The Belt and Road Initiative:

INVESTMENT OPPORTUNITIES IN CHINA'S "PROJECT OF THE CENTURY"

AUTHOR:
Erik Brown, Research Analyst, Global Risk Institute

GLOBAL RISK INSTITUTE

INTRODUCTION

In the autumn of 2013, Chinese President Xi Jinping set forth a bold new policy vision for the 21st century global economy, calling for the creation of a new ***Silk Road Economic Belt*** and complimentary ***Maritime Silk Road*** to span the length of the Eurasian supercontinent.[1] This "Belt and Road Initiative" (BRI) promises to link China to both neighbouring and distant regions along its southern and western frontiers through a mass infrastructure investment project, including roads, rail lines, ports, energy pipelines and digital networks.[2] The project also incorporates non-physical components, like policy coordination, monetary integration, trade policy, and person-to-person exchanges.[3] The symbolism of the BRI draws upon important historical parallels.[4] Created by the Han Dynasty over two thousand years ago, the medieval Silk Road once passed through Central and Southern Asia on its way to Europe, facilitating trade and cultural interaction.[5] Seaborn "Spice Roads" complimented the land passage, stretching from the Japanese coast, past China and India, and into the Middle East and Mediterranean Sea.[6] Beijing seeks to recreate these linkages and forge an interstate "Community of Common Destiny" across the region.[7]

With a sum total of promised investments reaching \$1 trillion (estimates vary), the BRI may be the most ambitious scheme of its kind ever attempted – 7 to 8 times larger than the \$140 billion Marshall Plan that funded the reconstruction of Europe after the Second World War – and could take decades to fully complete.[8] However, it remains Xi's signature policy venture and key to his legacy as president.[9] The initiative is assigned an entire chapter in the Chinese 13th Five-Year Plan (2016-2020)[10] and is also codified in the Communist Party's (CCP) constitution; a sign of its political permanency.[11] If successful, BRI could not only instigate unprecedented development in participating states but set the rules and standards that direct economic activity in Eurasia and the Indo-Pacific region for decades to come. This paradigm shift may have significant consequences for the Canadian financial services industry as it increasingly looks to emerging markets in Asia for future growth. Although Beijing may not seek to totally upend the existing international order,[12] a Chinese-led economic sphere in Eurasia could test the predominately Anglo-American tradition upon which the international financial system is founded. While banks, investors and insurers look to seize the immense opportunities that the BRI creates, risk managers seeking to adapt to the new policy environment should look to better understand the project and develop flexible governance strategies in response.

SCOPE

The "Belt" in the BRI refers to the land-based component, subdivided into six broadly defined economic corridors, while the "Road" references the corresponding sea routes[13] (see Figure 1 and Table 1). The initiative's geographic range is transcontinental, encompassing both Africa[14] and Latin America.[15] In total, the BRI incorporates more than 60 countries (figures vary), affects nearly 62% of the world's population and includes more than 30% of global gross domestic product.[16] Yet despite its impressive metrics, the project still satisfies only a fraction of the larger infrastructure demand in the region. The Asian Development Bank (ADB) estimates that the continent will require more than \$26 trillion of investment between 2016 and 2030.[17]

Figure 1:
Map of the Belt and Road

Table 1: States Traversed by the Belt and Road (By Corridor)

BRI Corridor	States Involved
China-Pakistan Economic Corridor (CPEC)	Pakistan
Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC)	Bangladesh India, Myanmar
China-Central Asia-West Asia Economic Corridor (CCWAEC)	Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Turkmenistan, Uzbekistan
China-Indochina Peninsula Economic Corridor (CICPEC)	Cambodia, Laos, Malaysia, Myanmar, Thailand, Vietnam
China-Mongolia-Russia Economic Corridor (CMREC)	Mongolia, Russia
New Eurasia Land Bridge Economic Corridor (NELB)	Belarus, Czech Republic, Poland, Kazakhstan, Germany, Russia

Source: *Center For Strategic And International Studies*[18]

Notwithstanding the existing proposal, the specific physical and conceptual margins of the BRI remain ambiguous. There is no clear timeline set for completion, and some projects begun prior to the official launch date are included retroactively. Physical infrastructure projects are complimented with intangibles like trade accords, cultural exchanges, tourism and educational connections.[19] In addition to transportation networks and energy systems, the BRI's infrastructure portfolio has grown to include electronic, space, and polar elements.[20] The proposed "Digital Silk Road," for example, includes new underwater and terrestrial fibre optic cable installations and other expanded communications systems. China may also seek to influence internet governance, exporting its state-centered cyber model and mandating data localization.[21] Related to the new digital proposals, the Space and Information Corridor centers on the launch of Beidou 2, a 35-unit satellite network and alternative to the American Global Positioning System (GPS).[22] Finally, the State Council Information Office has linked BRI to Beijing's new Arctic policy. Set forth in a January 2018 white paper, the plan includes increased resource extraction and other commercial, environmental and scientific activities.[23]

Since its inauguration, the BRI has generally fallen short of initial promises.[24] As per data from the American Enterprise Institute (AEI) and the Heritage Foundation, the total value of Chinese construction between January 2014 and June 2018 reached at least $256 billion across 75 affiliated countries, while Chinese investment summed to $148 billion. Relative to previous activity across the same group of states, these figures are less striking: the value of construction amounted to $157 billion in the four to five years prior to the launch of the New Silk Road.[25] In terms of actual projects, little progress has been made on 5 of the 6 defined routes; the China-Pakistan Economic Corridor (CPEC) being the one exception.[26] That being said, CPEC has faced opposition in Pakistan as internal parties contest over funding allocation.[27] Further afield, political resistance of one kind or another has sprouted in several other participating states along the Belt and Road.[28]

OBJECTIVES

Although cooperative economic development remains the official goal of the BRI, analysts have speculated that the project could also meet a plethora of tributary objectives. The Belt and Road may deliver various political, economic and monetary benefits to China over a long time horizon.

