

Central European University and Bard College

**PICKING UP THE TAB: EXPLORING THE IMPLICATIONS OF CHINA'S
GEOECONOMIC POWER IN THE POST-PANDEMIC INTERNATIONAL
SYSTEM**

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Vienna, 05 June 2025

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Introduction: Entering a Brave New World

On December 31st 2019, China announced publicly the outbreak of a respiratory virus, which soon became known as Covid-19.¹ A month later on January 30th 2020 the World Health Organization (WHO) declared the virus a global health emergency.² On March 11th 2020, the virus had spread so rapidly internationally WHO declared a global pandemic,³ grinding life as it was known to a halt as states across the world put themselves into lockdowns. This pandemic status would continue for over three years, until on May 5th 2023 WHO declared an end to Covid-19 as a public health emergency.⁴

The declaration of the global pandemic and the subsequent government responses around the world set in motion the biggest challenge for the liberal international order to date. The Covid-19 pandemic highlighted both just how connected our world is, and the weaknesses and potential threats within this system. Five years since the pandemic was first announced, inflation remains a major issue for many states; longer term impacts of the pandemic remain to be fully seen. As the world struggled to quickly resolve the situation, the international system began to turn on itself; on its networks and connections. Borders were kept closed whilst governments roused nationalist sentiments in the name of public safety. This, combined with the social and

¹ Kupferschmidt, Kai. 2020. "Outbreak of virus from China declared global emergency." Science. <https://www.science.org/content/article/outbreak-virus-china-declared-global-emergency>.

² Kupferschmidt, Kai. 2020. "Outbreak of virus from China declared global emergency." Science. <https://www.science.org/content/article/outbreak-virus-china-declared-global-emergency>.

³ World Health Organization (WHO). 2020. "WHO Director-General's opening remarks at the media briefing on COVID-19 - 11 March 2020." WHO-int. <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>.

⁴ World Health Organization (WHO). 2023. "WHO Director-General's opening remarks at the media briefing – 5 May 2023." WHO-int. <https://www.who.int/news-room/speeches/item/who-director-general-s-opening-remarks-at-the-media-briefing---5-may-2023>.

economic pressures and the risks to public health rapidly undermined confidence amongst people and governments in the liberal international order, the system which had allowed the globalized world to emerge and thrive.

Five years on, this doubt has grown further since the beginning of the Trump presidency in the United States of America (USA/US), which has brought the US's commitment to fundamental values and alliances, and the current international order's future into question. This disruption has presented opportunities for alternative international systems to emerge, as the world shifts away from a unipolar to multipolar system. The People's Republic of China (China) is increasingly framed as one of the biggest challengers to the American hegemonic system; a title it has assumed over the past decade thanks to its rapid economic development into the second largest economy in the world,⁵ and its efforts to assert itself internationally as a geopolitical and military superpower. This also raises new challenges in regards to China's foreign policy, as Premier Xi Jinping and the Chinese Communist Party (CCP) strive to solidify China's perception and position as a power within the new multipolar system. Therefore this capstone project aims to explore how China is utilizing geoeconomic power to position itself as a leader in the post-pandemic international system, and the resulting implications this could have on the world order in the near future.

This paper focuses on China's use of economic tools and power for advancing its geopolitical influence and goals within this post-pandemic international system. This specific application of economic influence is increasingly described as geoeconomic power, which can be defined as "the ability of governments to use their countries' economic strength from existing

⁵ China Power Team. "Unpacking China's GDP." *ChinaPower Project* (blog), August 22, 2024. <https://chinapower.csis.org/tracker/china-gdp/>.

financial and trade relationships to achieve geopolitical and economic goals.”⁶ However geoeconomics is a relatively young field within international relations, so there are variations in exact definition of the term, and what it encompasses. Economic power also exists as a separate concept (precluding geoeconomics), referring to “the ability of a country, corporation, or other non-state actor to influence global or domestic economic decisions, shape policies, and exert control over resources and markets”.⁷ Economic power can be conceptualised through the more traditional, direct methods for states to leverage economics over others, such as through sanctions, loans, and investments. It can also be utilized by non-state actors against states. Geoeconomics examines this kind of economic power and influence further by connecting it to state and international security issues, by examining globalization and the creation of global economic networks with an emphasis on power, differing from other mainstream analyses of globalized economics.⁸ Geoeconomics also places emphasis on the strategic and long-term goals motivating the use of economic influence by countries, as it combines both states’ economic and geopolitical goals.

China has a wide variety of economic tools which enable it to exert power and influence internationally towards its own geoeconomic goals. With a Gross Domestic Product (GDP) of \$17.8 trillion, China is second only to the USA as one of the largest economies in the world.⁹ This means it is able to exert traditional forms of economic power, such as investing in foreign countries and offering loans. At the same time however China is deeply embedded at the heart of

⁶ Krysten Crawford. “The Power of ‘Geoeconomics’ to Make Sense of a Turbulent World | Stanford Institute for Economic Policy Research (SIEPR).” Stanford Institute for Economic Policy Research (SIEPR), February 22, 2024. <https://siepr.stanford.edu/news/power-geoeconomics-make-sense-turbulent-world>.

⁷ Fiveable. “Economic Power - (AP Human Geography) - Vocab, Definition, Explanations | Fiveable.” Fiveable, 2025. <https://library.fiveable.me/key-terms/ap-hug/economic-power>.

⁸ Farrell, Henry, and Abraham L Newman. “How Global Economic Networks Shape State Coercion.” 44. *International Security* 44, no. 1 (2019): 42–79. <https://doi.org/10.1162>.

⁹ China Power Team. “Unpacking China’s GDP.” *ChinaPower Project* (blog), August 22, 2024. <https://chinapower.csis.org/tracker/china-gdp/>.

the global economy, thanks to its large labour force and the development of its major manufacturing industries after opening and reforming its economy in 1978,¹⁰ coinciding with globalization. This raises concerns about China's potentially leveraging its position to exercise geoeconomic power internationally. As a result of globalization, countries are increasingly interdependent, as their economies and industries become embedded with each other through networks and connections e.g international supply chains in manufacturing. China has driven both the development of these networks through investing in its Belt and Road Initiative (BRI), which also ensures its embeddedness within them. Prior to 2020 China had already been accused of leveraging and exploiting its BRI investments and networks for its own geoeconomic gains, and this concern has heightened since the pandemic.

Additionally, geoeconomic power can also be exercised through partnerships and agreements between states and within multilateral organizations. One case study which this paper will examine is China's role and influence within the BRICS economic bloc, which has rapidly developed since 2009 into an economic and political force to be reckoned with within the international system. The economic strength of the bloc lies with one member: China, which accounts for nearly 70% of the bloc's combined GDP.¹¹ This has allowed China to assert itself as the de facto leader within the bloc, and provided a legitimate means to influence the BRICS+ projects and alignments towards Chinese geoeconomic interests. China's relationships through both the BRICS+ and BRI provide a potential opportunity to internationalize the Renminbi (¥), China's national currency. This could deepen China's financial influence and assert itself

¹⁰ World Bank. "China Overview: Development News, Research, Data." Text/HTML. World Bank, October 23, 2024. <https://www.worldbank.org/en/country/china/overview>.

¹¹ Patrick, Stewart. "BRICS Expansion, the G20, and the Future of World Order." Carnegie Endowment for International Peace, October 9, 2024. <https://carnegieendowment.org/research/2024/10/brics-summit-emerging-middle-powers-g7-g20?lang=en>

internationally in a way similar to the US and the dollar in the post-pandemic economic environment.

Utilizing these geoeconomics theoretical frameworks and secondary research examining journal articles, reports, and news articles, this paper aims to explore how China has created and is exploiting opportunities to leverage its geoeconomic power, to position itself as a new leader in the post-pandemic international system.

