

**ISTANBUL TECHNICAL UNIVERSITY ★ GRADUATE SCHOOL OF ARTS AND
SOCIAL SCIENCES**

**CHINA’S “BELT AND ROAD INITIATIVE”
AND ITS POSSIBLE OUTCOMES ON GLOBAL POLITICS
FROM A NEO-GRAMSCIAN PERSPECTIVE**

M.A. THESIS

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Department of Political Studies

Political Studies M.A. Programme

JUNE 2019

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**ÇİN’İN “KUŞAK VE YOL PROJESİ”
VE KÜRESEL SİYASET ÜZERİNE ETKİLERİ ÜZERİNE
NEO-GRAMSCI PERSPEKTİFTEN BİR İNCELEME**

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To my beloved spouse Tuğba Öntaş Kiracı

FOREWORD

As a logistics professional, I witness the importance of “Belt and Road Initiative” of China in global business closely. Recently, it became a hot topic in global news and it will continue to be a significant topic in global political agenda. In this thesis, I tried to contribute academia with my opinions about its significance by explaining its political consequences and its potential impacts on global politics through a Neo-Gramscian perspective.

I would like to thank to my thesis advisor Dr. Emine Aslı Çalkıvık for all the valuable and continuous guidance she provided throughout my study. I would like to thank to my family for their constant support. Finally, I would like to thank to my spouse Tuğba Öntaş Kiracı for enlightening my life.

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İsmail KİRACI

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ABBREVIATIONS

AIIB	: Asian Infrastructure Development Bank
APEC	: Asia Pacific Economic Cooperation
BRI	: Belt and Road Initiative
CICA	: Conference on Interaction and Confidence-Building Measures in Asia
DOI	: Direct Overseas Investments
GDP	: Gross Domestic Product
HST	: Hegemonic Stability Theory
OBOR	: One Belt One Road
SCO	: Shanghai Cooperation Organisation
SOE	: State Owned Enterprise
THAAD	: Terminal High Altitude Area Defense
US	: United States of America
USSR	: Union of Soviet Socialist Republics

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**CHINA’S “BELT AND ROAD INITIATIVE” AND ITS POSSIBLE
OUTCOMES ON GLOBAL POLITICS FROM A NEO-GRAMSCIAN
PERSPECTIVE**

SUMMARY

This master’s thesis is about China’s “Belt and Road Initiative”. More precisely, it tries to explain its political significance through a perspective of Neo-Gramscian approach. China has shown a significant economic rise in the last decade. It expanded its military might and political influence over its neighbours. The global political leadership of the U.S. is in decline. This led political thinkers to question whether China can become the next global hegemon. In this context, China began a new project called “Belt and Road Initiative”, which is a group of infrastructure projects that will connect China to Europe with new landroads, maritime ports, railroads, powered by new powerplants. There is a divide among scholars about the possible outcomes of BRI. Some claim that it is a project that will increase China’s influence over the states in the region. Others claim that it is a project that will consume China’s money and devastate its economic power. There is little systematic and theoretically informed analysis on this case. Realist and Liberal views in International Relations theories fail to fully grasp all dimensions and possible outcomes of BRI. In this regard, my thesis is that Neo-Gramscian theory is the most capable IR theory in order to explain BRI case. The method of study contains a literature review on secondary sources of the theoretical dimension of hegemony and a case study over Belt and Road Initiative.

ÇİN’İN “KUŞAK VE YOL PROJESİ” VE KÜRESEL SİYASET ÜZERİNE ETKİLERİ ÜZERİNE NEO-GRAMSCI PERSPEKTİFTEN BİR İNCELEME

ÖZET

Bu yüksek lisans tezi, Çin’in “Kuşak ve Yol Projesi” ile ilgilidir. Daha spesifik olmak gerekirse, bu projenin uluslararası siyaset üzerinde yaratacağı olası etkiler, Neo-Gramsci’ci bir yaklaşımla değerlendirilmektedir. Son on yılda Çin hızlı bir ekonomik yükseliş göstermiştir. Askeri gücünü ve komşuları üzerindeki siyasi etki kapasitesini arttırmıştır. Bununla eş zamanlı olarak, Amerika Birleşik Devletleri’nin uluslararası siyaset üzerindeki liderlik gücü zayıflamıştır. Bu durum siyaset düşünürlerini Çin’in uluslararası siyasette yeni lider olup olamayacağını tartışmaya itmiştir. Bu kapsamda, Çin “Kuşak ve Yol Projesi” adı altında bir dizi altyapı projesi başlatarak uzun vadede Çin’i Avrupa’ya bağlamak üzere yeni yollar, limanlar, demiryolları, elektrik santralleri inşa etmeye başlamıştır. Bu projenin olası sonuçları hakkında düşünürler ikiye ayrılmıştır. Bir grup bu projenin Çin’in bölgedeki devletler üzerindeki etkisini arttıracaklarını savunurken, diğer gruptakiler ise bu projenin Çin için çok maliyetli olacağını, siyasi açıdan birçok problemle karşılaşacağını ve güç kaybına uğratacağını savunmaktadır. Bu konuyla ilgili bugüne kadar sistemi ve teorik temelli bir yaklaşım bulunmamaktadır. Uluslararası ilişkiler teorileri arasında en yaygın kabul gören Realizm ve Liberalizm teorileri, Kuşak ve Yol Projesi’nin tüm boyutlarını ve olası sonuçlarını açıklamakta yetersiz kalmaktadır. Bu tezin ana iddiası, Neo-Gramsci yaklaşımının Kuşak ve Yol Projesi’nin açıklamakta en yetkin teori olduğudur. Tezin yazım aşamasında literatür taraması ve bir vaka olarak Kuşak ve Yol Projesi’nin incelenmesi gerçekleştirilmiştir.