Export of Excess Industrial Capacity and Savings

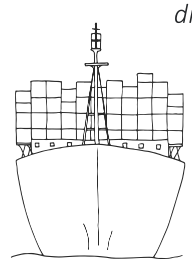
In the past, China has produced significantly more steel and other raw materials than its economy could absorb.[29] Demand for these resources has fallen in correlation with the country's declining economic growth rate. The BRI is a chance to export overcapacity in equipment, steel and cement production by state-owned enterprises. It also affords Beijing a chance to allocate its substantial domestic savings reserves.[30]

Renminbi Internationalization

Although China constituted 12% of total international trade by volume in 2014, its representation in international payment currency markets was comparatively minimal at 2%.[31] The BRI is a means to further proliferate the use of the Chinese currency. As the project develops, affiliated countries will increasingly benefit from adopting the RMB for loans and trade settlement, and the People's Bank of China and state-owned institutions have already taken policy steps to ease cross-border, yuan-denominated transactions.[32]

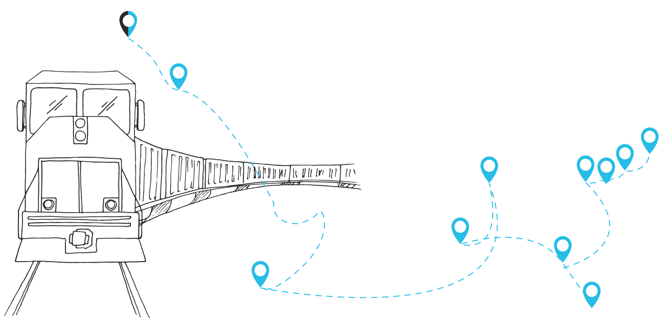
Energy Trade Diversification

In 2016, almost 80% of Chinese oil imports travelled by tanker through the Malacca Straits and South China Sea, and there is concern that overreliance on a single waterway could become a strategic chokehold for Beijing.[33] To solve this "Malacca Dilemma,"[34] the BRI can help to protect China's energy supply by diversifying the import channels for oil and gas,[35] particularly through the land-based corridors viewed to be comparatively safer than traditional maritime routes.[36]



Rural Economic Development
The rapid economic growth in Eastern China has not necessarily benefitted the Western and Southern frontier regions of the country. Peripheral provinces are pushing BRI projects because they see them as the best means of facilitating regional development.[37] If it works as intended, the initiative could create more balanced economic prosperity and increased domestic competitiveness and integration.[38]

Foreign Market Development & Competitiveness
By linking China to developing countries in Central and Southern Asia, the BRI promises to open up new markets for export,[39] including for high quality goods like high speed rail.[40] The Initiative can also be an engine of economic growth in participating countries that further increases their demand for Chinese imports.[41]



Geopolitical Influence and National Rejuvenation
The BRI may be intended to convert China into a central economic and geopolitical node in the Eurasian region.[42] It may also have a larger historical significance as well. President Xi Jinping's core mission is to effectively "Make China Great Again," encapsulating his "China Dream" to win the nation wealth, power and respect in the world once more. As the narrative prescribes, Beijing will have then restored the dominant position that it occupied prior to the era of Western imperialism.[43]

FINANCING

The BRI's funding architecture has two distinct channels. The public branch, which includes multilateral and national institutional lenders,[44] has served as the primary source of infrastructure financing with a more that 90% share in Asian projects.[45] The private channel, which includes international investors, is comparatively less advanced[46] but will need to play a critical role in the development of the Belt and Road and may increasingly provide investment and service opportunities for international institutions and investors going forward.[47]

Institutional

Central to the multilateral apparatus for capitalizing the Belt and Road is the Asia Infrastructure Investment Bank (AIIB). Launched in January 2016, the AIIB comprises 93-member states and invests "in sustainable infrastructure and other productive sectors in Asia and beyond…"[48] China spearheaded the AIIB as an alternative to established financial organizations like the International Bank for Reconstruction and Development (IBRD) and the IMF.[49] Another important sponsor for the BRI is the New Development Bank (NDB). The NDB brought together China, Russia, Brazil, India and South Africa—the "BRICS" countries—in July 2014 to create a new lending agency[50] focused on funding "'sustainable development'" and infrastructure projects for its membership, with an option to include other developing countries over time.[51] Similar to the AIIB, the NDB serves as a substitute to existing multilateral development banks.[52]

Notwithstanding the potential of these international organizations to scale up investment over time, Beijing has played a clear leadership role in the management of Belt and Road finance thus far through its dedicated state-run investment pool, domestic policy lenders and commercial banks. With $40 billion in authorized capital, the Silk Road Fund operates as a private equity cache supplied primarily by China's substantial foreign currency reserves and intended specifically to service the BRI.[53] First created by the Chinese government in 1994, the national policy banks are designed to meet narrow lending objectives and include the Agricultural Development Bank of China (ADBC), the China Development Bank (CDB) and the Export-Import Bank of China (EXIM).[54] The CDB and EXIM in particular are perhaps the most important sources of funding for the Belt and Road.[55] Finally, the Chinese commercial banking sector is led by the "Big Four" state-owned houses: The China Construction Bank, Bank of China, Industrial and Commercial Bank of China, and Agricultural Bank of China.[56] These institutions are currently raising foreign investment in RMB to supply BRI projects,[57] including through bond issuance.