What's in a name? Geoeconomics and Geopolitics

As previously mentioned, geoeconomics explores the use of economic power through traditional and non-traditional means by states towards their strategic, long-term international political and security goals.¹² Geoeconomics can be conceptualized as both an analytical framework in international relations realism, and as a foreign policy strategy.¹³ Geoeconomic policies go beyond issuing sanctions on other states; they can include strategic control of exports, restructuring supply chains based on security concerns, utilising foreign aid to develop political alignments, and influencing the business relationships of domestic and foreign firms based within a state.¹⁴ Crucially, the exertion and projection of geoeconomic power is very targeted, with states pursuing actions to influence specific entities towards specific goals.¹⁵ Clayton, Matteo, and Schreger expand on this, stating “...governments seeking to project geoeconomic power abroad need to be able to credibly co-opt or coerce their domestic firms and citizens, and perhaps critical foreign allies, to take part in this power projection.”¹⁶ How much geoeconomic power a state possesses can be observed through its application and constraints: how far can a state push other entities and actors to work in their favour before they refuse?¹⁷

The terms geoeconomics and geoeconomic power are increasingly intertwined with the term geopolitics and geopolitical power. Geopolitics can be understood as a broader framework

¹² Clayton, Christopher, Matteo Maggiori, and Jesse Schreger. “The Political Economy of Geoeconomic Power.” Page 1. *The Global Capital Allocation Project*, 2025, 1–5.

https://globalcapitalallocation.s3.us-east-2.amazonaws.com/Geoeconomics_PP.pdf

¹³ Scholvin, Sören, and Mikael Wigell. “Power Politics by Economic Means: Geoeconomics as an Analytical Approach and Foreign Policy Practice.” *Comparative Strategy* 37, no. 1 (January 2018): 73–84. 82. <https://doi.org/10.1080/01495933.2018.1419729>.

¹⁴ Clayton, Christopher, Matteo Maggiori, and Jesse Schreger. “The Political Economy of Geoeconomic Power.” Page 1. *The Global Capital Allocation Project*, 2025, 1–5.

¹⁵ Clayton, Christopher, Matteo Maggiori, and Jesse Schreger. “The Political Economy of Geoeconomic Power.” Page 1. *The Global Capital Allocation Project*, 2025, 1–5.

¹⁶ Clayton, Christopher, Matteo Maggiori, and Jesse Schreger. “The Political Economy of Geoeconomic Power.” Page 1. *The Global Capital Allocation Project*, 2025, 1–5.

¹⁷ Clayton, Christopher, Matteo Maggiori, and Jesse Schreger. “The Political Economy of Geoeconomic Power.” Page 1. *The Global Capital Allocation Project*, 2025, 1–5.

in international relations and foreign policy examining both the geographical and political events and influences between states and other entities, leading to global and regional impacts.¹⁸ The relationship between space and physical geography and states' political actions and decisions is at the core of geopolitics e.g. the US's pursuit of naval dominance in the Pacific Ocean, to materially present and exert its influence internationally.¹⁹ Geopolitical power thus explores the use of state politics and policies domestically and internationally towards furthering a state's specific goals on either a regional or global level. Like geoeconomics and economics, the focus on the use of a state's politics specifically towards long term international security goals helps separate geopolitical power from political power.

Globalization and the development of highly interdependent state economies, industries, and financial networks internationally as a result created the environment for geoeconomic and geopolitical theory to emerge and thrive. Under the globalized interconnected economy, power disparities emerged not only between states but between companies, industries, and organizations globally. Geoeconomic power involves not just a country's economic strength, but its companies' worth and a national government's ability to influence and use them to further national interests internationally. At the same time, this new international political economy has created new security challenges. Some challenges like resource access have been issues influencing state policy for centuries, but other issues like highly globalized supply chains for essential industries like microelectronics raise newer policy and security issues. With so many states involved in different parts of the international economy, individual states now hold the power to lock each other in and out of these networks, potentially wreaking havoc on their domestic economies and

¹⁸ Kaya, Ahmet. "How Are Geopolitical Risks Affecting the World Economy?" *Economics Observatory* (blog), 2024. <https://www.economicsobservatory.com/how-are-geopolitical-risks-affecting-the-world-economy>.

¹⁹ Dittmer, Jason, and Jo Sharp, eds. *Geopolitics: An Introductory Reader*. New York: Routledge, 2014. <https://books.google.com/books?id=587pAwAAQBAJ&printsec=copyright#v=onepage&q&f=false>. 3.

GDP. The global disruption to industry supply chains caused by lockdowns during the 2020 Covid-19 Pandemic pushed these risks to the forefront on many states' economic and foreign policy plans. The pandemic exposed the vulnerabilities of international economic interdependence; whilst states were forced to disrupt the supply chains due to public health concerns, what is to stop a state in the future deliberately disrupting or blocking these processes? What is to stop a state from using their position in the international economy for coercion, as a form of weaponized interdependence?²⁰

Because of these risks, in the 21st century geoeconomics is increasingly tied to security and military power. Like state military power, the economic bases of state power have decisive geographical and spatial features,²¹ and geoeconomic power is growingly used to support strategic moves and goals which complement those of a state's military and security, particularly regarding coercion. The economic networks developed under globalization involve a variety of non-state actors as well as states, so they did not emerge with initial statecraft intentions. However, the distribution of power within these networks between states emerged asymmetrically,²² and now has the potential to be leveraged. Creating new networks and connections through deindustrialization and outsourcing of manufacturing into Asia and other regions away from the West during the 1980s and 1990s reformed and shifted the balance of power in the international economy. Despite their size or military capabilities, smaller states secured their positions and influence through their workforces and manufacturing, as vital pieces of the global economy. At the same time this has created a dependency for many states on

²⁰ Farrell, Henry, and Abraham L Newman. "How Global Economic Networks Shape State Coercion." *International Security* 44, no. 1 (2019): 42–79. 45. <https://doi.org/10.1162>.

²¹ Scholvin, Sören, and Mikael Wigell. 81. "Power Politics by Economic Means: Geoeconomics as an Analytical Approach and Foreign Policy Practice." *Comparative Strategy* 37, no. 1 (January 2018): 73–84. <https://doi.org/10.1080/01495933.2018.1419729>.

²² Farrell, Henry, and Abraham L Newman. "How Global Economic Networks Shape State Coercion." *International Security* 54, no. 1 (2019): 42–79. 45. <https://doi.org/10.1162>.

international supply chains, for everything from medicines to electronics to food. Stable and secure international supply chains are essential for 21st century states to survive; particularly Western states; so being able to control or manipulate supply chains is both a major display of geoeconomic power but also a security threat. For critical goods and resources, like oil and gas, semiconductors, states may be willing to use geoeconomic power to ensure their long-term access and supply chains, with the threat of military hard power as a backup.

Being able to internationally showcase military strength is a classic display of hard power for states. Militaries can now travel further for longer periods of time, with more personnel and weaponry than ever before. National militaries play an important role in upholding the networks and connections between states in the global economy; most prominently in policing shipping routes and protecting cargo from piracy. The states with the biggest military presence and capabilities hold geopolitical power over the supply chains and economies, regardless of the geographic and spatial scale distance which may be between the states. In the Pacific, both the American and Chinese navies police shipping routes, and on occasion collaborate to patrol routes in the Middle East around the Horn of Africa. This combines both of their geopolitical and geoeconomic goals and interests, as both countries are able to exert hard power and military strength internationally whilst securing their longer term economic goals through secure trade routes.

