

Great Power Competition: Chinese Economic Expansion

SAMUEL KIM

One of the great realizations following the dramatic events of 2020, is the role of China as a great power. It has grown into a state that has the ability to exert its influence on the international stage. The coronavirus pandemic has revealed that even the most developed nations such as the United States may not always be the most effective in finding solutions to unexpected problems, despite having the greatest resources and technological advancements at its disposal.

As the United States and the rest of the world slowly transitions out of the coronavirus pandemic, the United States must face the challenge that China's vast economic expansion poses, and how it informs China's position in the field of great power competition.

One contributing factor to China's standing as a great power is the state's economic expansion, which includes two core strategies: the Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP). These two movements establish China's status as a great power because they expand the state's international spheres of influence while also forging economic ties to strategic locations across the globe.

The Belt and Road Initiative is touted by analysts as one of the largest infrastructure and investment projects in history. The BRI, calling back to its historical namesake of the Silk Road, is a massive infrastructure project stretching from East Asia to Europe, launched by President Xi Jinping in 2013.¹ Aimed at bolstering the status of the Chinese Yuan and "breaking the bottleneck of Asian connectivity," the BRI would involve creating a network of power plants, railways, highways, and ports to telecommunications infrastructure, fiber-optic cables, and smart cities.² More than sixty states, spanning two-thirds of the world's population, have signed onto the initiative, and the initiative is projected to have spent around \$1.3 trillion by 2027.³

The BRI has gained traction in multiple states because it serves as an alternative, more accessible source of funding for state infrastructure projects. Historically, the World Bank and the International Monetary Fund supplied the majority funding to state operations. However, states have recently discovered the bureaucratic process of applying for this aid is slow and cumbersome. Not only that, the amount of aid available is not nearly enough to fund the desired projects of scale.⁴ China's BRI comes as a solution to these frustrations, as China has the perfect set of political motivations and economic resources to be in its particular position. Specifically, the advent of the BRI provides China the opportunity to step away

1 Andrew Chatzky, James McBride, "China's Massive Belt and Road Initiative," *Council on Foreign Relations*, January 28, 2020, <https://www.cfr.org/backgrounders/chinas-massive-belt-and-road-initiative>.

2 Ibid.

3 Ibid.

4 David Dollar, "Understanding China's Belt and Road Infrastructure Projects in Africa," *Brookings Institution*, September 2, 2019, <https://www.africaportal.org/publications/understanding-chinas-belt-and-road-infrastructure-projects-africa/>



Samuel Kim is a junior at Carnegie Mellon University studying International Relations and Politics with a minor in Cybersecurity and International Conflict. Outside of academics, Samuel is involved in Carnegie Mellon's Mock Trial team, as well as the campus' Central Church Student Fellowship. Samuel is interested in matters regarding technological economy and domestic policy, and hopes to pursue a career related to the advancement of policy surrounding new technologies.

from the United States' influence and utilize the vast excess resources in its infrastructure and development industries.

The underlying incentive for the BRI is an attempt to counter the US' "pivot to Asia" efforts. Initially conceived by Hillary Clinton and then furthered by the Obama administration, the "pivot to Asia" efforts were an attempt for the United States to play a more assertive role in Asia.⁵ As time progressed, the Obama administration shifted its posture such that it was raising its diplomatic voice at China.⁶ From China's perspective, these gestures gave credence to the idea that the United States is concerned about protecting its status as the global dominating power while also attempting to prevent China's ascension. China's implementation of the BRI is a way to subvert the US' attempts to disrupt its rise to power, while also gaining new allies across the globe, thus strengthening its influence. Specifically, the BRI affords China the opportunity to develop new investment opportunities in strategic international locations, foster export markets, and boost Chinese incomes and domestic consumption, all of which are outside the scope of its relations with the United States.⁷

The BRI allows China to make use of its economic standing in particular industries and regions to create a cohesive union. China's infrastructure and development industries have been under-employed and the economy has had a surplus in savings.⁸ With these resources, the BRI affords China the opportunity to boost global economic links to its own previously neglected western regions such as Xinjiang.⁹ China can then facilitate economic development in these areas to secure long-term stable energy capacities from Central Asia and the Middle East through trade routes which are outside US control.¹⁰

The Regional Comprehensive Economic Partnership is often cited as the second pillar of China's economic expansion. The RCEP is a trading bloc that features regulations on intellectual property, telecommunications, financial services, e-commerce and professional services, and includes ten Southeast Asian states, with big-name players such as South Korea, China, Japan, Australia and New Zealand.¹¹ The RCEP's members comprise a third of the world's population and roughly 29 percent of the world's GDP.