Private

China presents significant opportunities for international private capital allocation. Although foreign investment in China has traditionally focused on physical assets like factories and office space, there is a transition underway towards a greater percentage of equities and fixed-income securities. China now hosts the second- and third-largest stock and bond markets in the world respectively. Increased foreign investment activity in these exchanges sets a new precedent, as capital controls have traditionally limited access for international actors.[58] The Qualified Foreign Institutional Investor (QFII) and Renminbi Foreign Institutional Investor (RQFII) programs license international parties to access the Chinese domestic market.[59] However, in January 2019, regulators doubled the total shareholder quota under the QFII from $150 billion to $300 billion.[60] Other reforms have further eased restrictions. In April 2018, Beijing increased the cap on foreign control of stockbroking companies from 49% to 51%, allowing for foreign majority ownership.[61] The following June, China also removed the 20% limit on monthly exports of QFII and RQFII investment income.[62]

In March 2018, the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) set forth new regulations for the BRI bond pilot project. The new standards define what kind of securities (by eligible issuer, purpose of funding) can be listed under the new asset category and includes terms and procedure for issuance, expenditure of funds and regulatory reporting, among other considerations.[63] The BRI bond market could attract enough capital from abroad to meet the demand that supranational and domestic institutional lenders cannot entirely fill. Nevertheless, the product line could still present some investment risk. Belt and Road denoted securities might not be an optimal funding option either, as bond maturity periods are often shorter than project construction and so repayment is expected before infrastructure assets actually earn any revenue.[64] To compliment the fixed-income securities market, there are other possible avenues for foreign investor participation in BRI, including equities trading, infrastructure concessions and auxiliary financial services.

Fixed-Income

Domestic Bonds (Certified Belt & Road):
This class is issued by domestic companies, sold on mainland markets (SSE and SZSE) and denominated in RMB. As per rules governing the nascent BRI bond class, either Chinese government or corporate securities are certifiable if connected to a Belt and Road project.[65] Corporate bonds can include both financial (policy banks, commercial banks, etc.) or other non-financial corporate debt instruments.[66]

"Panda" Bonds (Certified Belt & Road):
This class is issued by international companies, sold on mainland markets and denominated in RMB. It is targeted specifically at garnering corporate investment from domestic Chinese investors.[67] Under the new CSRC fixed income regulations, foreign governments and companies from along Belt and Road corridors and non-Chinese firms raising funds for specific BRI projects are eligible to issue Panda bonds within the new asset category.[68]

Dim Sum Bonds:
This class is issued by Chinese and international companies in Hong Kong but denominated in RMB. It is exempt from PRC regulation, and so is accessible to investors that are otherwise unable to access Chinese markets.[69] The BRI is projected to increase Dim Sum issuance on the Hong Kong exchange moving forward.[70]

International Currency-Denominated Bonds:
This class is issued in international currencies by Chinese or foreign firms on offshore exchanges. Much like the Dim Sum category, cases of bond issuance already exist: As of April 2018, the Bank of China had issued $10 billion worth of foreign currency securities on the Hong Kong exchange.[71]

Equities
Three primary equity classes are available for Chinese-based companies.[72] A-Shares are denominated in RMB and are available to both national and QFII certified institutions on the SSE and SZSE.[73] Although their face value is in RMB,[74] B-Shares are issued in foreign currencies (USD on SSE, HKD on SZSE) and are open to both domestic and international investors.[75] H-Shares are issued in Hong Kong, denominated in HKD and openly tradable internationally.[76] For corporations based in other participating BRI states, equities may be listed on international exchanges in local or foreign currencies, subject to applicable rules.

Infrastructure Stakes/Concessions
Private businesses can partner with governments to fund and construct infrastructure through a concessional agreement. In this arrangement, the industry partner provides support for a project, and in exchange is granted the right to profit from its contribution.[77] For international financial institutions, the opportunities for concessions or other forms of public-private partnership and the standards governing them along the Belt and Road are as of yet unclear.

Ancillary Services
BRI projects require an array of supplemental financial services beyond traditional investment. With Chinese institutions providing much of the required funding thus far,[78] Western institutions seeking returns from the Belt and Road have focused on providing measures like trade finance, foreign exchange provision, cash management and interest rate swaps to participating international corporations.[79] Limited by prudential obligations under BASEL III, Western institutions are incentivized to adopt this kind of support role as insulation against losses from BRI projects.[80]

CONTROVERSIES

In its initial phase, the BRI has not been immune to controversy. Its immediate effects and long-term implications, both on the ground in individual countries and across the larger Indo-Pacific, have instilled apprehension and distrust in some regional and international observers.

ACCUSATIONS OF "DEBTBOOK DIPLOMACY"

Through its state-run institutions, China has adopted a "no strings attached" policy for foreign investment, starkly contrasting a Western approach that often requires lenders to enact free-market and other reforms before securing a loan. This willingness to provide open financing with few conditions has given Chinese institutions a distinct advantage over global competitors like the International Monetary Fund.[81] However, many states along the Belt and Road are now indebted beyond their ability to repay. High rates of sovereign leverage have led to accusations that China is practicing "Debtbook Diplomacy," using its influence as a creditor nation to advance geopolitical objectives.[82]

Beyond questions of accessibility, the settlement terms attached to existing BRI loans may also contribute to the suspicions held among some spectators. Capital deficiencies induce many developing states to use the new Belt and Road assets themselves as collateral for a BRI loan, leaving Chinese lenders with concessions or leases of these assets in the case of default.[83] One such case involves the construction and transfer of the Hambantota Port on Sri Lanka's southern coast (see Figure 1). In 2017, Colombo sold a 99-year, 70% ownership lease in the new maritime facility for $1.1 billion to the state-owned China Merchants Group.[84]