China's Economic Development post-1978

They say money makes the world go round, but whose money exactly? And what does this mean for a country to grow from a struggling underdeveloped economy into a major player in the global economy in a relatively short span of time? The death of Mao Zedong in 1976 brought about the end of China's Cultural Revolution,²³ and ushered in a new era of economic reform under Deng Xiaoping in 1978. Deng positioned modernization and development amongst the priorities of the CCP, and introduced reforms across agriculture, science and technology, industry, and the military ("the Four Modernizations").²⁴ These included major economic reforms, such as the introduction of the socialist market economy²⁵ and opening up China's economy to the world through an "Open Door Policy" to introduce foreign capital and technology into China.²⁶ There was also a focus on developing self-sufficiency within China's modernization and advancement, as education heavily lagged during the Cultural Revolution under Mao, creating a "Lost Generation" of students. Intensive education and training programmes in industrial areas were offered alongside large investments and funding for research, as well as encouraging students and researchers to study abroad to bring new knowledge and technology back to China.²⁷ Thus China created its own generation of engineers, scientists, and researchers in areas of rapidly growing economic importance such as computing, and rapidly expanded the size and quality of its domestic industries.

²³ Phillips, Tom. "The Cultural Revolution: All You Need to Know about China's Political Convulsion." *The Guardian*, May 11, 2016, sec. News. <https://www.theguardian.com/world/2016/may/11/the-cultural-revolution-50-years-on-all-you-need-to-know-about-chinas-political-convulsion>.

²⁴ Mason, David. "China's Four Modernizations: Blueprint for Development or Prelude to Turmoil?", 47. *Asian Affairs* 11, no. 3 (1984): 47–70.

²⁵ Keo, Z. Bernard. "Crossing the River by Feeling the Stones: Deng Xiaoping in the Making of Modern China." 35. *Education about Asia*, vol. 25, No.2, Fall 2020. <https://www.asianstudies.org/wp-content/uploads/crossing-the-river-by-feeling-the-stones-deng-xiaoping-in-the-making-of-modern-china.pdf>

²⁶ Kobayashi, Shigeo, Jia Baobo, and Junya Sano. "The 'Three Reforms' in China: Progress and Outlook." Japan Research Institute, September 1999. <https://www.jri.co.jp/english/periodical/rim/1999/RIMe199904threereforms/>.

²⁷ Keo, Z. Bernard. 36. 2020.

Whilst there were initial concerns over the sustainability and success of the Four Modernizations and the “Open Door Policy”, they would ultimately prove to pay off. China experienced economic growth during the 1980s, but in the 1990s its growth rates would exceed all expectations, with China’s annual percentage growth rate peaking at 14.2% in 1992²⁸. By 1998 (the year China’s GDP hit over US\$1 trillion²⁹) whilst annual per capita income was around US\$770, this was still 14 times higher than that of 1980.³⁰ By 2023, China’s GDP would be US\$17.79 trillion,³¹ meaning its GDP increased by US\$16 trillion in 25 years. The pace and scale of China’s economic development was unprecedented, and rocked Western liberal economists and development models. China’s economic success proved that it was possible for a country to go against the Western approach of liberal free markets, and still develop into a successful economy.

Despite this, China has voluntarily classified itself a developing country in the WTO since it joined in 2001 under then President Hu Jintao.³² The WTO has no set definitions for “developed” vs “developing” countries, leaving states to identify themselves, although they can be challenged by other member states.³³ China’s admittance into the WTO proved to be a gateway for expanding its international economic reach, as membership under the “developing country” label allowed China access to new trading partners and better trading rates with its existing partners.³⁴ China’s bid for WTO membership came at the same time as the normalization

²⁸ World Bank. “GDP Growth (Annual %) - China.” World Bank Open Data, 2024. <https://data.worldbank.org>.

²⁹ World Bank. “GDP (Current US\$) - China | Data.” World Bank Open Data, 2020. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN>.

³⁰ Kobayashi, Shigeo, Jia Baobo, and Junya Sano. “The ‘Three Reforms’ in China: Progress and Outlook.” Japan Research Institute, September 1999. <https://www.jri.co.jp/english/periodical/rim/1999/RIMe199904threereforms/>.

³¹ World Bank. “GDP (Current US\$) - China | Data.” 2020.

³² Permanent Mission of China to the WTO. 2011. “China in the WTO: Past, Present and Future.” WTO. https://www.wto.org/english/thewto_e/acc_e/s7lu_e.pdf.

³³ World Trade Organisation (WTO). 2025. “WTO | Development - Who are the developing countries in the WTO?” World Trade Organization. https://www.wto.org/english/tratop_e/devel_e/dlwho_e.htm.

³⁴ CFR Education. 2025. “What Happened When China Joined the WTO?” CFR Education. <https://education.cfr.org/learn/reading/what-happened-when-china-joined-wto>.

of trade relations between the US and China in 2000.³⁵ Despite at the time already being the 6th largest economy in the world and a massive market internationally, China was allowed to join the WTO under the “developing” label.³⁶ American politicians, including then President Bill Clinton, hoped that China gaining WTO membership would force it to abide by WTO trade rules, helping align China with the US-led liberal democratic order.³⁷ This optimistic approach quickly failed, as it became clear that China had no intentions of bending its economic policies towards Western values. China’s continuous self-identification as a developing country has been subject to controversy within the organization and beyond, with other developed and developing states arguing that China is exploiting the system and its resources, and no longer needs access or help from them due to its own economic strength.

China’s success through taking its own path has allowed China to model itself as a different kind of economic power within the international system, compared to economies like the USA and UK or the USSR during the 20th century. Its dramatic transformation as an Asian state away from Western political ideologies has allowed China to market itself as a relatable figure towards other non-Western lesser economically developed countries, particularly postcolonial states and regions. This “one of you” relatability however has weakened over the past decade, due to the increasingly vast distance between China’s GDP and that of many other states. Despite being the second largest economy in the world, many international organizations still classify China as a developing country or middle-income country, including the UN, the International Monetary Fund (IMF), and the World Trade Organization (WTO).³⁸ The World

³⁵ CFR Education. 2025. “What Happened When China Joined the WTO?” CFR Education. <https://education.cfr.org/learn/reading/what-happened-when-china-joined-wto>.

³⁶ CFR Education. 2025. “What Happened When China Joined the WTO?” CFR Education. <https://education.cfr.org/learn/reading/what-happened-when-china-joined-wto>.

³⁷ CFR Education. 2025. “What Happened When China Joined the WTO?” CFR Education. <https://education.cfr.org/learn/reading/what-happened-when-china-joined-wto>.

³⁸ Benoit, Philippe, and Kevin Jianjun Tu. 2020. Page 11. “IS CHINA STILL A DEVELOPING COUNTRY, AND WHY IT MATTERS FOR ENERGY AND CLIMATE.” Energy Policy Columbia University.

Bank classifies China as an “upper-middle income” country, with China predicted to transition into a “high income” country in 2026.³⁹ These variations in China’s economic labelling internationally are partly due to the domestic economic challenges it still faces which ring true amongst other less-developed and middle income countries (mainly wealth inequality on a per capita level), but also how China describes itself on the international stage. During the 2023 BRICS summit Chinese President Xi Jinping stressed China’s commitment to supporting developing countries, stating in Mandarin what can be translated as “China has been and will always remain a member of [the] developing countries.”⁴⁰ This narrative helps present China as a more approachable and understanding power within the international community to many states, particularly in contrast to the US.

https://www.energypolicy.columbia.edu/wp-content/uploads/2020/07/ChinaDevelopingCountry_CGEP-Report_072220.pdf.

³⁹ Klingebiel, Stephan, and Hangwei Li. 2025. “China’s Country Status: Unpacking the Political Implications for Global Cooperation.” *Global Policy Journal*.
<https://www.globalpolicyjournal.com/blog/28/01/2025/chinas-country-status-unpacking-political-implications-global-cooperation>.

