road Initiative. Journal of Development Economics, 143, 102415.
33. Doku, I., Akuma, J., & Owusu-Afriyie, J. (2017). Effect of Chinese foreign direct investment on economic growth in Africa. Journal of Chinese Economic and Foreign Trade Studies, 10(2), 162–171. https://doi.org/10.1108/JCEFTS-06-2017-0014
34. Dollar, D. 2018 July 09. "The future of the US-China trade war", Retrieved from: https://www.brookings.edu/blog/order-from-chaos/2018/07/09/the-future-of-the-u-s-china-trade-war/ [accessed on 20 December, 2021].
35. Donnan, S. 2018 January 19. "U.S. Says China WTO Membership Was a Mistake," Financial Times. Retrieved from: https://www.ft.com/content/edb346ec-fd3a-11e7-9b32-d7d59aace167 [accessed on 20 December 2021]
36. Donou-Adonsou, F., & Lim, S. (2018). On the importance of Chinese investment in Africa. Review of Development Finance, 8(1), 63–73. https://doi.org/10.1016/j.rdf.2018.05.003

37.Dreger, C., Schüler-Zhou, Y., & Schüller, M. (2017). Determinants of Chinese direct investments in the European Union. Applied Economics, 49(42), 4231–4240. https://doi.org/10.1080/00036846.2017.1279269

38.Du, J., & Zhang, Y. (2018). Does One Belt One Road initiative promote Chinese overseas direct investment? China Economic Review, 47, 189–205. https://doi.org/10.1016/j.chieco.2017.05.010

39.Duffin, E., (2021). Major foreign holders of U.S. treasury securities 2022. (n.d.). Statista. Retrieved September 12, 2022, from https://www.statista.com/statistics/246420/major-foreign-holders-of-us-treasury-debt/

40.Dunning, J.H. 1977. Trade, location of economic activity and the MNE: A search for an eclectic approach. In The International Allocation of Economic Activity, ed. B. Ohlin, P.O. Hesselborn, and P.M. Wijkman. London: Macmillan.

41.Ferguson, N., & Schularick, M. (2007). 'Chimerica' and the global asset market boom. International Finance, 10(3), 215-239.

42.Ferguson, N., & Schularick, M (2011). "The End of Chimerica." International Finance, vol. 14, no. 1, pp. 1–26.

43.Fish, Eric. 2020 May 12. End of an era? A history of Chinese students in America. Retrieved from: https://supchina.com/2020/05/12/end-of-an-era-a-history-of-chinese-students-in-america/

44.Fernando, J. (2022). Gross Domestic Product (GDP): Formula and How to Use It. Investopedia. https://www.investopedia.com/terms/g/gdp.asp

45.Fromer, J. (2022), Joe Biden says he won't lift tariffs on Chinese imports since Beijing hasn't abided by phase one trade deal, South China Morning Post, Retrieved from: https://www.scmp.com/news/china/article/3164014/joe-biden-says-he-wont-lift-tariffs-chinese-imports-beijing-hasnt-abided [accessed on January 22 2022].

46.Ghosh, M., Syntetos, P., & Wang, W. (2012). Impact of FDI restrictions on inward FDI in OECD countries. Global Economy Journal, 12(3).

47.Gill, B., & Huang, Y. (2006). Sources and limits of Chinese 'soft power.' Survival, 48(2), 17–36.

48.Globerman, S., Shapiro, D. (2009). Economic and strategic considerations surrounding Chinese FDI in the United States. Asia Pac J Manag 26, 163–183.

49.Goh, B., & Ruwitch, J. (2017). Pressure on as Xi's 'Belt and Road'enshrined in Chinese party charter. Reuters, October, 24.

50.Grix, J., & Lee, D. (2013). Soft power, sports mega-events and emerging states: The lure of the politics of attraction. Global Society, 27(4), 521–536.

51.Gowa, J. (1989). Rational hegemons, excludable goods, and small groups: an epitaph for hegemonic stability theory?. World Politics, 41(3), 307-324.

52.Hansen, H., & Rand, J. (2006). On the causal links between FDI and growth in developing countries. World Economy, 29(1), 21–41.

53.Hao, Y., Guo, Y., Guo, Y., Wu, H., & Ren, S. (2020). Does outward foreign direct investment (OFDI) affect the home country's environmental quality? The case of China. Structural Change and Economic Dynamics, 52, 109–119. https://doi.org/10.1016/j.strueco.2019.08.012

54.Hopewell, K. (2018). What is 'Made in China 2025'—and why is it a threat to Trump's trade goals? Washington Post.