In response to foreign criticism, Beijing has rejected accusations that its investment decisions are intended to drown recipients in debt and serve political interests.[85] Concern about Chinese lending has nevertheless increased among some BRI participants, including Uganda, Zambia and the Maldives.[86] Perhaps the strongest rebuke of BRI debt accumulation has come from Kuala Lumpur. As a possible hedge against the dependency problem experienced in Sri Lanka, the Malaysian government under Prime Minister Mahathir Mohamad has set to minimize foreign debt obligations. Leading up to his victory in the May 2018 national elections, Mahathir openly campaigned against Chinese infrastructure projects approved by his predecessor out of concern for affordability, and has since moved to cancel a $20 billion railroad and $2.3 billion gas pipeline funded under the BRI.[87]

IMPLICATIONS FOR SINO-AMERICAN RELATIONS

As it continues to evolve, the BRI has the potential to exacerbate existing tensions between Washington and Beijing. The United States has accused the Chinese of seeking "to shape a world antithetical to U.S. values and interests"[88] and of forwarding a plan to "target their investments in the developing world to expand influence and gain competitive advantages against the United States."[89] Vice-President Mike Pence has explicitly criticized China for its alleged "debt diplomacy"[90] and contrasted the Chinese and American foreign investment approaches, stating that "[w]e don't drown our partners in a sea of debt. We don't coerce or compromise your independence."[91] As a response to Chinese lending activities, the U.S. Congress recently authorized the creation of the U.S. International Development Finance Corporation (IDFC).[92] Beyond the provision of loans, the IDFC can hold ownership stakes in infrastructure assets and offer political risk protection to companies operating in developing countries.[93] Seeking to employ local workers and facilitate greater private sector investment, the IDFC can work to avoid the debt trap problem created by the BRI.[94] Only $60 billion in funding has been allocated to the organization thus far; China committed an equivalent sum to Africa alone at a September 2017 forum.[95] Nevertheless, increased competition between the IDFC and the BRI could thicken the geopolitical climate and contribute to a wider U.S.-China conflict.

RISK APPRAISAL

CREDIT RISK: DEBT ACCUMULATION AND DEFAULT

Perhaps more than 50% of countries hosting Belt and Road projects have credit ratings that fail to meet investment grade.[96] In Laos, a Chinese-funded railway link under construction is valued at upwards of half the national GDP,[97] while debt servicing accounted for 90% of Sri Lankan state revenue by 2015.[98] Leverage to such an extent would imply a significant probability of default under standard lending conditions. Yet in their role as the primary funding source for the BRI thus far,[99] state-backed Chinese institutions have demonstrated a risk appetite substantially higher than that of most international investors. Canadian financial service providers issuing loans along the Belt and Road could be exposed to significant credit risk, and find it difficult to realize on the limited range of collateral available to governments in many participating countries. Fixed-income securities and fee-based ancillary services could offer some insulation against nonpayment by subprime borrowers. However, recent prudential actions on the part of highly indebted governments suggest that major defaults are less likely over the long-term. A number of countries have moved to reject or rethink projects due to fiscal concerns: not only Malaysia, but also Pakistan, Sierra Leone, Bangladesh and Myanmar.[100] Although more restrained lending could slow the pace of construction and investment, it may also instill greater market confidence and secure a stable source of private financing for the BRI over time.

POLITICAL RISK: CORRUPTION, INSTABILITY, AND OPPOSITION

The BRI faces a spectrum of political risks, instigated by governmental and non-governmental actors at the national and transnational levels. The structuring of debt, particularly by state-owned policy banks and commercial lenders, is a trigger for political disruption that can undermine the long-term success of the project. Unqualified loans can facilitate corruption in recipient countries that feeds a popular backlash against

Chinese investment.[101] Furthermore, security threats like terrorism and sectarian conflict loom over the land-based economic corridors.[102] Disruption to international relations in the greater Indo-Pacific region is another potential consequence of the BRI. The geopolitical dimension is exemplified by the effects of the Belt and Road on the Sino-Indian relationship. Although India has cooperated on select Chinese-led initiatives like the AIIB, it has reacted with vigour against the New Silk Road. Beijing's maritime plans have heightened fervor for the "String of Pearls" theory, a belief that BRI port infrastructure is actually designed to project Chinese power in the Indian Ocean and undermine New Delhi's influence and security.[103]

For institutional investors, local and international political risks present a challenge for which management strategies are limited. Project delays or cancellations and physical damage associated with civil or violent action could affect repayment rates on debt instruments like BRI bonds and devalue infrastructure holdings. Strategic competition between rival states can produce regulatory discrepancies, trade disputes or segmented business environments over which private actors have negligible influence. Associations with controversial projects could also pose reputational problems, with implications for financial service providers operating where the Belt and Road faces increasing opposition. However, the introduction of new BRI asset classes that better link specific investments with companies and projects could help financial institutions to more accurately measure their portfolio risk and develop contingency plans for loss-inducing political events.

REGULATORY RISK: PARADIGM SHIFT

The BRI proposes to link a large group of states with diverse political and regulatory systems and distinct cultural traditions. At a micro-level, foreign investors and lending institutions may struggle to accommodate for national differences and manage their legal compliance throughout the life of a given project. In the short- to medium-term, risk managers will need to hedge against jurisdictional frictions along the Belt and Road as it poses both a direct enterprise risk to financial institutions and an indirect hazard as a possible impediment to project coordination. The long-term regulatory challenge for Canadian financial services, however, stems from the systematic transformation that the BRI could instigate across a large proportion of the global economy. The New Silk Road incorporates developing countries that will host a significant portion of future industry growth, and the BRI empowers Beijing to act as the primary architect of banking systems, trade and investment rules and institutions across these markets. Examples of a developing Chinese approach to economic governance continue to emerge. As part of the Belt and Road, China is prepared to export fintech innovations including rural and mobile banking and cross-border payment systems; a process that could further support RMB internationalization.[104] Beijing has begun to shape legal procedure in the region with the appointing of International Commercial Courts in Xian and Shenzhen, set to apply Chinese domestic law in the settlement of BRI-related disputes.[105] Furthermore, Chinese rules around data governance and content control are mirrored in countries like Tanzania, Nigeria and Egypt.[106]