⁴⁰ Kanwit, Graham. 2023. “Is China Still a Developing Country?” *VOA*.
<https://www.voanews.com/a/is-china-still-a-developing-country/7244652.html>.

Case Study Analysis:

The Belt and Road Initiative as a Chinese Geoeconomic Tool

In 2013 during state visits to Kazakhstan and Indonesia, Chinese President Xi Jinping announced the “One Belt One Road” Project, now known as the Belt and Road Initiative (BRI).⁴¹ Taking inspiration from the ancient Silk Road trade routes connecting the East and the West as a “modern Silk Road”, BRI is one of the most ambitious and expensive infrastructure projects of all time, and has been a centrepiece of China’s domestic and foreign policy over the past decade as a result.⁴² As of 2023, a decade after the project was first announced, cumulative BRI engagement was worth over USD \$1 trillion, including USD \$634 billion in construction contracts (partly financed through Chinese loans) and USD \$419 billion in non-financial investments.⁴³ There are two main components to the BRI:⁴⁴ the overland “Silk Road Economic Belt”, and the “21st Century Maritime Silk Road”, which was announced in 2014.⁴⁵ The Silk Road Economic Belt connects China to Europe via new overland roads and routes across Central and South Asia and the Middle East.⁴⁶ Meanwhile the Maritime Silk Road aims to connect China to Southeast Asia, the Middle East, Africa, and Europe through expanding and developing new shipping routes and sea trade networks.⁴⁷ Alongside new roads and trade routes, the BRI will also see the development of new power plants and fuel stations, sea ports, railways, and fibre

⁴¹ Kennedy, Scott, and Kenneth Parker. 2015. “Building China’s “One Belt, One Road.”” csis.org. <https://www.csis.org/analysis/building-chinas-one-belt-one-road>.

⁴² Chatzky, Andrew, James McBride, and Noah Berman. 2023. “China’s Massive Belt and Road Initiative.” Council on Foreign Relations. <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>.

⁴³ NEDOPIL, Christoph. 2024. “China Belt and Road Initiative (BRI) Investment Report 2023 – Green Finance & Development Center.” Green Finance & Development Center. <https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2023/>.

⁴⁴ Chatzky, Andrew, James McBride, and Noah Berman. 2023. “China’s Massive Belt and Road Initiative.” Council on Foreign Relations. <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>.

⁴⁵ Jie, Yu, and Jon Wallace. 2022. “What is China’s Belt and Road Initiative (BRI)?” Chatham House. <https://www.chathamhouse.org/2021/09/what-chinas-belt-and-road-initiative-bri>.

⁴⁶ Sacks, David. 2021. “Countries in China’s Belt and Road Initiative: Who’s In And Who’s Out.” Council on Foreign Relations. <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>.

⁴⁷ Sacks, David. 2021. “Countries in China’s Belt and Road Initiative: Who’s In And Who’s Out.” Council on Foreign Relations. <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>.

optic cables and other communications technologies internationally.⁴⁸ These additional development projects are now classed under smaller components of BRI: the “Digital Silk Road”, which focuses on digital cooperation and information and communications technology exchanges (although technically launched as a separate project to BRI);⁴⁹ and the “Health Silk Road”, which intends to operationalize Chinese-led global health governance.⁵⁰

It is unclear how many countries are officially involved in the BRI project, as Beijing has no disclosed list or record. However it is estimated that hundreds of projects internationally are funded or involved in some way through BRI. As of 2023, at least 147 countries have either signed on to BRI-related projects or shown an interest in doing so in the near future.⁵¹ These countries account for roughly 40% of global GDP and $\frac{2}{3}$ of the world’s population.⁵² Thus BRI has been framed as an opportunity for China to expand its geoeconomic power and capabilities, by strengthening its access and control over land and sea trade routes, as well as creating new economic connections and dependencies between China and less developed economies. The main countries targeted by BRI have been developing countries in Asia and Africa, although many developed countries are also involved in some way.⁵³

BRI was described by China as an opportunity to help developing countries build and expand their economic infrastructure, and better integrate and connect smaller and less

⁴⁸ Sacks, David. 2021. “Countries in China's Belt and Road Initiative: Who's In And Who's Out.” Council on Foreign Relations. <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>.

⁴⁹ Patil, Sameer, and Prithvi Gupta. 2024. “The Digital Silk Road in the Indo-Pacific: Mapping China’s Vision for Global Tech Expansion.” Observer Research Foundation. <https://www.orfonline.org/research/the-digital-silk-road-in-the-indo-pacific-mapping-china-s-vision-for-global-tech-expansion>.

⁵⁰ CFR Taskforce. 2021. “How the U.S. Should Respond to China's Belt and Road.” Council on Foreign Relations. <https://www.cfr.org/task-force-report/chinas-belt-and-road-implications-for-the-united-states/>. page 2

⁵¹ Chatzky, Andrew, James McBride, and Noah Berman. 2023. “China's Massive Belt and Road Initiative.” Council on Foreign Relations. <https://www.cfr.org/background/chinas-massive-belt-and-road-initiative>.

⁵² Sacks, David. 2021. “Countries in China's Belt and Road Initiative: Who's In And Who's Out.” Council on Foreign Relations. <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>.

⁵³ CFR Taskforce. 2021. “How the U.S. Should Respond to China's Belt and Road.” Council on Foreign Relations. <https://www.cfr.org/task-force-report/chinas-belt-and-road-implications-for-the-united-states/>.

economically developed countries into the international economy. A diverse range of countries from around the globe have become involved in BRI projects, including US allies such as Greece and Saudi Arabia, as well as countries more traditionally aligned with China like Cambodia and Pakistan.⁵⁴ European countries like Italy have also been involved in BRI projects, although many countries have refused or not agreed to host BRI-backed projects.⁵⁵ The regions involved with BRI have also expanded since the project was first announced, with at least 22 Latin American and Caribbean countries being involved in BRI projects since 2017.⁵⁶ The inclusion of so many countries with varying geographical, political, and economic capabilities and alignments has posed questions about the underlying motivations behind the BRI, mainly its possible role in serving China's geoeconomic goals. Through its economic strength, China has been able to provide loans and developmental infrastructure to countries which have otherwise struggled to acquire funding for development projects, either through their own domestic funds or international organizations like the IMF and the World Bank.

BRI has allowed China to expand its presence internationally and portray itself in a positive, benevolent light; a strong economy from the Global South leading other developing countries towards rapid long-term economic development. This has raised concerns amongst Western governments and economists about BRI undermining Western economic influence internationally, with Beijing appearing to be competing with Washington in terms of foreign aid towards development. The BRI has allowed China to build and project an image of itself as an economic leader within the international system, by materially funding and building so many

⁵⁴ Sacks, David. 2021. "Countries in China's Belt and Road Initiative: Who's In And Who's Out." Council on Foreign Relations. <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>.

⁵⁵ Sacks, David. 2021. "Countries in China's Belt and Road Initiative: Who's In And Who's Out." Council on Foreign Relations. <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>.