55.Huang, W., & Xiang, J. (2019). Pursuing Soft Power through the Confucius Institute: A Large-N Analysis. Journal of Chinese Political Science, 24(2), 249–266. https://doi.org/10.1007/s11366-018-9571-6

56.Hayes, A. (2022). Direct Foreign Investment (FDI): What It Is, Types, and Examples. Investopedia. https://www.investopedia.com/terms/f/fdi.asp

57.Haggard, Stephan, and Beth A. Simmons (1987). Theories of International Regimes. International Organization 41, no. 3: 491-517. http://nrs.harvard.edu/urn3:HUL.InstRepos:3117934

58.Ikenberry, G. J. (2018). The end of liberal international order?. International Affairs, 94(1), 7-23.

59.Jeffrey W. Meiser (2017). Liberalism in International Relations Theory. Ed. Stephen Mcglinchey, Rosie Walters &Christian Scheinpflug. Pp. 22-27. https://www.e-ir.info/publication/international-relations-theory/

60.Keqiang, L. (2014). Remarks by HE Li Keqiang Premier of the State Council of the People's Republic of China at the Ninth East Asia Summit. ASEAN-China Centre, 13.

61.Khachoo, A. Q., & Khan, M. I. (2012). Determinants of FDI inflows to developing countries: a panel data analysis.

62.Kim, M. H. (2019). A real driver of US–China trade conflict: The Sino–US competition for global hegemony and its implications for the future. International Trade, Politics and Development.

63.Kobrin, S. J. (2005). The determinants of liberalization of FDI policy in developing countries: a cross-sectional analysis, 1992-2001. Transnational Corporations, 14(1), 67-104

64.Kolstad, I., & Wiig, A. (2011). Better the devil you know? Chinese foreign direct investment in Africa. Journal of African Business, 12(1), 31–50.

65.Kolstad, I., & Wiig, A. (2012). What determines Chinese outward FDI? Journal of world business, 47(1), 26-34.

66.Krum, E. (2020). Foreign Direct Investment and Soft Power: How US Leadership Impacts Foreign Investment in the United States [PhD Thesis]. Georgetown University.

67.Keohane, Robert O. (Robert Owen), 1941-. (1984). After hegemony : cooperation and discord in the world political economy. Princeton, N.J. :Princeton University Press

68.Lall, S. V., & Lebrand, M. (2020). Who wins, who loses? Understanding the spatially differentiated effects of the belt and road initiative. Journal of Development Economics, 146, 102496. https://doi.org/10.1016/j.jdeveco.2020.102496

69.Lattemann, C. (2018). Final Reflections. W. Zhang et al. (eds.), China's Belt and Road Initiative (pp.337-342). Cham. Palgrave Macmillan.

70.Lawrence, S. V., & Lum, T. (2011). U.S.-China Relations: Policy Issues. 48.

71.Lee, A. (2020). Belt and Road Initiative debt: How big is it and what's next? South China Morning Post Magazine.-2020.-19.07.-URL: Https://Www. Scmp. Com/Economy/China-Economy/Article/3093218/Belt-and-Road-Initiative-Debt-How-Big-It-and-Whats-next

72.Lien, D., Oh, C. H., & Selmier, W. T. (2012). Confucius institute effects on China's trade and FDI: Isn't it delightful when folks afar study Hanyu? International Review of Economics & Finance, 21(1), 147–155.

73.Liu, W. H., Tsai, P. L., & Tsay, C. L. (2015). Domestic impacts of outward FDI in Taiwan: Evidence from panel data of manufacturing firms. International Review of Economics & Finance, 39, 469-484.

74.Liu, H. Y., Tang, Y. K., Chen, X. L., & Poznanska, J. (2017). The determinants of Chinese outward FDI in countries along "One Belt One Road." Emerging Markets Finance and Trade, 53(6), 1374–1387.

75.Li Keqiang (2014), Remarks by H.E. Li Keqiang Premier of the State Council of the People's Republic of China At the 17th ASEAN-China Summit. Retrieved from: www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1212266.shtml

76.Li, Y. (2018). China's go out policy-a review on China's promotion policy for outward foreign direct investment from a historical perspective. IWE Working Papers, (244).

77.Madariaga, N., & Poncet, S. (2007). FDI in Chinese cities: Spillovers and impact on growth. World Economy, 30(5), 837–862.