The RCEP is designed to eliminate export tariffs for member states over the next twenty years, and was signed in hopes of spurring efforts to recover from the coronavirus pandemic.¹² At the time of signing, member states already had existing free trade agreements (FTAs) with each other. Yet these states often face tariffs despite having FTAs because some parts of a product have been produced in a different state. For example, a product made in Indonesia with parts from Australia would be subject to tariffs in the Association of Southeast Asian Nations (ASEAN) zone as a result of these complex FTAs because the product contains parts from another state. Before the RCEP, this made sustaining global supply chains difficult and harder to navigate.

The RCEP aims to alleviate these difficulties by treating all member states' products equally under a concept labeled "rules of origin." Now, the same product made in Indonesia

5 Kenneth G. Lieberthal, "The American Pivot to Asia," *Brookings Institution*, December 21, 2011, <https://www.brookings.edu/articles/the-american-pivot-to-asia/>.

6 Ibid.

7 Larry Hanauer, Lyle J. Morris, "Chinese Engagement in Africa: Drivers, Reactions, and Implications for U.S. Policy," *RAND Corporation*, 2014, p. 73–88, <http://www.jstor.org/stable/10.7249/j.ctt6wq7ss.13>.

8 David Dollar, "Understanding China's Belt and Road Infrastructure Projects in Africa," *Brookings Institution*, September 2, 2019, <https://www.africaportal.org/publications/understanding-chinas-belt-and-road-infrastructure-projects-africa/>

9 Ibid.

10 Andrew Chatzky, James McBride, "China's Massive Belt and Road Initiative," Council on Foreign Relations, January 28, 2020, <https://www.cfr.org/background/chinas-massive-belt-and-road-initiative>.

11 "RCEP: Asia-Pacific Countries Form World's Largest Trading Bloc," *BBC News*, November 16, 2020, <https://www.bbc.com/news/world-asia-54949260>.

12 Ibid.

with parts from Australia would be treated equally and not be subject to tariffs, thus incentivizing members to look within other member economies and supply lines for parts. The RCEP is projected to increase the global national income to \$186 billion annually by 2030 and add 0.2 percent to the economy of its member states with analysts estimating the partnership will benefit South Korea, China, and Japan the most.

China's economic push via these two movements are a means of strengthening its identity and solidifying its statecraft and thus are important considerations when discussing its status as a great power. The potential economic and political gains that China may reap from these two programs can serve to accelerate it beyond the current status quo, and granting China the opportunity to use these advantages as leverage for power and influence.

Analyzing the BRI, it is apparently quite popular in the developing world, mainly among states that are currently

involved, yet the opposite is true in developed states. The reason is that the involved developing states view the BRI as an opportunity to boost economic growth and fill in much-needed infrastructure gaps.¹³ Critics in developed nations, however, point out two faults within the program: its lack of transparency and the possibility that the BRI facilitates China's export of its authoritarian model and serves as a cover for its desire to expand its global influence and power.¹⁴

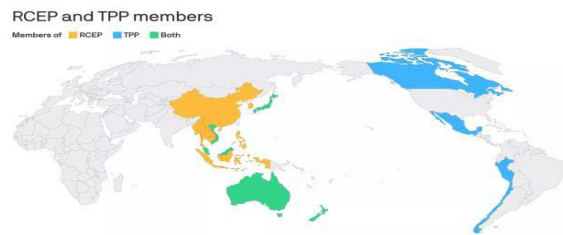


Figure 1: This map, which displays all the states involved in both the RCEP and the TPP, demonstrates a shift in China's effort to fill the economic power vacuum left by the noticeable absence of the United States. The majority of states involved in one or both trade agreements exist within the ASEAN zone. Source: Axios

Developing nations' criticism that the BRI lacks transparency stems from the fact that it is difficult to find information on specific projects, including key details such as the amount loaned out to states, the terms of these loans, the selection process for the contractors of the individual projects, and what environmental and social risks are involved.¹⁵ In fact, some opponents argue their criticisms are justified because the funds China lends out are low-interest loans as opposed to aid grants. Combined with the lack of transparency, this allows China to set the financial terms of their investment with little to no pushback.

