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Analyzing China's Global Influence Through the Belt and Road Initiative: A Case Study of the Pakistan-China Energy and Economic Corridor

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Abstract: This article attempts to explain how China has used the Belt and Road initiative (BRI) to increase its economic power and geopolitical influence by analyzing the advantages and disadvantages of the Pakistan-China Energy and Economic Corridor (PCEEC). During this process, China has gained actual control over these countries' strategic resources and transportation hubs by providing debt and building infrastructure. This control not only improves China's international trade volume and economic development, but also enables it to influence the policy formulation and sovereign decision-making of these countries. The expansion of its economic and political influence has given China a greater voice in regional and international affairs in order to more effectively promote international agendas and rule-making that are in line with its own interests. Therefore, China has successfully improved its global influence and leadership through a combination of economic investment and political strategies, but has also aroused international attention and discussion on sovereign independence and regional balance.

Keywords: the Belt and Road Initiative (BRI), the Pakistan-China Energy and Economic Corridor (PCEEC), China, Debt Deplomacy.

1. Introduction

In 2013, Chinese President, Xi Jinping, proposed the concept of the "Silk Road and Economic Belt" during his visit to Kazakhstan. In November of the same year, the Belt and Road initiative (BRI) was elevated to a national strategy. The BRI is a vision for international trade and cultural exchange, led by China that is in line with the great ideal of building a community with a shared future for mankind. It involves more than 60 countries and more than 5 billion people worldwide. By building a series of key infrastructure such as ports and railways for various countries, the BRI can improve China's trade and investment relations with the world [1]. By emphasizing the "win-win" global cooperation model and the concept of "peaceful development", China is trying to portray itself as a better global leader than the U.S. At a time when the U.S. is relatively weak due to its inward-looking policies and internal challenges of other global leadership forces (such as the European Union), China has seized this opportunity to enhance its leading role in global affairs [2]. This article aims to explore how China can use the BRI to enhance its voice in global affairs and challenge a series of Western capitalist countries led by the United States. This article will first explain how China has gradually changed the

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global governance landscape through three major steps during the implementation of the BRI. Meanwhile, the potential negative impacts that the BRI may have and suggested improvement measures are proposed. Finally, the case of Pakistan-China Energy and Economic Corridor (PCEEC) will be analyzed in detail.

2. International Status

By investing in infrastructure to enhance the export capacity of the BRI countries, China has achieved a successful outcome in bilateral trade cooperation. However, considering the lack of economic strength of these countries themselves, the actual implementation of the project often involves problems such as inability to repay debts. At this time, the ownership of infrastructure has become a controversial topic. Many countries, such as Pakistan, hope to enhance their economic strength through imports and exports, and thus make concessions and sacrifices on these strategic infrastructure issues. Once these ports and railways are controlled by China, the import and export of important resources such as energy in these countries will also be dependent on China to a certain extent. This will lead to these countries having to consider China's attitude when it comes to formulating policies or expressing their views on certain geopolitical issues as a country. Therefore, China's economic influence in the local area has also turned into political and diplomatic influence on these countries. When China gains economic and political impact in a series of BRI countries and regions, China's position on the international stage will also be enhanced.

2.1. Local Economic Cooperation

Initially, China seeks to the internationalize its domestic currency (RMB) by promoting the use of the RMB in the export and import trade and investment. Through the establishment of the Asian Infrastructure Investment Bank, China is able to make large-scale investments overseas.

The BRI has greatly contributed to the increasing GDP growth in BRI countries [3]. The BRI aims to enhance connectivity between Asian and African countries through infrastructure investment, trade, and financial cooperation. The importance of logistics infrastructure in economic growth is pointed out that it not only helps capital accumulation and technological upgrading, but also creates employment opportunities and improves spatial accessibility between regions, thereby promoting the development of local trade [4]. The BRI has significantly increased exports between member countries. Besides, exports between China and BRI member countries have also increased significantly [5]. This is mainly due to the BRI improving infrastructure and attracting private investment, helping these countries improve their export capabilities and participation in global supply chains. Countries with better economic fundamentals and lower trade openness to China benefit the most from the BRI. [6]. This finding also shows that the rapid construction of infrastructure can help countries more conveniently exchange materials with other countries to form trade relations. At the same time, this help also allows more countries to understand China and find development opportunities. Therefore, these investments are undoubtedly helpful in improving the local economy.