In its effect on standard setting, the BRI could significantly disrupt the working environment for incumbent firms. American and European companies may find it more difficult to commercialize technological innovations in nations where Chinese standards predominate.[107] For the Canadian financial industry specifically, the shifting paradigm creates risk when looking to sell services in new consumer markets. Chinese state internet controls challenge Western security standards and privacy laws, and Chinese data localization policies run against liberalized digital information flows in other jurisdictions. Additionally, Chinese commercial law and arbitration procedure may deviate dramatically from common law standards. Canadian institutions operating in states along the Belt and Road may be forced to reconcile their business practices with competing regulatory systems.

CONCLUSION

The BRI remains in its nascent stages and Chinese leaders may have the means to adjust course and correct for the problems encountered in its initial phase. Whether they can totally respond to current and emerging challenges is unclear, although China's almost unprecedented economic success over the past decade speaks both to Beijing's policy-making acumen and its determination to succeed. Risk managers should continue to monitor and respond to the underlying threats faced by their enterprises while balancing against the vast opportunities that the Belt and Road may afford to the Canadian financial services industry.

ENDNOTES

1 Refer to Nadège Rolland, "China's Belt And Road Initiative: Five Years Later" (Testimony, U.S.-China Economic and Security and Review Commission, Washington D.C., January 25, 2018), https://www.nbr.org/publication/chinas-belt-and-road-initiative-five-years-later/.

2 Ibid.

3 As argued by Rolland: Refer to Nadège Rolland, moderated by Matthew P. Goodman, *China's Eurasian Century*, YouTube Video, 1:02:14, August 2, 2017, https://www.youtube.com/watch?v=DL9XtKDHPGg.

4 Elizabeth C. Economy, *The Third Revolution: Xi Jinping And The New Chinese State* (Oxford, UK and New York: Oxford University Press, 2018), 193-194.

5 James McBride, "Building The New Silk Road," *Council On Foreign Relations*, May 22, 2015, https://www.cfr.org/backgrounder/building-new-silk-road.

6 "About The Silk Road," *UNESCO*, accessed December 12, 2018, https://en.unesco.org/silkroad/about-silk-road.

7 For more on the "Community Of Common Destiny," refer to Refer to Rolland, moderated by Goodman, *China's Eurasian Century*.

8 Johnathan E. Hillman, Speaker, *China's Belt And Road At Five*, YouTube Video, 4:18:11, October 1, 2018, https://www.youtube.com/watch?v=MbGlcBs-YwQ.

9 As per Xue Li, Chinese Academy of Social Science, quoted in Economy, *The Third Revolution: Xi Jinping And The New Chinese State*, 194.

10 Rolland, "Testimony – China's Belt And Road Initiative: Five Years Later."

11 Brenda Goh and John Ruwitch, "Pressure On As Xi's 'Belt And Road' Enshrined In Chinese Party Charter," *Reuters*, October 24, 2017, https://www.reuters.com/article/us-china-congress-silkroad/pressure-on-as-xis-belt-and-road-enshrined-in-chinese-party-charter-idUSKBN1CT1IW.

12 As argued by Rolland: refer to Center for Strategic and International Studies (CSIS), *China's Belt And Road At Five*, YouTube Video, 4:18:11, October 1, 2018, https://www.youtube.com/watch?v=MbGlcBs-YwQ.

13 Hillman, Speaker, *China's Belt And Road At Five*.

14 Refer to Asit K. Biswas and Cecilia Tortajada, "How New Silk Road Will Cement China As Major Trading Partner For Africa," *The Conversation,* August 20, 2018, https://theconversation.com/how-new-silk-road-will-cement-china-as-major-trading-partner-for-africa-100533.

15 Refer to Andreea Brînză, "Redefining The Belt And Road Initiative," *The Diplomat*, March 20, 2018, https://thediplomat.com/2018/03/redefining-the-belt-and-road-initiative/.

16 Enterprise Singapore and Infrastructure Asia, "Collaboration Is Key For The Belt And Road Initiative," *Reuters*, November 14, 2018, https://www.reuters.com/sponsored/article/collaboration-is-key-for-the-belt-road-initiative.

17 Hillman, Speaker, *China's Belt And Road At Five*.

18 Jonathan Hillman, "China's Belt And Road Is Full Of Holes," ***CSIS Briefs*** (September 2018): 3, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180917_ChinasBelt_final.pdf.

19 Jonathan E. Hillman, How Big Is China's Belt And Road?" ***Center for Strategic and International Studies (CSIS)***, April 3, 2018, https://www.csis.org/analysis/how-big-chinas-belt-and-road.

20 Hillman, Speaker, *China's Belt And Road At Five*.

21 Stewart M. Patrick and Ashley Feng, "Belt And Router: China Aims For Tighter Internet Controls With Digital Silk Road," ***Council on Foreign Relations***, July 2, 2018, https://www.cfr.org/blog/belt-and-router-china-aims-tighter-internet-controls-digital-silk-road.

22 Trefor Moss, "China's 'One Belt, One Road' Takes To Space," ***The Wall Street Journal***, December 28, 2016, https://blogs.wsj.com/chinarealtime/2016/12/28/chinas-one-belt-one-road-takes-to-space/.

23 Jane Nakano and William Li, "China Launches The Polar Silk Road," *Center for Strategic and International Studies (CSIS)*, February 2, 2018, https://www.csis.org/analysis/china-launches-polar-silk-road.