1. INTRODUCTION

In September 2013, Chinese President Xi Jinping announced that China would start investing in a group of infrastructure projects which contain road construction, port building and infrastructure projects along the historic Silk Road with a planned route starting from China and ending in London. The project is named as “Belt and Road Initiative” (BRI) and will be financed by two giant funds specifically established for this purpose. With this project China aims to lower logistics costs of its trade towards Central Asia and Europe, and enable smoother sea routes by increasing number of ports in India, Middle East and Mediterranean Sea. By 2018, China had signed bilateral agreements with almost 60 states in order to ensure this project’s investments. Considering the importance of trade in global politics, it is expected that this project will have tremendous political implications. Also, existence of such a route passing through so many states may have many implications on global politics.

China has shown a significant improvement in the first decade of the 21st century. In December 2001, it became a member of World Trade Organisation. With this membership, it began to open its trade to world and increased its global trade. With the increased production, its revenues and GDP increased. After 2012, its economy showed the signals of a slowdown. Its overcapacity has reached to a point where it could no longer be sustained by its governmental subventions. BRI might thus be regarded as a project which is aimed to increase its sales towards Europe and decrease its overproduction by minimizing its logistics costs.

In the recent global political literature, there is a debate in international politics that says the U.S. power and its global domination is in decline, and it is generally named as “The Decline Debate”. Many problems the U.S. has been facing led political thinkers to question the actual power it has. The scholars of international politics are divided into two groups about this debate, one group accepts the decline, other one denies it. The failed military campaigns of the U.S. in Vietnam, Afghanistan and Iraq led political analysts to believe that the might of the U.S. is over. However, with the

biggest economy and the most technologically advanced army, the U.S. still controls the global political agenda.

The Decline Debate has brought about a search for the next super power of global politics. In this regard, China is one of the candidates. China is currently the second economic power and with the financial power it has acquired, it has started to increase its political influence. Within the expansion of China's political influence, BRI might play a crucial role in the shape of global politics. Building a land and maritime route to Europe may help China increase its global trade and expand its economy further than its current level. Additionally, BRI might act as a unifying role among the states it passes through. Almost 60 states will be connected with BRI projects and this might bring China to a position where it sets the economic agenda. As the position of global political leadership is vacant, China may use BRI on its advantage and reap political power. Therefore, BRI needs to be considered as a major political event that will shape the 21st century political agenda.

Another reason why BRI is important in global politics is that BRI can pose a threat for the U.S. and Russia in their pursuit for global political leadership. China's trade routes will also bring Chinese ideas and leadership to the states on BRI route. Therefore, the U.S. and Russia may face to lose their dominance over those states. Such a threat on their power might increase their hostility towards China.

Due to those reasons; BRI is of utmost political importance, it needs to be taken into close consideration, and its political consequences must be carefully calculated. Although there are many news articles about BRI in media published daily, academic literature on this project is limited. Additionally, BRI is the biggest infrastructure project held by one government in history. It can only be compared in size with the construction of the Great Wall of China, which was another Chinese mega-project.

This masters thesis study tries to investigate BRI through the perspective of hegemony. More precisely, it will try to comprehend the nexus between BRI and China's hegemonic aims. The global political power structure is undergoing a transformation due to the decline of the U.S. power and BRI might play a crucial role for China in its global political agenda. Theoretical literature on hegemony provides us with the suitable framework to understand the empirical dimension of BRI and the political goals of China. Therefore, this masters study tries to interpret the empirical case of

BRI as an example of hegemonic influence, by evaluation the advantages and disadvantages that will be obtained in the end. The case has not been analysed in a systematically or theoretically informed way. The most popular International Relations theories, Realism and Liberalism fail to explain BRI case in full detail. Additionally, concept of hegemony is better explained in Neo-Gramscian theory. Therefore, my thesis is that Neo-Gramscian perspective is the most suitable IR theory in order to explain and understand BRI.

There are many states over the route of BRI, each having their own political agenda. Russia has a political dominance over Central Asian states, which means that China's success is linked to its relations with Russia. Additionally, China's economy is in a slowdown and it might not support such a big scale project. On the other hand, China is the biggest economy after the U.S. and it has the potential to be the biggest creditor of the global economy. It can transform its financial power into military power and become the biggest military power in the region.

A Realist approach would focus on the military power of China and its capacity to place its dominance over other states in military terms. However, BRI is a trade project and it will impact the economies of the states over its route. Therefore, a Realist approach would be incomplete in explaining BRI in full detail.

A Liberal approach would still accept the importance of military power, but it would also take into account the power of institutions and the network of relations. It would also try to emphasize the importance of soft power elements in establishing hegemony. However, it would still fall short in explaining how a state can influence elites in other states in order to persuade them to its hegemony, use *consent* and *coercion* as a tool to place its hegemony over them.