2.2. Local Economic Impact

Through the BRI, China's geopolitical influence in the world, especially in developing countries and emerging markets, has been significantly enhanced. By investing in infrastructure projects in BRI countries, China has gained actual control or influence over these strategic locations.

Since the BRI had a significant positive impact on increasing bilateral trade flows in its early stages, some countries are therefore willing to cooperate with China [7]. By providing huge loans to BRI countries for infrastructure construction, China has established economic dependence in these countries. In some cases, countries are unable to repay their debts and negotiate with China, allowing

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China to gain greater influence in political and security affairs. In addition, through the BRI, China has invested in energy and resource-rich countries (such as the Middle East and Africa), making these countries more dependent on China for energy supplies and resource exports. When a country cannot repay its debts to other countries, the government will face the risk of bankruptcy, followed by a national credit crisis. This is a devastating blow to a country, so they compromise with China as they are afraid of this outcome. In this way, China can exert greater influence on the domestic and foreign policies of these countries.

2.3. Geopolitical Influence

China uses debt diplomacy to gain support from these countries. The concept of “Debt-trap” diplomacy has been introduced by Brautigam who used it to claim that China was trying to trap BRI countries into a debt crisis so that China can take it as an advantage to gain illegitimate benefit [8]. Since the countries along the BRI have been caught by China, some countries may be more supportive of China's position in international affairs in exchange for economic assistance or debt restructuring. Similarly, if a country's key resources such as energy are controlled by China, it will have to please China, such as speaking for China in some major diplomatic affairs.

Although China has achieved many win-win cooperation through the BRI, it also has some potential problems. BRI has indeed increased China’s influence, but it has not reached the level of establishing a China-centered regional order [9]. Meanwhile, the overall impact of China’s foreign direct investment (FDI) in the BRI countries on China’s soft power is not significant, which is in contrast to the expected effect of enhancing the country’s image through large-scale economic and infrastructure construction [10]. This may be because China has excessively interfered with the sovereignty of other countries in certain projects, causing some countries to doubt China's motives and take protective measures to ensure their own independence. Relevant research shows that in the process of building the BRI, regardless of whether China really wants to increase its influence, the fact is that its influence has indeed increased, but it only uses certain means to force other countries to ally with it. [11]. These phenomena indicate that more and more countries have gradually realized that China's attempts may not really want to help them, and are therefore considering whether they should make concessions on issues such as sovereignty in exchange for some economic assistance.

3. Case Study

Taking the Pakistan-China Energy and Economic Corridor (PCEEC) as an example, China’s investment in key infrastructure has significantly promoted Pakistan’s GDP per capita, especially in the industrial and service sectors [4]. However, due to the insufficient size of Pakistan's domestic economy, economic development still cannot meet the actual operational needs of infrastructure. Pakistan's Gwadar Port has great geopolitical significance and can affect energy trade routes and regional security. As the Pakistani government's finances were extremely tight and the port's economic benefits were not obvious, in 2012 the Pakistani government had to let China control the Gwadar Port.

Geopolitical advantages are crucial for opening new markets and creating financial liquidity [12]. For China, an oil pipeline built in Pakistan could bypass the Malacca Strait, thereby reducing its biggest dependence on the Malacca Strait and contribute to its energy security [13]. Besides, cheap and secure energy will help China's western region's economy develop into a larger economic region. It is worth noting that the previously mentioned Gwadar Port plays a key role in this. It has become China's strategic facility in the PCEEC. The strategic and military significance of Gwadar Port far outweighs its economic value [14]. Gwadar Port may have been considered a paramilitary facility to effectively stabilize the regional situation and ensure the safety of oil transportation. When Pakistan successfully transmits oil to China, China can try to settle its foreign trade in RMB, which will gradually internationalize the RMB and replace the hegemony of the US dollar. China and Pakistan also have many cooperation in international affairs. It can be said that the two countries have almost the same views on international affairs, and Pakistan has always emphasized the one-China principle that China has repeatedly insisted on. Therefore, PCEEC's benefits to China are significant.