24 Hillman, "China's Belt And Road Is Full Of Holes," 1.

25 Cecilia Joy-Pérez and Derek Scissors, "Be Wary Of Spending On the Belt And Road," *American Enterprise Institute* (November 2018): 1, http://www.aei.org/publication/be-wary-of-spending-on-the-belt-and-road/.

26 Hillman, Speaker, *China's Belt And Road At Five*.

27 Daniel S. Markey and James West, "Behind China's Gambit In Pakistan," *Council on Foreign Relations*, May 12, 2016, https://www.cfr.org/expert-brief/behind-chinas-gambit-pakistan.

28 Ian Marlow and Dandan Li, "How Asia Fell Out Of Love With China's Belt And Road Initiative," ***BNN Bloomberg***, December 10, 2018, https://www.bnnbloomberg.ca/how-asia-fell-out-of-love-with-china-s-belt-and-road-initiative-1.1181199.

29 Refer to www.gov.cn, quoted in Ryan Rutkowski, "Will China Finally Tackle Overcapacity?" *Peterson Institute For International Economics*, April 22, 2014, https://piie.com/blogs/china-economic-watch/will-china-finally-tackle-overcapacity.

30 China Power Team, "How Will The Belt And Road Initiative Advance China's Interests?" *China Power – Center for Strategic and International Studies (CSIS),* last modified September 11, 2017. accessed October 29, 2018, https://chinapower.csis.org/china-belt-and-road-initiative/.

31 Xugang Yu and Cristiano Rizzi, "China And The 'Belt And Road' Initiative: What Is It All About?" in *China's Belt And Road: The Initiative And Its Financial Focus*, ed. Zheng Yongnian, Kerry Brown, Wang Yiwei and Liu Weidong (Singapore: World Scientific Publishing Co. Pte. Ltd, 2018), 62.

32 The Economist Intelligence Unit, "Renminbi Internationalisation And The BRI: Rebuilding Momentum?" ***HSBC***, April 10, 2018, https://www.business.hsbc.com/china-growth/renminbi-internationalisation-and-the-bri-rebuilding-momentum.

33 China Power Team, "How Much Trade Transits The South China Sea?" *China Power – Center for Strategic and International Studies (CSIS)*, last modified October 27, 2017, accessed December 17, 2018, https://chinapower.csis.org/much-trade-transits-south-china-sea/#easy-footnote-bottom-5-3073.

34 For more on the "Malacca Dilemma", refer to Ibid.

35 Yu and Rizzi, "China And The 'Belt And Road' Initiative: What Is It All About?" 62-63.

36 Miyeon Oh, "How Energy Infrastructure Is Shaping Geopolitics In East Asia," *World Economic Forum,* November 2, 2018, https://www.weforum.org/agenda/2018/11/impact-shaping-energy-infrastructure-asian-geopolitics/.

37 As noted by Lampton: refer to David M. Lampton and Bonnie S. Glaser, "One Belt, One Road, One Asia?: A Conversation With David M. Lampton," May 10, 2017, in *China Power*, produced by Center for Strategic and International Studies (CSIS), podcast, MP3 audio, 29:40, accessed October 26, 2018, https://chinapower.csis.org/podcasts/one-belt-one-road-one-asia/.

38 Yu and Rizzi, "China And The 'Belt And Road' Initiative: What Is It All About?" 59-60.

39 China Power Team, "How Will The Belt And Road Initiative Advance China's Interests?"

40 As noted by Lampton: Lampton and Glaser, "One Belt, One Road, One Asia?: A Conversation With David M. Lampton."

41 Simeon Djankov, "Chapter 1: The Rationale Behind China's Belt And Road Initiative," in "China's Belt And Road Initiative: Motives, Scope, And Challenges," ed. Simeon Djankov and Sean Miner, *PIIE Briefing* ***16-2*** (March 2016): 7, https://piie.com/system/files/documents/piieb16-2_1.pdf.

42 Refer to Rolland, moderated by Goodman, ***China's Eurasian Century***.

43 Graham Allison, *Destined For War: Can America And China Escape Thucydides Trap?*, (Brunswick, Australia and London: Scribe Publications, 2017), 107-109.

44 Mario Tettamanti, "The Second Pillar Of The B&R Initiative Funding: The Private Sector," in *China's Belt And Road: The Initiative And Its Financial Focus*, ed. Zheng Yongnian, Kerry Brown, Wang Yiwei and Liu Weidong (Singapore: World Scientific Publishing Co. Pte. Ltd, 2018), 123-124.

45 Ibid., 125.

46 Ibid., 123-124.

47 Ibid., 125.

48 "Introduction – Who We Are," *Asia Infrastructure Investment Bank,* accessed January 23, 2019, https://www.aiib.org/en/about-aiib/index.html.

49 Miller, *China's Asian Dream: Empire Building Along the New Silk Road*, 35-38.

50 "BRICS Bank To Lend Between $2.5-3 Bln In 2017 – China Daily," *Reuters*, March 2, 2017, https://www.reuters.com/article/china-brics-bank/brics-bank-to-lend-between-2-5-3-bln-in-2017-china-daily-idUSL3N1GF2J0.

51 Raj M. Desai and James Vreeland, "What The New Bank Of BRICs Is All About," *Brookings*, July 17, 2014, https://www.brookings.edu/opinions/what-the-new-bank-of-brics-is-all-about/.

52 Ibid.

53 Miller, *China's Asian Dream: Empire Building Along the New Silk Road*, 41.

54 Caroline Banton, "Introduction To The Chinese Banking System," *Investopedia*, last modified January 24, 2019, accessed January 30, 2019, https://www.investopedia.com/articles/economics/11/chinese-banking-system.asp.