A Neo-Gramscian approach, which is a sub-class of Marxism, would try to explain BRI through economic terms. It would try to show how it would transform means of production and relations of production. It would include an analysis of how *elites* of other states would be used to persuade their masses in order to submit to its hegemony. It would use *consent* and *coercion* as main tools of establishing hegemony. This would be a much broader and inclusive approach than Realist and Liberal explanations.

In political theory, the case of one state's exercise of power over other states is studied under the topic of "hegemony". BRI gives China the chance to impose its power over

other states. Therefore, we chose to inspect and observe BRI through the perspective of hegemony. Hegemony has been studied in numerous political theories so far. In order to find the most suitable approach towards hegemony, we reviewed Realist, Liberal, Neo-Gramscian approaches. Realist literature in hegemony studies focused on the power relations and sees hegemony as a total domination over others. A hegemon is needed to establish political order. It is not possible to maintain order without a hegemon. Liberal view of hegemony, on the other hand, claims that cooperation is also possible, political structure did not need one single hegemon to establish order. Common interests may help states to promote order in the absence of a hegemon. Gramscian and Neo-Gramscian views suggested that hegemon establishes the rules for the global political arena by creating consent in the political elite classes of other states. If consent can not be achieved, then the hegemon applies its force for coercion and pushes the ruling classes to obey its dominance. Hegemon determines the rules of trade, cultural and political codes.

Neo-Gramscian theory also takes into consideration the class orientations, conflicts and forces that moves classes. Additionally, it includes economics and trade and their influence over politics more clearly. Since BRI is both an economic and political infrastructure project, we decided to employ a Neo-Gramscian approach to hegemony in explaining the political implications of BRI.

The methodology employed in this study will include secondary literature review on academic studies on BRI. Majority of the publications on BRI are at journalistic level. A systematic and theoretically informed analysis of BRI case is not available in the current literature. Since it is a very recent project, empirical data and findings will be limited. On the other hand, there is a wide literature in hegemonic studies which will be investigated deeply.

The current political context is troublesome for China. In the global level, China has conflict issues with the US, such as trade barriers and tariffs. Golley & Ingle (2018) argue that even though China tries to increase its cooperation capabilities through BRI, the U.S. is pushing China towards corner by imposing trade barriers and tariff cuts. Therefore, they claim that BRI might prove ineffective or even dangerous for China in terms of global politics. They also mention that China's close relations with North Korea make it look as a supporter of an oppressive regime.

In the regional level of politics, China has historic conflicts with Japan, border issues with India and sovereignty problems with Taiwan. The region is politically dominated by Russia. Therefore, China has to think twice when taking a step that affects regional politics. BRI will also be prone to political conflicts of the states that it passes through. This makes the project very susceptible to global politics.

China established two funds in order to finance the projects under BRI, and they look quite similar to Bretton Woods organisations such as World Bank and IMF. David Murphy (2016) claims that although they look similar, there are some fundamental differences. First is that although those Chinese institutions will give loans to BRI states, they will not interfere with the domestic policies of those states like World Bank and IMF does. Second, he argues, Chinese institutions do not care whether the states they lend have a strong financial status or not. They do not focus on a state's capability to pay back. This makes Chinese institutions more favorable over World Bank and IMF.

However, this lavishness of Chinese institutions which were founded to finance BRI may end at some point. David Dollar (2016) suggests that even Chinese people do not worry about those spendings (due to the fact that China creates the biggest trade surplus in the world), at some point they will begin to get disturbed because of this spending to poor states with low possibility to pay back. Even today, China has failed on some loans it provided. In Democratic Republic of Congo, China lost USD 6 billion as sunk loan. In Angola, it lost USD 10 billion. Similar losses will increase and will upset Chinese people, therefore it is not sustainable. The best solution, according to David Dollar, is that they must sign bilateral trade agreements and enter to profitable trade sectors in order to balance expected losses.

The biggest positive impact of the BRI will be on Chinese economy. Brodsgaard and Rutten (2017) argue that Chinese economy is undergoing a period of overcapacity problem. He reports that in 2014 China had an overcapacity of steel which is larger than the combined steel outputs of Japan, India, the US and Russia. China used more cement between 2011-2013 than the US used in the entire 20th century. The Chinese government tries to reduce this overcapacity and BRI can be useful in consuming this overproduction. China has to sell its overproduction in order to sustain its economy.

China makes constant propaganda on the benefits of BRI on the states over its routes. It uses media channels and documentaries in order to persuade elites in those states that BRI would bring prosperity and welfare to those states. From a Neo-Gramscian perspective, those are efforts of creating *consent* among the masses in those states. China also expand its army and navy with under the argument of defending BRI route. They now have two aircraft carriers which would bring its military presence further. Those activities might be regarded as tools of *coercion* in order to place its hegemony over other states.

BRI may enable China to increase its cooperative attitude in regional politics. Shanghai Cooperation Organisation (SCO) is an example in this respect. Pan Guang (2015) claims that SCO proved effective in resolving border issues between Russia and China, and in fighting international terrorism by creating a platform of cooperation. It acted as a platform for solving problems by negotiations. BRI can produce a similar platform for regional cooperation and negotiation.