⁵⁶ Dahl, Mie Hoerjris. 2024. "The Belt and Road Isn't Dead. It's Evolving." Foreign Policy. <https://foreignpolicy.com/2024/11/13/china-latin-america-investment-development-bri-apec-summit/#:~:text=Since%202017%2C%2022%20countries%20in,after%20only%20the%20United%20States>.

projects globally. At the same time it has strengthened pre-existing ties or created new ties between China and many countries around the world, positioning itself as an alternative partner and leader for many states during a time in which trust in the US and Western powers is in decline. Despite BRI's extensive reach however, many economic heavyweights remain distanced from the project, including Germany, Argentina, Spain, and surprisingly Brazil despite Brazil and China's close relationship through the BRICS bloc.⁵⁷

Another concern Western states have raised over the BRI is the potential security risks the project could pose in the future, due to the potential dual-use capabilities these infrastructure resources could provide. Roads can be used to mobilize troops, deep-sea ports can dock naval vessels, and updated communications technologies can be hacked or hijacked. The US is the most vocal about these concerns, as BRI could threaten both its influence and the temporal distance between the US and its allies. Thus the BRI is increasingly described as an example of Chinese geoeconomic power: China is utilizing its economic strength towards securing its long-term strategic goals by ensuring it has easy access to major supply chains and trade routes across the world. Furthermore by directly funding so many of these projects, China is able to directly influence and shape them, moulding routes to China's geopolitical and geoeconomic gains.

To support BRI's ambitious scale and actually materialize projects, China has loaned billions of dollars to countries around the world, mainly in low-income or economically volatile countries. The majority of BRI's funding has come from China's policy banks; state owned banks governed by the CCP with the main purpose of financing China's overseas economic

⁵⁷ Sacks, David. 2021. "Countries in China's Belt and Road Initiative: Who's In And Who's Out." Council on Foreign Relations. <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>.

policies and lending.⁵⁸ Two policy banks, the Export-Import Bank of China (China Eximbank) and the China Development Bank (CDB), are responsible for almost all of China's non-concessional sovereign loans, making up the majority of China's overseas lending.⁵⁹ However, increasingly Chinese state-owned commercial banks are being involved in lending money to low- and middle-income countries to attempt to balance out the risks.⁶⁰ Many projects funded or connected to BRI are then carried out by Chinese companies, rather than local workers and companies from the country the project is based in. There are several implications of this. Firstly, money which could be earned by local and national companies and workers if they received the contracts, which could contribute to the local economy and workforce, is instead going straight back to China through Chinese companies. Secondly, sending Chinese companies with skilled workers overseas allows China to potentially exercise soft power by showcasing China's work ethic, education and skills, and organizational capabilities. Through the BRI China has created a demonstrable track record for quickly and efficiently completing projects, with the average infrastructure project financed by Chinese aid or credit taking approximately three years to complete (although many environmental and sustainability efforts may be avoided to achieve this, as well as concerns over labour conditions).⁶¹ This is a faster turnaround time than many Western funded and led projects, making BRI and Chinese infrastructure development aid an appealing option. It also normalizes an active Chinese manufacturing and business presence in

⁵⁸ Hameiri, Shahr. 2024. "How China's policy banks shape its hardball approach to sovereign debtors." East Asia Forum.

<https://eastasiaforum.org/2024/04/07/how-chinas-policy-banks-shape-its-hardball-approach-to-sovereign-debtors/>.

⁵⁹ Hameiri, Shahr. 2024. "How China's policy banks shape its hardball approach to sovereign debtors." East Asia Forum.

<https://eastasiaforum.org/2024/04/07/how-chinas-policy-banks-shape-its-hardball-approach-to-sovereign-debtors/>.

⁶⁰ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary Page 3

⁶¹ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary Page 4

different parts of the world, and builds new relationships for Chinese businesses. Due to how many different actors are involved in administering BRI loans and financing, there is a lack of transparency internationally on who and how Chinese funding for BRI projects is being administered to different projects in different countries.

Whilst China's funding does provide many countries with the ability to finance infrastructure and development projects to begin revolutionising their economies, it comes at a potentially high price. During the earlier phases of BRI in the 2010s, more projects were funded via Chinese foreign aid and credit, or as concessional loans. Over the decade since BRI was first launched this has now drastically shifted, with the majority of new projects being funded through commercial loans. It's estimated 80% of China's overseas lending is to countries in some level of financial distress.⁶² China's verifiable aid and credit commitments to low- and middle-income countries is approximately USD \$80 billion annually.⁶³ Through its commitment to funding the BRI, in 2017 China became the world's largest creditor. This positions China with a great deal of power and influence within the international system, which could be leveraged for geoeconomic purposes. However, lending such large amounts of money to high-risk countries and projects poses economic risks both to China and the recipient countries. As a result, over the past decade China has ramped up its terms for repayment and collateral to ensure it will get its money back eventually. In 2000 only 19% of China's lending to low- and middle-income countries was collateralized, but by 2023 this number was now at 72%.⁶⁴ In the same time frame, China's

⁶² Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. BeltandRoadReboot: Beijing'sBidtoDe-RiskItsGlobalInfrastructureInitiative. Williamsburg, VA: AidData at William & Mary Page 1

⁶³ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. BeltandRoadReboot: Beijing'sBidtoDe-RiskItsGlobalInfrastructureInitiative. Williamsburg, VA: AidData at William & Mary Page 1

⁶⁴ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. BeltandRoadReboot: Beijing'sBidtoDe-RiskItsGlobalInfrastructureInitiative. Williamsburg, VA: AidData at William & Mary Page 3

collateralized loan lending commitments to low- and middle-income countries in financial distress increased from 0% to 74%.⁶⁵ A prominent safeguard in China's bilateral lending which has emerged is that many loan conditions allow Chinese policy banks to cash collateral without the borrower's consent, by seizing foreign currency from escrow accounts to pay overdue principal and interest.⁶⁶ Collateral for Chinese debts can also include access to a country's natural resources regardless of their immediate short-term value, or through ownership of the assets and projects China is funding upon their completion and profitability.⁶⁷ Another is increasingly stronger penalty rates for late repayments. The average penalty interest rate doubled between the early stages of BRI (2014-2017) and the later stages (2018-2021)⁶⁸; in the same time periods the maximum penalty rate increased from 3% to 8.7%.⁶⁹

This combination of financial measures by China to reclaim its payments has raised questions about the long-term motivations and goals behind China's willingness to lend money towards BRI projects. The most pressing consequence of this is potentially debt-trap diplomacy (DTD), in which powerful countries or institutions extend large or high risk loans to weaker borrowing states, with the intention of furthering their political leverage over them due to the borrower struggling to repay the initial loan.⁷⁰ DTD can be categorized as a predatory foreign

⁶⁵ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative. Williamsburg, VA: AidData at William & Mary. Page 3.

⁶⁶ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative. Williamsburg, VA: AidData at William & Mary. Page 3.

⁶⁷ Chellaney, Brahma. 2017. "China's Creditor Imperialism." Project Syndicate. <https://www.project-syndicate.org/commentary/china-sri-lanka-hambantota-port-debt-by-brahma-chellaney-2017-1>.

⁶⁸ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative. Williamsburg, VA: AidData at William & Mary. Page 3.

⁶⁹ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative. Williamsburg, VA: AidData at William & Mary. Page 3.

⁷⁰ "What is Debt Trap Diplomacy." 2022. IGI Global. https://www.igi-global.com/dictionary/strategic-partnership-of-bangladesh-with-australia-to-protect-from-possible-debt-trap-and-diseconomies-of-scale-of-one-belt-one-road/105853#google_vignette.

policy tool, but there is debate over whether China has been deliberately using it, or initially intended to use it as part of the BRI.⁷¹ Critics argue that both China and the countries borrowing money for development infrastructure projects were aware of the terms of the loan, and that many of the countries would default on their loan payments regardless of who the borrower was.⁷² Many countries taking loans from China do so because they are ineligible for large scale financing from other countries like the US or international organizations like the IMF due to their financial track records. However, just because China may have not intended to use its BRI financing for DTD when the BRI was first launched in 2013, that does not mean it has not been considered to be used in this way, or that it is not now happening. Chinese DTD can be an example of geoeconomics, as China leverages its economic power for its political and geographical gain, particularly if it is able to gain access and control over natural resources and trade infrastructure.