55 Refer to Miller, *China's Asian Dream: Empire Building Along the New Silk Road,* 41-42.

56 Kane Wu and Julie Zhu, "Exclusive: China's 'Big Four' Banks Raise Billions For Belt And Road Deals – Sources," ***Reuters***, August 22, 2017, https://www.reuters.com/article/us-ccb-fundraising/exclusive-chinas-big-four-banks-raise-billions-for-belt-and-road-deals-sources-idUSKCN1B20ER.

57 Ibid.

58 James Kynge, "Beijing Moves To Cement Influence Over World's Financial Markets," *Financial Times*, December 2, 2018, https://www.ft.com/content/521cea38-db5d-11e8-b173-ebef6ab1374a.

59 Susanna Rust, "Canadian Schemes First To Get RQFII Status For Flexible China Access," *IPE*, January 15, 2016, https://www.ipe.com/canadian-schemes-first-to-get-rqfii-status-for-flexible-china-access/www.ipe.com/canadian-schemes-first-to-get-rqfii-status-for-flexible-china-access/10011490.fullarticle.

60 Bloomberg News, "China Doubles Foreign Investment Limit In Further Opening," *Bloomberg*, last modified January 14, 2019, accessed January 22, 2019, https://www.bloomberg.com/news/articles/2019-01-14/china-doubles-foreign-institutional-investor-quota.

61 "China To Ease Foreign Investment Restrictions On Several More Sectors: Paper," *Reuters*, June 18, 2018, https://www.reuters.com/article/us-china-economy-investment/china-to-ease-foreign-investment-restrictions-on-several-more-sectors-paper-idUSKBN1JF04S.

62 Alun John and Samuel Shen, "China Eases QFII Foreign Investment Rules In Boost To Channel Use," *Reuters*, June 12, 2018, https://www.reuters.com/article/us-china-investment-qfii/china-eases-qfii-foreign-investment-rules-in-boost-to-channel-use-idUSKBN1J81I1.

63 Refer to 沪深证券交易所关于开展"一带一路"债券包括境内外企业在本所发行的，募集资金用于"一带一路"建设的公司债券, http://www.sse.com.cn/lawandrules/sserules/listing/bond/c/c_20180302_4468353.shtml.

64 Jonathan Rogers, "Silk Road Bonds: The Next Big Thing?" *Global Finance Magazine*, February 7, 2017, https://www.gfmag.com/magazine/february-2017/silk-road-bonds-next-big-thing.

65 Refer to "一带一路"债券，包括以下三类债券：1."一带一路"沿线国家（地区）政府类机构在本所发行的政府债券；2."一带一路"沿线国家（地区）的企业及金融机构在本所发行的公司债券；3. 境内外企业在本所发行的，募集资金用于"一带一路"建设的公司债券, http://www.sse.com.cn/lawandrules/sserules/listing/bond/c/c_20180302_4468353.shtml.

66 Dan Maskowitz, "How To Invest In Chinese Bonds," ***Investopedia***, last modified July 23, 2015, accessed January 21, 2019, https://www.investopedia.com/articles/investing/072315/how-invest-chinese-bonds.asp.

67 "Dim Sum Bond," *Investopedia*, last modified March 23, 2018, accessed January 30, 2019, https://www.investopedia.com/terms/d/dim-sum-bond.asp.

68 Refer to 沪深证券交易所关于开展"一带一路"债券包括境内外企业在本所发行的，募集资金用于"一带一路"建设的公司债券, http://www.sse.com.cn/lawandrules/sserules/listing/bond/c/c_20180302_4468353.shtml.

69 "Dim Sum Bond," ***Investopedia***.

70 Helen Wong, "Hong Kong Embraces Its Role For China's Grand 'Belt And Road' Initiative," *HSBC*, February 19, 2016, https://www.about.hsbc.com.hk/news-and-media/belt-and-road.

71 Takeshi Kihara, "Belt And Road Offers Path Into China For Foreign Financial Firms," *Nikkei Asian Review*, May 18, 2018, https://asia.nikkei.com/Business/Business-Trends/Belt-and-Road-offers-path-into-China-for-foreign-financial-firms.

72 Mark Mobius, "The ABCs Of China's Share Markets," *CNBC*, last updated November 3, 2012, accessed January 22, 2019, https://www.cnbc.com/id/49441597.

73 "A-Shares," *Investopedia*, last modified April 30, 2018, accessed January 22, 2019, https://www.investopedia.com/terms/a/a-shares.asp.

74 Mobius, "The ABCs Of China's Share Markets."

75 "B-Shares," *Investopedia*, last modified January 4, 2018, accessed January 22, 2019, https://www.investopedia.com/terms/b/b-shares.asp.

76 Mobius, "The ABCs Of China's Share Markets."

77 Refer to "Concessional Contracts – Partnerships Between The Public Sector And A Private Company," *The European Commission*, accessed January 22, 2019, http://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/concessions_en.

78 Data Provided by Company Statements, Oxford Economics, FT: Refer to Figure 4, "Embracing The BRI Ecosystem In 2018: Navigating Pitfalls And Seizing Opportunities," *Deloitte Insights*, February 12, 2018, https://www2.deloitte.com/insights/us/en/economy/asia-pacific/china-belt-and-road-initiative.html.

79 Martin Arnold, "Western Banks Race To Win China's Belt And Road Initiative Deals," *Financial Times*, February 26, 2018, https://www.ft.com/content/d9fbf8a6-197d-11e8-aaca-4574d7dabfb6.

80 Thomas Hale, "Western Banks Gather To Catch The Chinese Investment Crumbs," ***Financial Times***, September 25, 2018, https://www.ft.com/content/d076f548-805b-11e8-af48-190d103e32a4.

81 Kadira Pethiyagoda, "What's Driving China's New Silk Road, And How Should The West Respond?" *Brookings*, May 17, 2017, https://www.brookings.edu/blog/order-from-chaos/2017/05/17/whats-driving-chinas-new-silk-road-and-how-should-the-west-respond/.