BRI is seen as a revival of historic Silk Road and it is not the first effort to revive it. Japan and South Korea tried it before. Silk Road is a regional social construct which symbolizes interstate cooperation (Dadabaev, 2018). China is trying to use Silk Road concept to increase its influence in the region. After the collapse of the USSR, China focused on keeping its integrity. BRI will benefit all Central Asian states. It will also improve technological know-how share (Dadabaev, 2018).

On the other hand, there are some concerns about the capacity of BRI to support China's economic position. Du & Zhang (2018) claim that state owned enterprises (SOEs) work inefficiently. They increased their portfolio in infrastructure industry in Central Asia and they are bound to be inefficient. This will cause China to lose capital in its investments in the scope of BRI. Non-SOE Chinese enterprises are observed to invest in non-infrastructure mergers and acquisitions. But the SOE investments are much larger than non-SOEs.

Another disadvantage BRI brings is studied by Huang (2016) who argues that although BRI is a way to increase economic growth through cooperation with other states and increase its influence in the region, it also contains many uncertainties. The growth rate of China is slowing, many labor-intensive jobs are leaving China and go to cheaper states. There is no central control mechanism, there may arise conflicts between BRI

states, and China's dumping its excess production into BRI states might change market balances (Huang, 2016, p. 320). Similarly, Fan Zhai (2018) argues that there are many challenges that China has to face with BRI. There is a lack of a cohesive and legal institutional and legal environment, there are high political risks along BRI route, there is a shortage of highly qualified personnel in Chinese corporations, and a massive financial requirement to undertake the project.

The risks exist not only for China, but also for the BRI states. Cheng (2016) mentions the possibility that Western states might lose their markets in BRI states and consequently might get hostile with states which are friendly with China. Most of the states on the BRI route had previously been supported by the US and if they start cooperating with China this may end up as a political security crisis for those states. In such a case, China would not have sufficient military capacity to protect those states.

Another risk for China in BRI is the political challenges it will face. Xing Guangcheng (2015) claims that China is not a major power in Asian region and it will face the dominance of Russia. Furthermore, he claims that in any attempt to increase its cooperation with other states in the region, China will have to get the consent of Russia. He reports that none of the regional states list China as their major partner and this will also harden China's prospect of increasing its dominance in the region.

In conclusion, it can be seen that BRI may bring both advantages and disadvantages to China. In theoretical dimension, I conclude that Realism and Liberalism fail to cover the BRI case in full details, and Neo-Gramscian theory would be a better perspective in understanding and explaining BRI. In the case analysis, this study will try to show how Neo-Gramscian elements can be found in BRI.

China will have to face difficulties in implementing BRI in economic, political and security aspects. The power of the U.S. may be in decline but it is not completely finished, the U.S. is still the most powerful state in the world. Additionally, Russia is still an important actor in Asia region. China can not have the freedom to impose its power over BRI states without the cooperation of Russia. Also the financial burden of BRI is huge and China's slowed down economy or ineffective management style might not be able to undertake such a financial responsibility. Therefore, BRI will most likely be useless in China's efforts to increase its dominance in the region. In other words, BRI may not turn out to be as effective as it is planned by China to be. Having said

that, we must bear in mind that any guesses or predictions about the possible contributions of BRI to China will be purely speculative in this stage. Any predictions will be carefully avoided, and the scope of the thesis will be confined within available empirical studies.

The outline for this thesis study will begin with analyzing theoretical approaches on how political influence of a state can be increased, where we will investigate theoretical views on “hegemony”. At this part we will observe Realist, Liberal and Gramscian/Neo-Gramscian approaches to hegemony. After that, the decline debate on the U.S. power and China’s role in this scene will be analysed. It is an important issue in order to understand the current global politics. Next, China’s economic, political and military status will be investigated in order to understand its current actual position. We need to see the current status of China’s economic, political and military status in order to evaluate its real power and its weaknesses. Finally, a comprehensive analysis of BRI and its advantages and disadvantages will be evaluated, and we will cover economic, political and military implications, and discuss what possible impacts can BRI have on each aspect.

2. THEORETICAL PERSPECTIVES ON HEGEMONY

2.1 Realism

Realism is a major school of thought under Political Sciences and International Relations. It is based on the assumptions that states are the main actors in international politics, they are always worried about their security, they are self-interested benefit maximizers, survival is the most important motive and power is the ultimate element which defines the position of states in the world politics.

Realist scholars assume hegemony as a Greek word which means “the leadership of one state over other states” (Gilpin, 1981, p. 116). A hegemon state provides the international system with “collective goods” such as security, organization and framework for economic relations (Russett, 1985, p. 214). Duncan Snidal quoted from Charles P. Kindleberger¹ who defines a hegemon as a “benevolent despot” which maintains the international political system with certain institutional public goods and is vital for the existence of free trade (Snidal, 1985, p. 580). It is a state that dominates the world politics. The hegemon state establishes the international system with institutions and determines their methods of working. It has the capability to lead the economic, political and cultural agenda of the globe.