78.Mah, J. S. (2010). Foreign direct investment inflows and economic growth of China. Journal of Policy Modeling, 32(1), 155–158.

79.Morgenthau, H. J. 1. (1954). Politics among nations: the struggle for power and peace. 2d ed., rev. and enl. New York, Knopf.

80.Maher, R. (2018). Bipolarity and the Future of U.S.-China Relations: U.S.-CHINA BIPOLARITY. Political Science Quarterly, 133(3), 497–525. https://doi.org/10.1002/polq.12801

81.Mark, K., & Michael, T. (2011). Chinese Investment in Africa. The Law and Development Review, 4(1), 168–217.

82.Ma. Y., (2021). Total value of U.S. trade with China 2021. (n.d.). Statista. Retrieved September 12, 2022, from https://www.statista.com/statistics/277679/total-value-of-us-trade-in-goods-with-china-since-2006/

83.Mearsheimer, J. J. (2014) Can China Raise Peacefully? The Tragedy of Great Power Politics New York: Norton

84.Mearsheimer, J. J. (2019). Bound to fail: The rise and fall of the liberal international order. International security, 43(4), 7-50.

85.Mearsheimer, J. J. (2014). The tragedy of great power politics. WW Norton.

86.Mina, W. (2007). The location determinants of FDI in the GCC countries. Journal of Multinational Financial Management, 17(4), 336–348.

87.Mottaleb, A. K., and Kalirajan, K., (2010). Determinants of Foreign Direct Investment in Developing Countries: A Comparative Analysis, The Journal of Applied Economic Research,4(4), 369-404.

88.Morrison, W. M. (2011). China-U.S. Trade Issues. *U.S. Congressional Research Service.* https://doi.org/https://ecommons.cornell.edu/bitstream/handle/1813/77813/CRS_U_S__China_Trade_Issues.pdf?sequence=1&isAllowed=y

89.Moravcsik, A. (1997). Taking preferences seriously: A liberal theory of international politics. International organization, 51(4), 513-553.

90.Mohd Noor Mat Yazid (2015). The Theory of Hegemonic Stability, Hegemonic Power and International Political Economic Stability. Global Journal of Political Science and Administration Vol.3, No.6, pp.67-79, December 2015.

91.Nakano, J., & Li, W. (2018). China Launches the Polar Silk Road. Center for Strategic and International Studies, 2.

92.Nolan, J. and Leutert W. (2020). Signing Up or Standing Aside: Disaggregating Participation in China's Belt and Road Initiative. Brookings. Retrieved from: https://www.brookings.edu/articles/signing-up-or-standing-aside-disaggregating-participation-in-chinas-belt-and-road-initiative/ [accessed on 04 February 2022].

93.Nye Jr, J. S. (2020). Power and interdependence with China. The Washington Quarterly, 43(1), 7-21.

94.Obobisa, E. S., Chen, H., Ayamba, E. C., & Nyarko Mensah, C. (2021). The Causal Relationship Between China-Africa Trade, China OFDI, and Economic Growth of African Countries. SAGE Open, 11(4), 21582440211064900. https://doi.org/10.1177/21582440211064899

95.OECD (2018). "The Belt and Road Initiative in the global trade, investment and finance landscape". OECD Business and Finance Outlook 2018. Paris. OECD Publishing, https://doi.org/10.1787/bus_fin_out-2018-6-en

96.Okafor, G., Piesse, J., & Webster, A. (2015). The motives for inward FDI into Sub-Saharan African Countries. Journal of Policy Modeling, 37(5), 875-890.

97.Organski, A.F.K. (1958). World Politics, Alfred A. Knopf, New York, NY, as cited in Kim, M. H. (2019). A real driver of US–China trade conflict: The Sino–US competition for global hegemony and its implications for the future. International Trade, Politics and Development.

98.Panda, J.P. 2017 November 07. What the Inclusion of BRI in the Chinese Constitution Implies, Manohar Parrikar Institute for Defence Studies and Analyses, New Delhi. Retrieved from: https://idsa.in/idsacomments/what-the-inclusion-of-bri-in-the-chinese-constitution-implies_jpanda_071117 [accessed on 23 January 2022]

99.Pegkas, P. (2015). The impact of FDI on economic growth in Eurozone countries. The Journal of Economic Asymmetries, 12(2), 124–132.