Pakistan is able to establish trade relations with neighboring countries and energy-rich economies through Gwadar Port. Once the oil pipeline is completed, Gwadar Port will become China's energy hub to the world. Pakistan will also become a major trading country in the region and will receive a certain amount of transit income and foreign exchange, providing a strong foreign currency reserve for the Pakistani government [13]. In addition, the related roads, electricity and other infrastructure built around the port will provide stable employment opportunities for the region, thereby helping local economic development.

However, PCEEC still brings a lot of trouble to Pakistan. First, PCEEC does not necessarily bring it many economic effects. Since Gwadar Port has no comparative economic advantages after its completion, whether it is built for the purpose of economic development or not, it cannot bring major trade exchanges other than oil. The security and stability of the regional situation are closely related to project investment and the construction of the China-Pakistan Economic Corridor [15]. As a result, in order to ensure the stable progress of all local projects, all conflicts need to be eliminated quickly and effectively in a short period of time. A large number of military and police officers were trained and deployed locally to ensure port security [14]. This undoubtedly brought a lot of expenses to the Pakistani government. According to DAWN, in 2021, the port was in protest due to problems such as poor management by China, resulting in tense local situation [16]. In this case, the Pakistan government needs to take some measures to stabilize the local society, which can easily cause distrust between the people and the government. In addition, when a country's important port is controlled by other countries, it may lead to over-dependence on China for strategic materials and important resources. This means that the establishment of PCEEC will bring considerable challenges to Pakistan's sovereignty issues.

In 2019, a subsidy policy worth approximately US$6 billion was approved by the Executive Board of the International Monetary Fund (IMF), specifically to address a series of major issues such as Pakistan's public debt and fiscal losses in the energy sector [17]. Although the report does not explicitly mention China's role in Pakistan's debt problem, it is difficult not to think of the heavy debt China has brought to Pakistan through the BRI simply by considering the assistance goals. Even for the Pakistani government, having to pay only the principal instead of interest would still be a heavy burden. These facts can be concluded that from the transfer of Gwadar Port to Chinese enterprises in 2012 to the implementation of relevant IMF assistance policies, the China-Pakistan Economic Corridor brought about by the BRI has not brought substantial changes to the local economy. Otherwise, Pakistan would not have to accept IMF assistance. This result may also be short-term. In the long run, if many projects represented by oil pipelines are successfully operated, it will be possible to change Pakistan's economy.

4. Conclusion

This article explains how China can improve its international status through the BRI in three steps, from the perspectives of infrastructure investment and debt diplomacy. At the beginning of the project, China helped countries along the BRI to improve their import and export capabilities through overseas direct investment based on the principle of mutual benefit. However, as the project progressed, some countries realized that China actually hoped to gain control of its own strategic facilities and enhance its international reputation in the name of helping other countries by exporting low-cost labor and infrastructure technology. This led some countries to take protective measures to

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safeguard their sovereignty. In the case of Pakistan, it is clear that although the project has brought economic development opportunities, such as opening up new markets and increasing fiscal revenue through Gwadar Port, its actual economic benefits are not yet obvious. Gwadar Port is crucial to China's energy security and can improve its economic growth in the western region. However, Pakistan still faces many challenges, such as over-dependence on China, sovereignty issues and social instability. In addition, Pakistan's debt problems and acceptance of assistance from the International Monetary Fund further show that China's investment has not yet brought about the expected economic transformation. Thus, in order to reduce such views and remarks that are unfavorable to the BRI, Chinese policymakers should reduce the policy ideas that affect the sovereignty of other countries and gradually help these countries get rid of poverty and repay their debts through reasonable and legitimate means such as increasing targeted import and export trade.

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