⁷¹ Michal Himmer & Zdeněk Rod (2022) Chinese debt trap diplomacy: reality or myth?, *Journal of the Indian Ocean Region*, 18:3, 250-272, DOI: 10.1080/19480881.2023.2195280. Page 251.

⁷² Michal Himmer & Zdeněk Rod (2022) Chinese debt trap diplomacy: reality or myth?, *Journal of the Indian Ocean Region*, 18:3, 250-272, DOI: 10.1080/19480881.2023.2195280. Page 252.

The Hambantota Port, Sri Lanka

A high-profile example argued as DTD is the BRI-funded port in Hambantota, Sri Lanka. After being unable to repay its loans to China, in December 2017, Sri Lanka handed over a 99 year lease with a 70% stake of the Hambantota port worth USD \$1.2 billion to Chinese company CMPort.⁷³ However, the development of this port pre-dates BRI, although it soon became incorporated as a flagship piece of the project. Sri Lanka had plans to develop the Hambantota port since the early 2000s, expanding on the area's existing fishing harbours. Hambantota local and then-presidential candidate Mahinda Rajapaksa pledged to revitalize the area's economy in 2005, in the wake of the 2004 Indian Ocean tsunami.⁷⁴ Upon winning the election Rajapaksa became further committed to the project, although questions were raised about the long-term sustainability and need for the services the Hambantota port could provide as part of Sri Lanka's wider development plans.⁷⁵ Prior to Hambantota's development Sri Lanka's main port for international trade was located in the capital, Colombo. In 2015 the Colombo port handled 5.1 million TEU of containerized cargo, with predictions it could handle up to 35 million TEU by 2040 if expansion and development plans for the port were maximized.⁷⁶ Rather than developing the Hambantota port to support Colombo's expansion, the Hambantota port intended to offer many of the same services, which critics argued rendered it unnecessary.⁷⁷ In 2006, Danish consulting firm Rambøll found that a first phase of port development in Hambantota could be commercially viable, but Sri Lanka still failed to receive funding from the US and India towards

⁷³ Michal Himmer & Zdeněk Rod (2022) Chinese debt trap diplomacy: reality or myth?, *Journal of the Indian Ocean Region*, 18:3, 250-272, DOI: 10.1080/19480881.2023.2195280. Pages 260-1.

⁷⁴ Hillman, Jonathan E. 2018. "Game of Loans: How China Bought Hambantota." CSIS. <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>.

⁷⁵ Hillman, Jonathan E. 2018. "Game of Loans: How China Bought Hambantota." CSIS. <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>.

⁷⁶ Hillman, Jonathan E. 2018. "Game of Loans: How China Bought Hambantota." CSIS. <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>.

⁷⁷ Hillman, Jonathan E. 2018. "Game of Loans: How China Bought Hambantota." CSIS. <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>.

the port.⁷⁸ In search of funding, in 2007 Sri Lanka actually approached Beijing about funding the first of three stages of the Hambantota port's development, and Beijing agreed.⁷⁹ With no other possible funders, Sri Lanka accepted China's offer despite the conditions of the loan, worth US\$ 307 million at 6.3% interest rates, much higher than those of other multilateral development banks.⁸⁰ The first phase was completed between 2008 and 2010, with the second phase aiming to be complete by 2014.⁸¹

However it soon became clear that the Hambantota port was not commercially viable, and by 2016 it generated only US\$11.8 million in revenue, versus operating expenses of US\$10 million.⁸² In the same time period, under Rajapaksa's government Sri Lanka was grappling with a national debt crisis, and in 2016 the new president Maithripala Sirisena reached out to the IMF for stabilization assistance, and received US\$1.5 billion.⁸³ As of 2015 95% of Sri Lanka's government revenue went towards debt repayments,⁸⁴ although it is worth noting that China's loans only accounted for 9% of Sri Lanka's debt, with the remaining debt being owed to many Western countries and financial institutions.⁸⁵ In 2017, Sri Lanka agreed to lease the Hambantota port to CMPort with Beijing's approval, providing immediate liquidity in US dollars for Sri Lanka to put towards repaying all its debts, not just to China.⁸⁶

⁷⁸ Jones, Lee, and Shahar Hameiri. "Debunking the Myth of 'Debt-Trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative," August 19, 2020, 1–42. 14.

⁷⁹ Jones, Lee, and Shahar Hameiri. "Debunking the Myth of 'Debt-Trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative," August 19, 2020, 1–42. 14.

⁸⁰ Hillman, Jonathan E. 2018. "Game of Loans: How China Bought Hambantota." CSIS. <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>.

⁸¹ Jones, Lee, and Shahar Hameiri. "Debunking the Myth of 'Debt-Trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative," August 19, 2020, 1–42. 15.

⁸² Jones, Lee, and Shahar Hameiri. "Debunking the Myth of 'Debt-Trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative," August 19, 2020, 1–42. 15.

⁸³ Jones, Lee, and Shahar Hameiri. "Debunking the Myth of 'Debt-Trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative," August 19, 2020, 1–42. 15.

⁸⁴ Limaye, Yogita. 2017. "Sri Lanka: A country trapped in debt." BBC. <https://www.bbc.com/news/business-40044113>.

⁸⁵ Jones, Lee, and Shahar Hameiri. "Debunking the Myth of 'Debt-Trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative," August 19, 2020, 1–42. 16.

⁸⁶ Jones, Lee, and Shahar Hameiri. "Debunking the Myth of 'Debt-Trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative," August 19, 2020, 1–42. 18.

Whilst the Hambantota port may not be commercially viable, it is strategically located as it provides open access to the Indo-Pacific, and is close to the Suez Canal and Strait of Malacca.⁸⁷ Since 2017 some Western think tanks and academics have theorized that China could utilize the port as a future naval base location.⁸⁸ This would be a utilization of geoeconomics, with China having leveraged its economic resources to further its geographic reach and strategic goals. Out of all ports China has invested in under BRI, Hambantota has received the most investment at US\$2.19 billion as of 2021, and it is deep enough that it could host naval vessels.⁸⁹ In 2023 concerns were sparked again by both the US and India after Sri Lanka permitted a Chinese naval survey ship to dock at the port.⁹⁰ Despite this, Sri Lanka stresses that it would not permit a consistent, long-term Chinese naval presence at the Hambantota port. Only time will tell however if this will remain true, particularly if Sri Lanka still has to answer to China for its loan repayments.

Thus it's possible that in the future China will leverage its geoeconomic power through BRI funded projects to acquire control over more strategically valuable infrastructure points. This would expand China's power projection and military capabilities over longer distances. However China is currently unable to defend multiple long-distance military bases and projects, unlike the US which has a strong constant military presence overseas, legitimizing its authority in the international order. This means that whilst the possibility of China using geoeconomics in this way to assert itself remains a possibility, it is currently not feasible.

⁸⁷ Majueran, Maya. 2024. "With the Belt and Road Initiative, Hambantota Port Is Becoming a Regional Energy Hub." China Focus. <http://www.cnfocus.com/with-the-belt-and-road-initiative-hambantota-port-is/>.

⁸⁸ Hillman, Jonathan E. 2018. "Game of Loans: How China Bought Hambantota." CSIS. <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>.

⁸⁹ Wooley, A., Zhang, S., Fedorochko, R., and S. Patterson. 2023. *Harboring Global Ambitions: China's Ports Footprint and Implications for Future Overseas Naval Bases*. Williamsburg, VA: AidData at William & Mary. 17.