82 Refer to Sam Parker and Gabrielle Chefitz, "Debtbook Diplomacy: China's Strategic Leveraging Of Its Newfound Economic Influence And The Consequences For U.S. Foreign Policy," *Belfer Center for Science and International Affairs – Harvard Kennedy School* (May 2018): 1, https://www.belfercenter.org/sites/default/files/files/publication/Debtbook%20Diplomacy%20PDF.pdf.

83 Refer to Thomas Fingar, moderated by Markos Kounalakis, ***World Affairs***, Youtube Video, 1:01:55, March 14, 2018, https://www.youtube.com/watch?v=7a0CDbUCrS4.

84 Ian Marlow and Sheridan Prasso, "China's Empire Of Money Is Reshaping Global Trade- Hambantota, Sri Lanka," *Bloomberg - Bloomberg Markets*, August 1, 2018, https://www.bloomberg.com/news/features/2018-08-01/china-s-empire-of-money-is-reshaping-lives-across-new-silk-road.

85 Our Foreign Staff, "China Raises Fears Of 'New Colonialism' With $60 Billion Investment Across Africa," *The Telegraph*, September 2, 2018, https://www.telegraph.co.uk/news/2018/09/03/china-invest-60-billion-across-continent-raising-fears-new-colonialism/.

86 Christopher Balding, "Why Democracies Are Turning Against Belt And Road," *Foreign Affairs*, October 24, 2018, https://www.foreignaffairs.com/articles/china/2018-10-24/why-democracies-are-turning-against-belt-and-road.

87 Ibid.

88 "National Security Strategy Of The United States Of America," *The White House* (December 2017): 25, https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf.

89 Ibid., 38.

90 Mike Pence, *Vice President Mike Pence's Remarks On The Administration's Policy Towards China*, Video, 43:09, October 4, 2018, https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018

91 "Remarks By Vice President Pence At The 2018 APEC CEO Summit – Port Moresby, Papua New Guinea," *The White House*, November 16, 2018, https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-2018-apec-ceo-summit-port-moresby-papua-new-guinea/.

92 Daniel F. Runde and Romina Bandura, "The BUILD Act Has Passed: What's Next?" *Center for Strategic And International Studies (CSIS)*, October 12, 2018, https://www.csis.org/analysis/build-act-has-passed-whats-next.

93 Patricia Zengerle, "Congress, Eying China, Votes To Overhaul Development Finance," *Reuters*, October 3, 2018, https://www.reuters.com/article/us-usa-congress-development/congress-eying-china-votes-to-overhaul-development-finance-idUSKCN1MD2HJ.

94 Nyshka Chandran, "A Proposed US Initiative Aims To Be A 'Clear Alternative' To Chinese Investment In Asia," *CNBC*, September 7, 2018, https://www.cnbc.com/2018/09/07/us-proposal-aims-to-be-alternative-to-china-investment-in-asia.html.

95 Runde and Bandura, "The BUILD Act Has Passed: What's Next?"

96 Jane Perlez and Yufan Huang, "Behind China's $1 Trillion Plan To Shake Up The Economic Order," ***The New York Times***, May 13, 2017, https://www.nytimes.com/2017/05/13/business/china-railway-one-belt-one-road-1-trillion-plan.html.

97 Peter Janssen, "Land-locked Laos On Track For Controversial China Rail Link," *Nikkei Asian Review*, June 24, 2017, https://asia.nikkei.com/Politics/International-Relations/Land-lockedLaos-on-track-for-controversial-China-rail-link, cited in Dylan Gerstel, "It's A (Debt) Trap! Managing China-IMF Cooperation Across The Belt And Road," ***New Perspectives In Foreign Policy*** 16 (Fall 2018): 12, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/181017_NewPerspectives_FINAL.pdf?aV5pX5jR15O5P0stg7a2nfBYPlmxa7ph.

98 Ian Marlow and Sheridan Prasso, "China's Empire Of Money Is Reshaping Global Trade- Hambantota, Sri Lanka."

99 Data Provided by Company Statements, Oxford Economics, FT: Refer to Figure 4, "Embracing The BRI Ecosystem In 2018: Navigating Pitfalls And Seizing Opportunities."

100 Nyshka Chandran, "Fears Of Excessive Debt Drive More Countries To Cut Down Their Belt And Road Investments," *CNBC*, last modified January 18, 2019, accessed January 25, 2019, https://www.cnbc.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html.

101 Balding, "Why Democracies Are Turning Against Belt And Road."

102 Refer to Lei, ***The Political Economy Of China's Belt And Road Initiative***, 329-337.

103 Miller, *China's Asian Dream: Empire Building Along the New Silk Road*, 166-168.

104 Tettamanti, "The Second Pillar Of The B&R Initiative Funding: The Private Sector," 128.

105 Nicholas Lingard, John Choong, Robert Kirkness, Kate Apostolova and Xin Liu, "China Establishes International Commercial Courts To Handle Belt And Road Initiative Disputes," *Freshfields Bruckhaus Deringer*, https://communications.freshfields.com/SnapshotFiles/30d385d8-07d3-494d-acea-95a37747720b/Subscriber.snapshot.

106 Samm Sacks, "Beijing Wants To Rewrite The Rules Of The Internet," *The Atlantic*, June 18, 2018, https://www.theatlantic.com/international/archive/2018/06/zte-huawei-china-trump-trade-cyber/563033/.

107 Andrew Polk, "Quietly, China Is Starting To Set Global Standards: Andrew Polk," *BNN Bloomberg*, May 6, 2018, https://www.bnnbloomberg.ca/quietly-china-is-starting-to-set-global-standards-andrew-polk-1.1072270.