The RCEP and its economic benefits also hold considerations for China's status as a great power. While it is obvious that the RCEP boosts the GDP of its member states, the United States is notably absent from this trade bloc. Considering the fact the RCEP is the first time China has signed a regional multilateral trade pact, China's distancing from the United States through this measure could be interpreted as an attempt to establish an economic identity separate from the United States as its largest exporter of goods.¹⁶

China's decision to join the RCEP is a response to the US' efforts at agenda-setting, as

13 Larry Hanauer, Lyle J. Morris, "Chinese Engagement in Africa: Drivers, Reactions, and Implications for U.S. Policy," RAND Corporation, 2014, p. 73–88, <http://www.jstor.org/stable/10.7249/j.ctt6wq7ss.13>.

14 Lloyd Thrall, "In China's Expanding African Relations," *RAND Corporation*, p.9–20, 2015, <http://www.jstor.org/stable/10.7249/j.ctt15zc655.9>.

15 David Dollar "Understanding China's Belt and Road Infrastructure Projects in Africa." Africa Portal. Brookings Institution, September 2, 2019. <https://www.africaportal.org/publications/understanding-chinas-belt-and-road-infrastructure-projects-africa/>

16 Lisandra Flach, Hannah-Maria Hildenbrand, Feodora Teti, "The Regional Comprehensive Economic Partnership Agreement and Its Expected Effects on World Trade," *Intereconomics*, 56, no. 2 (March 1, 2021), p. 92–98, <https://doi.org/10.1007/s10272-021-0960-2>.

the RCEP provides similar benefits and expands China's influence in the ASEAN region, while simultaneously denying United States the spheres of influence it was trying to achieve via the Trans-Pacific Partnership before President Trump pulled out of the agreement. Moreover, China is projected to experience some of the largest tariff cuts out of the members of the RCEP, meaning that it will continue to expand its economic influence in the ASEAN region as its barriers to entry for resources and global supply lines continuously lowers.^{17 18}

In order for the United States to maintain its status on the international stage and check China's further ascension, it must first and foremost maintain a diplomatic strategy. Because China's economic expansion is a core component of its ascension to power, the United States can simply take efforts to match this expansion with its allies and in areas of strategic interests. This can be accomplished in two ways: reentering the TPP and encouraging the World Bank to aid in more infrastructure funding or directly providing aid to states' projects.

Reentering the TPP is the most important step the United States can take in matching China's economic expansion efforts. The absence of the United States in the TPP left a power vacuum that was quickly filled by China via the RCEP.¹⁹ Should the United States reintroduce itself as a member of the partnership, it has the opportunity to offer itself as an economic power to counterbalance or cooperate with China. Because the TPP offers the same protections and benefits as the RCEP, the United States reentering the partnership would grant it the same economic benefits as China with the RCEP, such as the reduction of tariffs. This in turn would allow the United States to pursue economic moves that would match China's for the same cost. This would also serve to strengthen existing bilateral trade agreements with partner states.

Another diplomatic strategy the United States can pursue to match Chinese economic efforts is encouraging the World Bank to aid in more infrastructure funding or directly provide funding to states' infrastructure projects in the same way the BRI has. States have increasingly turned to the BRI as a means of acquiring more financial aid for their infrastructure projects more easily. This is not a statement in support of China, but rather each individual state making a set of decisions that best supports their own interests. As such, should the United States provide another option for funding for these states through their own initiative or provide more funding to the World Bank and the IMF and to loosen the bureaucratic processes needed to gain access to this funding, the United States can continue to match China's efforts to increase its economic presence.

The BRI and the RCEP programs demonstrate China's willingness and resolve to elevate itself to great power status. The United States and its allies must deeply examine these economic developments and, judging China's true intentions, analyze the effect on the political and economic relationships of the numerous states involved. When formulating a response to China's economic moves, the best approach is to maintain a diplomatic stance and match China's efforts in order to maintain the pace of nurturing and maintaining diplomatic ties with other states, while gaining influence in those respective regions. The United States should also create a strategy such that it is properly equipped to engage in any sort of confrontational interaction with China. Ultimately, in order for the United States to maintain its competitive advantage and global status on the international stage, it must be agile enough to respond to China's economic advances.

17 Ibid

18 Inkyo Cheong, Jose Tongzon, "Comparing the Economic Impact of the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership," *Asian Economic Papers*, 12, no. 2 (Summer 2013), p. 144–70, https://doi.org/10.1162/ASEP_a_00218.

19 Ibid.