100.Pence, M. 2019 October 24. "Remarks by Vice President Pence at the Frederic V. Malek Memorial Lecture," Conrad Hotel, Washington, DC, Retrieved from: https://www.whitehouse. gov/briefings-statements/remarks-vice-president-pence-frederic-v-malek-memoriallecture/ [accessed on January 3, 2022]

101.Putnam, R. D. (1988). Diplomacy and Domestic Politics: The Logic of Two-Level Games. International Organization, 42(3), 427-460.

102.Postiglione, G.A., (2021). Sino-US Relations: Universities entering the age of strategic competition. Retrieved from: https://www.researchcghe.org/perch/resources/publications/working-paper-68final.pdf

103.President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries. 2013 September 03. Retrieved from: https://www.mfa.gov.cn/ce/cemm//eng/zgxw/t1076334.htm [accessed on 01 February 2022]

104.Randall W.S. et al., (2021). Chinese Power and the State Owned Enterprise, Internatioanl Organization, Cambridge University Press (published online).

105.Reardone M. 2021 November 12. Biden signs law to restrict Huawei and ZTE gear in US, Retrieved from https://www.cnet.com/tech/mobile/biden-signs-law-to-restrict-huawei-and-zte-gear-in-us/ [accessed on 03 January 2022].

106.Rose, A. K. (2019). Soft power and exports. Review of International Economics, 27(5), 1573-1590.

107.Rudd, K., 2019 November 04. “To Decouple or Not to Decouple?” University of San Diego, Robert F. Ellsworth Memorial Lecture. Retrieved from https://asiasociety.org/policy-institute/decouple-or-not-decouple

108.Sacks, D. (2021). Countries in China’s Belt and Road Initiative: who’s in and who’s out. Council on Foreign Relations.

109.Schortgen, F. (2018). China and the twenty-first-century silk roads: A new era of global economic leadership? In China's Belt and Road Initiative (pp. 17-33). Palgrave Macmillan, Cham.

110.Secretary-General's remarks at the opening ceremony of the Belt and Road Forum for International Cooperation, 2019 April 26. Retrieved from: https://www.un.org/sg/en/content/sg/statement/2019-04-26/secretary-generals-remarks-the-opening-ceremony-of-the-belt-and-road-forum-for-international-cooperation [accessed on 17 February 2022].

111.Secretary of State Madeleine K. Albright. 1997 April 15. 1997 Forrestal Lecture American Principle and Purpose in East Asia, Retrieved from: https://1997-2001.state.gov/statements/970415.html

112.Shen, S., & Chan, W. (2018). A comparative study of the Belt and Road Initiative and the Marshall plan. Palgrave Communications, 4(1), 1-11.

113.Singh, A. (2002) Understanding China's 'Go West' Campaign. China Report 38:1, pp. 121-127.

114.Statista Research Department. August 2021. Foreign Direct Investment (FDI) from China in the United States from 2000 to 2020. Retrieved from: https://www.statista.com/statistics/188935/foreign-direct-investment-from-china-in-the-united-states/ [accessed on 05 January 2022]

115.Statista Research Department. October 2021. Countries with highest direct investment position received from the United States in 2020. Retrieved from: https://www.statista.com/statistics/188806/top-15-countries-for-united-states-direct-investments/ [accessed on 05 January 2022]

116.Sørensen, P., & Whitta-Jacobsen, H.J. (2010). Introducing Advanced Macroeconomics: Growth and Business Cycles.

117.Stec, G. (2018). China's Belt and Road Initiative is neither a strategy, nor a vision. It is a process. European Institute for Asian Studies, 1.

118.Sandrina Antunes & Isabel Camisão (2017). Realism in International Relations Theory. Ed. Stephen Mcglinchey, Rosie Walters &Christian Scheinpflug. Pp. 15-21. https://www.e-ir.info/publication/international-relations-theory/

119.Sarina Theys (2017). Constructivism in International Relations Theory. Ed. Stephen Mcglinchey, Rosie Walters &Christian Scheinpflug. Pp. 36-41. https://www.e-ir.info/publication/international-relations-theory/

120.Tan, N., Chang, L., & Guo, R. (2021). China's outward foreign direct investment in energy sector: The role of "intimate" relations between countries. Plos one, 16(7), e0254199.

121.Tham Siew Yean Andrew Jia-Yi Kam Nirwan bin Noh, 2018." The Determinants of Inward FDI in Selected Services Industries in Malaysia," Prague Economic Papers, Prague University of Economics and Business, vol. 2018(2), pages 215-231.