⁹⁰ Jayasinghe, Uditha. 2022. "Chinese military ship docks at Sri Lanka port despite Indian concern." Reuters. <https://www.reuters.com/world/asia-pacific/chinese-military-survey-ship-docks-sri-lanka-port-2022-08-16/>.

Currency as a Tool for Geoeconomics

Over the course of the BRI, China has gradually been introducing its own currency, the renminbi (¥), as a preferred currency for loan repayments. However it still accounts for a minority of currency used in international trade due to the many issues accessing and exchanging renminbi outside of China, and how deeply embedded the US dollar is in international financial infrastructure and economies.⁹¹ Whilst the renminbi is still nowhere close to posing a threat to the dollar's dominance, its value and perception internationally is slowly changing. In 2016 the renminbi was added to the International Monetary Fund's (IMF) Special Drawing Rights (SDR), alongside the U.S. dollar, the euro, the Japanese yen, and the British pound.⁹² The SDR is an international asset reserve which supplements IMF member countries' own reserves, so the inclusion of renminbi played an important role in further integrating and expanding China's presence in the international economy.⁹³ However the renminbi was not used as a truly viable alternative to the US dollar until 2023, when the IMF allowed Argentina to use renminbi credit from China's central bank to partially paydown IMF loans, and later repayment installments.⁹⁴ This legitimizes the renminbi's use, opening the doorway for more IMF transactions and other international loan transactions being conducted in renminbi in the near future.

China's wide array of BRI loans present a strong potential opportunity for internationalizing the renminbi beyond its current capacity. Currency internationalization can be defined as *"...the use of a currency outside its country of issue, and an international currency is*

⁹¹ Ferragamo, Mariel. "What Is the BRICS Group and Why Is It Expanding? | Council on Foreign Relations." December 12, 2024.

⁹² IMF News. "IMF Adds Chinese Renminbi to Special Drawing Rights Basket." IMF, September 30, 2016. <https://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>.

⁹³ IMF News. "IMF Adds Chinese Renminbi to Special Drawing Rights Basket." September 30, 2016.

⁹⁴ Greene, Robert. "The Difficult Realities of the BRICS' Dedollarization Efforts—and the Renminbi's Role." Carnegie Endowment for International Peace, December 5, 2023.

<https://carnegieendowment.org/research/2023/12/the-difficult-realities-of-the-brics-dedollarization-effortsand-the-renminbis-role?lang=en>.

*used and held by residents or non-residents beyond the borders of the issuing country. An international currency needs to assume the functions of being a medium of exchange, a store of value, and a unit of account.”*⁹⁵

By introducing the renminbi as a currency option for countries to repay their BRI loans, the renminbi can still be introduced to international and developing markets, whilst allowing China to maintain a degree of control over its circulation, as ultimately the majority of the currency will be paid back to China. This could also expand the renminbi's use as a reserve currency internationally, although this could put loan-recipient countries at a greater disadvantage, due to loan conditions allowing Chinese policy banks to seize foreign currency from escrow accounts to pay overdue principal and interest.⁹⁶ If more loan-recipient countries have renminbi as foreign reserve, it would be even easier for China's policy banks to reclaim their collateral. Thus the internationalization of the renminbi can be argued as an application of geoeconomics, as it would increase China's influence and long-term economic capabilities and status over a wider geographic range. Whilst it is not likely in the immediate future that the renminbi will be able to take on the US dollar as the dominant global currency for trade and finance, in the post-pandemic world order more countries are increasingly raising the question of de-dollarization.

The immediate financial impacts of the Covid-19 Pandemic in 2020 and the long term recovery from it, followed by Russia's invasion of Ukraine in 2022, has raised uncertainties about the future of the US-led (and dollar dominated) international order. This disruption has presented opportunities for alternative international systems to emerge, as the world shifts away

⁹⁵ LI Liuyang, LI Jin, YANG Xiaoqing. 2024. "The Belt and Road Initiative at Ten". Page 90.
https://doi.org/10.1007/978-981-97-4468-8_6

⁹⁶ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. 2023. Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative. Williamsburg, VA: AidData at William & Mary. Page 3.

from a unipolar to multipolar system, and one group China is heavily involved with, the BRICS, are positioning themselves as a central part of this. Since its inception in 2009, the BRICS have rapidly grown into an economic and political force to be reckoned with in the international system. As a counterpart (and to some an alternative) to the G7, the bloc was originally named after Brazil, Russia, India, and China, with the addition of South Africa in 2010 creating the central acronym BRICS.⁹⁷ Over time other states have also joined the bloc, with Egypt, Ethiopia, Indonesia, Iran, and the United Arab Emirates (UAE) joining as full members, whilst 13 other states participate as “partner countries”, leading to the term “BRICS+” to describe the wider organization.⁹⁸ The BRICS+ economies together produce an estimated 37.3% of global gross domestic product (GDP) (based on purchasing power parity).⁹⁹ However, the economic strength of the BRICS lies with China, which accounts for nearly 70% of the bloc’s combined GDP.¹⁰⁰

This has allowed China to assert itself as the de facto leader within the bloc, guiding it as an actor on the international stage. There are multiple ways in which China is exerting economic power through the BRICS and BRICS+, with some explicitly asserting its position as the stronger economy in the bloc. On the most ambitious end of the spectrum, there have been talks of a common currency and common payments platform with the BRICS since 2023. Whilst it is unlikely that the BRICS will be able to easily or quickly develop either of these, the BRICS have pushed plans for de-dollarization for over a decade, by primarily increasing the use of their own respective currencies for trade between members.¹⁰¹ China’s involvement and dominance

⁹⁷ Patrick, Stewart. “BRICS Expansion, the G20, and the Future of World Order.” October 9, 2024.

⁹⁸ Patrick, Stewart. “BRICS Expansion, the G20, and the Future of World Order.” October 9, 2024.

⁹⁹ Feingold, Spencer. “BRICS: Here’s What to Know about the International Bloc.” November 20, 2024.

¹⁰⁰ Patrick, Stewart. “BRICS Expansion, the G20, and the Future of World Order.” October 9, 2024.

¹⁰¹ Ferragamo, Mariel. “What Is the BRICS Group and Why Is It Expanding? | Council on Foreign Relations.” Council on Foreign Relations, December 12, 2024.

<https://www.cfr.org/backgrounder/what-brics-group-and-why-it-expanding>.

amongst the BRICS+ presents an additional opportunity alongside the BRI for internationalizing the renminbi in the long term.

In a more immediate display of geoeconomics, China holds 40% voting rights in the BRICS' Contingent Reserve Arrangement (CRA),¹⁰² which acts as an emergency reserve fund for members, after contributing over \$40bn to the combined total of \$100bn.¹⁰³ This gives China a large degree of influence over which countries receive funding, and for what, which immediately places China in a position of influence and leadership over the majority of BRICS and BRICS+ states. However since the CRA's inception in 2014 (in the same timeframe as the announcement of BRI), China's influence over the allocation of funding has increasingly become a point of contention between BRICS+ members, and even more so amongst the original members Russia, India, Brazil, and South Africa.¹⁰⁴

If China is prepared to wait and invest in its long-term geoeconomic goals by gradually increasing international access to renminbi, particularly as a reserve currency, it could eventually become a major trade and finance currency alongside the US dollar. Chinese-led opportunities for this like the BRI can be utilised alongside more international channels and organizations, like China's engagement with the BRICS+ to diffuse its currency and influence simultaneously. This would enable China to not only exert greater influence in the international economy over long distances alongside its sheer economic strength, but also embed China deeper into the global economy in a way similar to the US's role with the dollar, creating a new display of geoeconomic power. At the same time however, there are concerns internationalizing the renminbi could be leveraged to create new cycles of dependency between China and

¹⁰² Shea, Jamie. "The BRICS Are Back, but for What Purpose?" *Friends of Europe* (blog), September 4, 2023. <https://www.friendsofeurope.org/insights/critical-thinking-the-brics-are-back-but-for-what-purpose/>.