Robert Gilpin (1981) explains how a hegemon emerges and demonstrates that growth is the key factor. Growth can be sourced from territorial conquest or economic expansion². During the expansion, the hegemon dominates the political system, it decides the rules of trade, it mediates among other state about their conflicts. When the state is in the beginning phase of its growth, it can dominate the international political system and establish a hegemony over it. The growth enables the state to generate wealth and improve its military power. Gilpin exemplifies this with Great

¹ Charles Kindleberger, *The World in Depression, 1929-1939* (Berkeley: University of California Press, 1974)

² Gilpin explains that historically there had been three types of governance methods: (a) Feudal, Tribal (b) Empires and (c) Nation States. Nation States solved the problem of cost of governance that empires had by a stable tax base. Empires also had a problem of not enlisting sufficient amount of soldiers among its subjects, a problem which Nation States solved.

Britain's gains after the Industrial Revolution. Great Britain generated a surplus of wealth and managed to improve its navy so that it became the naval super power in 19th century. Another achievement of Great Britain has been to maintain its hegemony by keeping certain strategic locations³ in hand and dominating the world trade with a relatively small number of ships (Gilpin, 1981, p. 136). Similarly, the US used its growth in order to improve its military power; having invented the atomic bomb, it became the biggest military power in the world and enabled the US to maintain economic and political control over 80% of global trade (Russett, 1985, p. 213).

At some point, however, the cost of governance becomes too expensive and the hegemon state faces difficulties in governance of the lands it appropriated. The marginal cost of expansion becomes higher than the marginal benefit of the expansion. Gilpin symbolizes this situation with an S-curve (or a logistics curve), where the benefits of growth through conquest or economic expansion is high at first, but gradually declines as the state grows up to a certain level which is called "equilibrium" and the expansion stops. At the equilibrium phase, the state reaches its growth limits, it becomes more expensive to grow and maintain both domestic and international affairs. At this point, Gilpin (1981, p. 188) claims, the state must either reduce the costs of its overseas commitments, or increase its efficiency of resource usage. As an example, when Great Britain's decline started, it first tried to resolve its conflicts overseas and settled most of its disputes with Venezuela, America, Japan and France; similarly, it tried to increase its resources by increasing tax rates but this policy was faced with resistance from public and could not succeed (Gilpin, 1981, p. 196).

If the hegemon state can not manage to continue its growth, its global dominance is challenged by rival states. When a rival states fights with the hegemon state and wins, the rival state becomes the new hegemon. "Hegemonic war" differs from other ordinary wars, such that (1) there must be a direct challenge between the dominant and the rival states, (2) the conflict does not emerge from a limited topic but from a challenge to the system, and (3) it is an all-in, long and intense war (Gilpin, 1981, p. 199). The rival state does not necessarily be bigger than the hegemon in economic terms or land size, but it must be militarily stronger. The rival state becomes the new

³ Gilpin quotes Admiral Lord Fisher lists strategic control points of Great Britain, the "five keys" which lock up the world" as Gibraltar, Dover, Singapore, Cape of Good Hope and Alexandria.

hegemon and starts its own growth. A new international order is established by the new hegemon. This may not happen in short time; Roman Empire was collapsed by the barbarians but then came the chaotic Dark Ages, similarly Pax Britannica was not immediately followed Pax Americana but with a 20-year gap with a lack of dominance (Gilpin, 1981, p. 198). Gilpin (1981, p. 205) quotes George Modelski⁴ who claims that history is made up of “long cycles of global politics” where every cycle begins and ends with a war among a hegemon and its rival. Modelski claims that each cycle is approximately 100 years long and the previous cycles were dominated by Portugal, Netherlands, Great Britain and the US. However, Gilpin criticizes this argument due to its lack of ability to bring a detailed mechanism which explains why it happens that way.

The international system that hegemon creates brings benefits to the hegemon and the other states. The institutions and rules of conduct devised by the hegemon determine the way the states interact and do business. Trade is one of the major areas that the hegemon controls. Keeping major trade posts and routes brings significant economic advantage to the hegemon. Byzantine Empire, for example, lived 1000 years more after the collapse of the Roman Empire thanks to the advantage it gained from keeping main trade posts and trade routes in Asia in hand (Gilpin, 1981, p. 113). Hegemon maintains the system so that trade functions exist in concert with its benefits. Stephen Krasner⁵ is quoted to say that openness to global trade will increase stability and political power in small states more than it does in large states (Lake, 1993, p. 470). However, who benefits more from the system depends on the way a hegemon exercises its power.

The way a hegemon exercises its domination over the international system might vary and it is difficult to make a general claim (Snidal, 1985, p. 614). Its approach might be “benevolent” or “coercive”. David A. Lake (1993, p. 467) describes that a benevolent hegemon maintains the international system by its own, or at least undertakes most of the burden to maintain it, and consequently receives less benefits from the system; while a coercive hegemon forces other smaller states to maintain the international

⁴ Modelski, G (1978). The Long Cycle of Global Politics and the Nation-State. *Comparative Studies in Society and History* 20 (1978):214-35.

⁵ Krasner, S. D. (1976) State Power and the Structure of International Trade. *World Politics* 28:317-347.

system and even make them to undertake all the burden. Although both benevolent and coercive approaches require an interest of the hegemon in establishing an international system and a capability to make it; benevolent approach focuses more on interests, whereas coercive approach focuses on capability of the hegemon whether or not it can dominate other states (Snidal, 1985, p. 589). Bruce Russett (1985, p. 228) claims that the US hegemony is established not by the threat or exercise of violence, but political and economic coercion. It forced states to cancel their nationalizations of businesses and open their markets for American corporatism, which resulted in the U.S. hegemony being more costly for Third World states than it is to the U.S. (Russett, 1985, p. 216). From a Realist perspective, it might be reasonable to think that when it is possible to use power and be coercive, being benevolent would be meaningless. Accordingly, Duncan Snidal (1985, p. 588) writes “only weakness will constrain a despot to act benevolently”.