122.U.S.-China Economic and Security Review Commission. Retrieved from: https://www.uscc.gov/about-us [accessed on January 12 2022]

123.Villafuerte, J., Corong, E., & Zhuang, J. (2016). Trade and Growth Impact of One Belt, One Road on Asia and the World.

124.Vinokurov, E. (2016). Transport Corridors of the Silk Road Economic Belt Across the Eurasian Economic Union: Preliminary Estimates for Transportation Capacity and Investment Needs. Available at SSRN 2771587.

125.Vision and Actions on jointly building Belt and Road. Belt and Road Forum for International Cooperation. Retrieved from: http://2017.beltandroadforum.org/english/n100/2017/0410/c22-45.html [accessed on 28 December 2021].

126.Voon, J. P., & Xu, X. (2020). Impact of the Belt and Road Initiative on China's soft power: preliminary evidence. Asia-Pacific Journal of Accounting & Economics, 27(1), 120-131.

127.Wang, Y. (2008). Public diplomacy and the rise of Chinese soft power. The Annals of the American Academy of Political and Social Science, 616(1), 257–273.

128.Wang, Z., & Zeng, J. (2020). From economic cooperation to strategic competition: Understanding the US-China trade disputes through the transformed relations. Journal of Chinese Political Science, 25(1), 49-69.

129.Wei, W. X., & Alon, I. (2010). Chinese outward direct investment: A study on macroeconomic determinants. International Journal of Business and Emerging Markets, 2(4), 352–369.

130.What are six economic corridors under Belt and Road Initiative? 2020 August 04. Retrieved from: http://english.scio.gov.cn/beltandroad/2020-08/04/content_76345602.htm [accessed on 01 February2022].

131."What you need to know about the Road & Belt Initiative", Refinitiv, Retrieved from: https://www.refinitiv.com/en/belt-road-initiative-data-insight#report [accessed on 20 February 2022]

132.White House. 2017 December 18. National Security Strategy 2017. Retrieved from https://nssarchive.us/national-security-strategy-2017/ [Accessed on 04 January 2022].

133.Wendt, A. (1992). Anarchy is what states make of it: the social construction of power politics. International organization, 46(2), 391-425.

134.Yao, S. (2006). On economic growth, FDI and exports in China. Applied Economics, 38(3), 339–351. https://doi.org/10.1080/00036840500368730.

135.Yung Wing (Rong Hong) Updated 2020 November 18. Retrieved from: http://www.cityofzhuhai.com/2020-11/18/c_270859.htm [accessed on 12 September 2022].

136.Yung Wing (Rong Hong) Updated: 2020 November 18. Retrieved from: http://www.cityofzhuhai.com/2020-11/18/c_270859.htm [accessed on 27 February 2022].
137.Zekarias, S. M. (2016). The impact of foreign direct investment (FDI) on economic growth in Eastern Africa: Evidence from panel data analysis. Applied Economics and Finance, 3(1), 145–160.
138.Zhang, X., & Daly, K. (2011). The determinants of China's outward foreign direct investment. Emerging Markets Review, 12(4), 389–398.
139.Zhao, H. (2003). Country factor differentials as determinants of FDI flow to China. Thunderbird International Business Review, 45(2), 149-169.
140.Zhao, S. (2013). Privatization, FDI inflow and economic growth: Evidence from China's provinces, 1978–2008. Applied Economics, 45(15), 2127–2139. https://doi.org/10.1080/00036846.2012.654916
141.Zheng, P. (2009). A comparison of FDI determinants in China and India. Thunderbird International Business Review, 51(3), 263–279.
142.Zhuang, Y., Yang, S., Razzaq, A., & Khan, Z. (2021). Environmental impact of infrastructure-led Chinese outward FDI, tourism development and technology innovation: A regional country analysis. Journal of Environmental Planning and Management, 1–33.
143.21 Century Maritime Silk Road. 2019 July 11. Retrieved from: http://english.scio.gov.cn/featured/chinakeywords/2019-07/11/content_74977474.htm [accessed on 01 February2022].
144.The 21st Century Maritime Silk Road – Tourism Opportunities and Impacts. (2019). UNWTO, Retrieved from: https://doi.org/10.18111/9789284418749
145. The World Bank Group (2022). DataBank – Development Indicators (GDP current US$). Retrieved from https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.MKTP.CD&country=# For more information, please refer to CEPPI n.d. About CEPPI. Retrieved from http://www.cepii.fr/CEPII/en/cepii/cepii.asp