¹⁰³ The People's Bank of China. "BRICS Countries Signed Contingent Reserve Arrangement (CRA)," July 16, 2014. <http://www.pbc.gov.cn/english/130721/2875046/index.html>.

¹⁰⁴ Duckenfield, Mark. "A COMMON BRICS CURRENCY? LESSONS FROM THE EURO." *War Room - U.S. Army War College* (blog), February 20, 2025. <https://warroom.armywarcollege.edu/articles/brics-currency/>.

loan-recipient BRI countries, as Chinese banks currently remain the sole lenders and brokers for renminbi, and likely will remain so to help maintain China's control. This reconnects to the distinction of utilising traditional and non-traditional economic means towards long-term strategic goals and influence under geoeconomics. Establishing the renminbi as a viable trade and reserve currency is also necessary to enhance and solidify any Chinese leadership narratives on the international stage.

Conclusion: A Chinese Geoeconomic-led Future?

Over the course of this paper we have examined geoeconomics as a conceptual and practical realist framework for analysing China's behaviour and intentions in the changing post-pandemic international order. Geoeconomics has been understood throughout this paper's analysis as the use of economic power through traditional and non-traditional means by states towards their strategic, long-term international political and security goals. China has been able to draw upon its unique history and path to economic development to position itself as a powerful player internationally. China's success and economic growth presents a seemingly proven alternative to Western economic doctrines (in particular the spread of liberal democracy), making it an attractive role-model for many developing economies globally. Drawing upon its roots and aversion to Western economic development models, China firmly describes itself as "one of us" in regards to its relationships with the Global South, in the face of a world increasingly disillusioned with the US-led liberal democratic order.

This idea of solidarity has translated into the Belt and Road Initiative, in which China has funded just over USD \$1 trillion of development infrastructure internationally since 2014,¹⁰⁵ in the most ambitious infrastructure project of all time. BRI was described by China as an opportunity to help better integrate and connect smaller, less economically developed countries into the international economy. BRI has allowed developing countries to build and expand their economic and industrial capabilities by providing them the necessary finance and infrastructure they could not access elsewhere. China's generous financing across such a broad range of regions and projects has helped it to develop a more benevolent image, particularly as some countries receiving funding through BRI have exhausted other development financing options

¹⁰⁵ NEDOPIL, Christoph. 2024. "China Belt and Road Initiative (BRI) Investment Report 2023 – Green Finance & Development Center." Green Finance & Development Center. <https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2023/>.

within the international community, such as the IMF and the World Bank. BRI also positions China firmly as a leader on the global stage, as it displays not only China's sheer economic strength, technology and organisational skills, but also its political will and leadership capabilities.

However, there are growing concerns over the risk of coercive behaviour from China towards developing countries through its BRI investments as a geoeconomic tool, which have enabled it to become the world's largest creditor. Predatory foreign policy tools like debt-trap diplomacy have flagged as concerns for many BRI recipients. Whilst Chinese development loans come with less political strings attached than loans from the IMF or World Bank, there are strings nonetheless. Over the course of BRI there has been a significant shift away from financing projects through financial aid or concessional loans towards commercial loans from Chinese policy banks; with high interest rates and a growing use of the Chinese Renminbi over US dollars. In more extreme cases, ownership rights to the new infrastructure and a state's natural resources are potentially on the table as collateral. These are just some of the factors identified potentially as debt-trap diplomacy, amongst other predatory geoeconomic tools. There are also concerns in the West over China's long-term intentions behind the BRI. The majority of infrastructure developed under BRI, like ports and roads, could potentially be repurposed for military use due to the improvements to transport routes (although there is debate and criticisms around the likelihood of this). However, China receiving the 99-year lease on the Hambantota port from Sri Lanka after it defaulted on its loan repayments indicates that reclaiming ownership of the newly built infrastructure by China is an option the CCP is willing to entertain.

BRI has allowed China to expand and exert its economic influence in a manner which rivals the US, not just through its demonstration of leadership and material capabilities through

funding so many development projects, but also through the possibility of internationalizing China's currency, the renminbi. As part of a long-term strategic goal through geoeconomics, internationalizing the renminbi through allowing countries to use it as a currency alternative to the US dollar to make BRI loan repayments would increase China's economic presence and influence over a wider distance, as the currency would be introduced into circulation to international developing markets. It would also enmesh China further into the global economy, potentially providing a buffer for its geoeconomic influence should its economic strength stall in the future. At the same time however, due to China's current strict control over access to renminbi, this could be leveraged in the future to exert greater influence over BRI loan recipients, as it would deepen the economic bonds and power imbalances between them.

The BRI is a crucial example of how global politics and economics have become even more intertwined, raising the case for geoeconomics as an emergent framework and field within realism in international relations. In the post-pandemic world, understanding how deeply connected geopolitics and economics are has never been more important, particularly how states can leverage economics in both traditional and non-traditional means to achieve their long-term, strategic geopolitical goals. Whilst the limitations of this capstone project mean it cannot fully explore the scale and range of geoeconomic features in the BRI, by examining two of these features and their application (the BRI project itself and its implementation, and the potential internationalization of the Chinese renminbi through BRI and BRICS+), several implications can be inferred.

Firstly, China has been able to utilize its geoeconomic abilities and its sheer economic strength to withstand the political and economic impacts of the global recession caused by the 2020 Covid-19 Pandemic. Whilst some states initially held China responsible for the pandemic

(most vocally the US under the first Donal Trump administration), China's image within the international system has generally recovered, with Chinese geoeconomic approaches to foreign policy pushing China out further into the international community during a time of instability and uncertainty. In doing so, China has been able to portray itself as a new leader to the world, able to remain calm and endure during times of crisis, whilst continuing to support smaller, less developed countries through difficult times, under the BRI and China's role in the BRICS+ bloc.

Secondly, whilst China's approach and use towards geoeconomics through the BRI pre-dates the pandemic, BRI has helped set the stage for China's economic and political influence internationally in the changing post-pandemic world order. Over a decade on from BRI first being announced, China has been able to use it to establish new relationships, infrastructure access, and borrowers internationally. In 2025 it's no longer surprising for China to flex its geoeconomic muscles; it is now expected. In a post-pandemic world with an increasingly unstable world order, BRI has built some legitimacy to China's assertions of its leadership capabilities. It has also normalized China having a well established international presence, particularly in areas with weaker relationships with the US and the West. This international presence could be leveraged in the future to help China achieve its strategic and geoeconomic goals, including possibly military means.

Overall, only time will tell whether China will be successful in asserting itself as a global leader under a post-pandemic world order. Whilst the US-led current order is in decline, it is still not over. The United States is still the world's largest economy, largest military, and has the most widely used currency for foreign trade and foreign reserve currency worldwide. Despite the second Trump administration's isolationist approaches to foreign policy, the US still has the influence and capabilities to assert itself internationally, in a way China is currently unable to

match. Similarly, China's geoeconomic power is rooted in its economic strength; if the Chinese economy stops growing or domestic political issues arise, China's influence internationally over smaller BRI states could weaken. Domestic political issues and changes could also impact how China exercises geoeconomics, as President Xi Jinping's successor could take China's foreign policy in a different direction. The role and evolution of geoeconomics as a framework and subsection in international relations also remains to be seen, as there is still debate and contestation over its degree of separation from economic power. The futures of China and geoeconomics are tightly connected, as the world after the pandemic demands new tools, new power, and new leaders to move forwards. Let's see if both China and geoeconomics are up to the challenge.

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