Realist thinkers questioned the role of the hegemon plays in the international politics. Russett (1985, p. 214) explains that hegemon produces “collective goods” for the international system for itself and other states such as security, organisation and framework for economic relations. Similarly, Snidal (1985, p. 581) claims that the hegemon's major role is to provide the international system with public goods, where the benefits a hegemon receives from maintaining the system is greater than the cost of maintenance it undertakes. Snidal suggest that even the establishment of an international regime is a major public good. Snidal quotes (1985, p. 587) from Gilpin⁶ saying that the international system the hegemon establishes is a public good, and the hegemon state is the one which establishes the order and taxes other states for using this system.

The biggest role of a hegemon in the system is discussed by the Realist scholars as bringing stability to the international system, which is discussed under Hegemonic Stability Theory (HST). The theory claims that a hegemon is necessary to bring stability to the international political system. Snidal (1985, p. 579) reports that “HST ... claims that the presence of a single, strongly dominant actor in international politics leads to collectively desirable outcomes for all states in the international system. Conversely, the absence of a hegemon is associated with disorder in the world system

⁶ Gilpin, R. (1981). *War and Change in World Politics*. New York: Cambridge University Press.

and undesirable outcomes for individual states". Lake (1993, p. 462) quotes from Charles P. Kindleberger⁷ who claims that states always try to maximize their benefits, and a single leader is necessary for the provision of international stability because of the "free rider" problem⁸. Snidal (1985, p. 580) also quotes from the same source and reports Kindleberger's view that in order to establish an international system of free trade, a "benevolent despot" is required to maintain this system. Same view also claims that two strong states can not cooperate without being enforced by a hegemon because their own interests will not let them do so.

Lake (1993) describes HST as a combination of Leadership Theory and Hegemony Theory. He details this account as follows:

Leadership theory is based upon the theory of public goods and seeks to explain the provision of international stability, reconceptualized below as the production of an international economic infrastructure. Hegemony theory focuses on the different structurally derived trade policy preferences of states and attempts to explain international economic openness, defined as the sum of the free trade and protectionist elements in the foreign economic policies of, at least, the largest states within the system. (Lake, 1993, p. 461)

Lake (1993, p. 482) criticizes Hegemony Theory for not giving sufficient explanation for the possibility of "regional hegemonies", while it is possible for some regional states to assume the hegemony of one state or a group of states in their region.

Although HST has many supporters among Realist thinkers, it also has some critics. HST received the biggest hit from the argument that claims "small exploits the large" (Snidal, 1985, p. 581). This view suggests that small states benefit from the international system more than the hegemon itself does. Snidal (1985, p. 598) reports that Thomas Schelling⁹ have studied HST with mathematical models and has reached some interesting conclusions. According to this study, one single hegemon is not necessary for the international system to continue. The roles that are met by the single hegemon might be accomplished by a group of states, as well. This view conflicts with

⁷ Kindleberger, C. P. (1973) *The World in Depression, 1929-1939*. Berkeley and Los Angeles: University of California Press

⁸ "Free rider" problem means that there are states in hegemon's system that do not contribute to the burdens and do not share the load of the costs, but still benefit from the system that hegemon maintains.

⁹ Thomas Schelling, *Micromotives and Macrobehavior* (New York: Norton, 1978).

the earlier view that suggested one single hegemon was required. The study also shows that when the hegemon declines the system might still live because of the benefits it provides to other states. In other words, the international system that hegemon creates might outlive the hegemon. Another critical approach towards HST claims that it needs a better measurement method in the theory for measuring the decline of the hegemon and stability of the system needs to be measured more clearly (Russett, 1985, p. 213). Finally, HST is criticized for failing to explain how the decline in hegemon's power will be explained (Snidal, 1985, p. 585).

As can be understood from the accounts explained above, Realists view hegemony from different perspectives. Although there is a shared belief that a hegemon brings stability to the international system, there are different views in the topics of the necessity of a hegemon, who benefits more, how a hegemon should behave, and the focus should be structure or openness. Some scholars focus on the international structure the hegemon creates, others focus on the possibilities of free trade and openness the hegemon brings to small states. However, Realists still view the states as the central actors in an anarchical system and retain their pessimism about the world politics under hegemony.

In BRI case, the military power is important, but the BRI project is a trade project. It aims to lower the transport costs and increase China's trade profits. Although Realism investigates hegemony, it focuses on the military power and neglects other dimensions. Therefore, a Realist explanation would fail to grasp the economic dimension of BRI. Additionally, it would fail to explain the importance of institutions in the relations among states. Finally, cooperation possibilities among states in the region would be neglected in such a perspective. These elements would make Realism as a limited theory in explaining BRI case.

2.2 Liberalism

Liberalism is another major school of thought in International Politics. It especially grew as a major field during the inter-war period by the works of idealists who believed that warfare was not necessarily the only way to settle disputes between states. They value cooperation and believe that institutions can play a central role in maintaining peace. Liberals, similar to Realists, accept that the world political system is anarchical, but they "seek to project values of order, liberty justice and toleration into international

relations”, they think that cooperation may decrease the uncertainties in the system, they believe that rising interconnectedness among states and the institutions within them will increase the possibility of peace among states (Dunne, 2014, p. 115). Robert Keohane quotes from Mitrany¹⁰ saying that Liberals “see cooperation as essential in a world of economic interdependence”, and “argue that shared economic interests create a demand for international institutions and rules” (Keohane, 1984, p. 7). Liberals see institutions as not just buildings but as (cited from Young¹¹) “recognized patterns of practice around which expectations converge” (Keohane, 1984, p. 8). Liberal approach to political interaction is based on the network of relations, not just at the state level, but also among institutions, interest groups, transnational organisations and international non-governmental organisations. It views the world politics as a network of relations which creates an order of accepted norms and rules, called a “regime”. Stephen Krasner (1982) defines a “regime” as “sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge in a given area of international relations”. He also quotes the definition of Keohane & Nye¹² as “‘sets of governing arrangements’ that include ‘networks of rules, norms, and procedures that regularize behavior and control its effects’”. On the other hand, this conceptualisation of “regime” receives some critiques, such as Susan Strange (1982) who claims that this conceptualisation of regimes prevents scholars from seeing the basic economic and power relationships.

Liberals view hegemony as slightly different from Realists. While most Realists view a hegemon as the creator and the provisioner of the international regime, Liberals view that a hegemon is not as essential as it is claimed to be. They view that although a hegemon is required in the establishment of an international regime, it is not an essential part of the continuation of it. In other words, once an international regime is established, a hegemon is not necessary; international order which the hegemon created might outlive the hegemon and post-hegemonic cooperation is possible (Keohane, 1984, p. 32). Although states are of egoist nature and monitor each other’s

¹⁰ Mitrany, David, 1975. *The Functional Theory of Politics* (London: St. Martin's Press for the London School of Economics and Political Science).

¹¹ Young, Oran R., 1980. International Regimes: Problems of Concept Formation. *World Politics*, vol. 32, no. 3 (April), pp. 331-56.

¹² Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* (Boston: Little, Brown, 1977), p. 19

actions, given that sufficient number of rival states find it beneficial to cooperate, then they might behave so that they decrease the discord and establish international norms, rules, procedures (p. 84).

Although the Hegemonic Stability Theory (HST) is cherished by most Realist thinkers, it receives criticism from Liberals. Keohane (1984, p. 38) claims that a central state is not enough to create a stable international order where cooperation can exist; therefore, he argues that HST is not sufficient to explain the real mechanisms of hegemony. He claims that HST failed to provide “an adequate explanation of the evolution of postwar international economic regimes” (p. 214). He admits that a powerful state may contribute to order in world politics but it is not sufficient (p. 46). He claims that “[m]ore cooperation has persisted than the theory of hegemonic stability would have predicted” (p. 215). Thus, it can be claimed that while Realists believe a central hegemon is crucial in a world order, Liberals believe that this is not the case.

While Realists believe that the major tool for establishing hegemonic dominance over other states is material force such as military power, Liberals believe that non-material forces are also important. In Liberal literature, ways of establishing hegemony over other states include non-material forces, as well. The first non-material way of hegemony is “socialization”. Ikenberry & Kupchan (1990) define “socialization” as influencing the political elites of a state and thus enforce it to act in a predetermined way. It generally occurs right after wars and political crises. Elites are influenced by hegemon’s ideas, norms and values; and when they adapt to this context, they behave in compliance with hegemon’s goals. Socialization requires the physical penetration of the hegemon and employ agents such as officers, soldiers, traders, financiers to prepare the necessary conditions in which socialization can take place inside the state that will be dominated (Ikenberry & Kupchan, 1990, p. 307). An example of socialization was done by American president Woodrow Wilson. After WW1 he organized many meetings with world leaders in Europe and Japan and he tried to influence them towards his plan about a future world order and imposed his world view over those states’ leaders by those “ideological crusades” and consequently persuaded leaders to “reject the old diplomacy” (Ikenberry & Kupchan, 1990, p. 296). Similarly, Britain used socialization in establishing its dominance over India. It entered into India with East India Company in 17th century and gradually influenced political elites of India and eventually changed the school system to British system, legal

language to English, used British trade rules and norms and in return influenced Indian elites towards British dominance (p. 309).

The second way of establishing hegemony in Liberal literature is “soft power”. Some Liberals claim that, besides hard power (which means material forces used for coercion), soft power is also an important element in establishing hegemony over other states. Joseph S. Nye (2003, p. 66) defines soft power of a state as its “ability to attract and persuade rather than coerce”. He suggests that soft power “arises from the attractiveness of a country's culture, political ideals, and policies” and it “will become increasingly important in dealing with the transnational issues that require multilateral cooperation for their solution”. Similarly, Zakaria (1998, p. 13) claims that the biggest export product of the U.S. is American way of thinking and life and its soft power is emitted over the world with the help of its universities, corporations and TV channels.

Regarding those two ways of establishing hegemony, it can be inferred that Liberals, unlike Realists, give importance to non-material power in establishing hegemony over other states. This view is open to challenge from Realist scholars that although non-material power is important, it has to be backed by military and technological power and otherwise it is useless. As Zakaria (1998, p. 11) writes, “what makes a great power is composite power - a combination of economic, military, cultural, and ideological strength”. Recently, non-material power is becoming more accepted by Realists. Alternatives to military force are becoming increasingly promising, such as economic sanctions, financial support for oppositions which endorse democracy and offensive cyber warfare are becoming more common and important tools of world politics (Gompert & Binnendijk, 2016).

Although Liberalism uses the concept of soft power in creating consent, it would fail to explain BRI in how China would use elites in other states in order to *create* consent among masses to submit to its hegemony. Additionally, since BRI would decrease transport costs dramatically, it would fail to explain how the means of production and relations of production would change. Therefore, a Liberal perspective would still have some open gaps in explaining BRI case.

2.3 Gramscian & Neo-Gramscian Approaches

Gramscianism is a major school of thought in international politics. It is based on the views of Antonio Gramsci. Gramsci claims that hegemony is achieved through consent or coercion. He agrees with Marx in that history is shaped by conflicts and struggles between different classes in society. On the other hand, Neo-Gramscianism claims that states are not central, they are just actors in the transnational economic system of production. This economic system has institutions like multinational corporations or financial institutions, which altogether create a “historic bloc”. This bloc exercises hegemony over states by obtaining their consent to this system by coercive methods; however, this bloc can be replaced by some opposing bloc in future.

Antonio Gramsci is the founder of Gramscian school in International Politics. In the first chapter of Prison Notebooks, Gramsci (1971) begins with asking the question whether there is a distinct class called “the intellectuals” in society. He begins by trying to make a definition for it. He claims that in every work, there is some amount of intellectual activity. But this does not let us to call all physical work is an intellectual activity. Every person may express intellectual activity but not everybody performs the role of intellectuals in the society. He makes a distinction for defining intellectuals as usage of “muscular-nervous effort” or “intellectual elaboration”. He claims that there are two types of intellectuals according to the place they live: Urban intellectuals and rural intellectuals. The place of the urban intellectuals is between the ruling class and people masses. They are better educated and occupy a major position in production means. Example for this category is administrators, scholars, scientists, theorists. Also, ecclesiastical intellectuals are an important class of intellectuals. Second group is the rural intellectuals. They contain doctors, teachers etc who live in villages. They comprise a role model for rural people, they create both admiration and envy in them. Gramsci also proposes a different type categorization for intellectuals as well, which is traditional intellectuals and new dominant intellectuals. Traditional intellectuals are ones who has been a remaining part of the existing class structure. New dominant intellectuals are the ones who are created with the changes in the society, primarily happened because of changes in means of production. He gives the example of French Revolution that it created a new intellectual class and it became dominant, consequently it clashed with the old intellectuals. He emphasizes the importance of schools in creation of intellectual class.

Gramsci claims that intellectual class has a role in the political transformation of states. As intellectuals occupy positions in political parties, they help in decision making processes. Intellectuals have the crucial role of establishing the social hegemony. They do it by two ways: First, they create *consent* among people to the social life proposed by the dominant fundamental group. This consent is historically created by the prestige that is provided by obeying the dominant group's rules. Second, they create *coercion* on those who do not show consent, by using legal power through state apparatus. When spontaneous consent fails, this coercive power is trusted by the dominant group.

Another important element of Gramscian view is cultural hegemony. It is the power of a dominant class within a society to determine the rules and norms of social life.

Gramsci then goes on to investigate the historical examples where intellectuals played a role. He claims that in every nation, the extent of the role of intellectuals is different. He gives the example of French Revolution as the rise of a new intellectual group's rise. He passes to Britain example and shows the traditional intellectuals as the aristocrats and new dominant group as post industrial entrepreneurs. He claims that in India and China it is more difficult for the new intellectual groups to challenge the traditional ones due to customary practices, religious teachings and traditions.

Another important Gramscian scholar is Stuart Hall. His article "Old and New Identities, Old and New Ethnicities" (Hall, 1997) is about the concept of identity and its importance in political context. Hall says that identities are constructed through history and in constant change. He quotes from Marx who says that man is not the sole origin or author of historical practices. Identity is shaped by the gaze of others. One cannot define her identity without using the view of others. The concept of identity is a social and historical construct.

Hall gives examples from his own life. He says that he did not know he was called "Black" even though his skin color was black. Additionally, he mentions that when he immigrated into Britain, he did not notice that he was an immigrant until his mother told him that he was. He emphasizes that when you learn that you belong to a certain class, you begin learning its features and begin to tell your story to yourself once again, but this time from this new perspective. The meaning of identity has changed through time. The notion of identity which means all people look the same or feel the same call themselves same became unmeaningful.

The notion of identity can have many sub-identities. For example, some people may have Caribbean identity, black identity and British identity at the same time and they may resist giving any one of those identities. They would like to view themselves from blacks of other sub-identities, i.e. blacks from Trinidad.

Hall claims that hegemony does not mean terminating all differences. The differences between classes do not go away; on the contrary, they accumulate. Hegemony comes to existence with the accumulation of differences between classes. Because of those differences, the subaltern class knows that it falls behind the hegemon in many respects.

Mark Rupert is another Gramscian scholar and he studies Gramscian approach to hegemony in his book *Producing Hegemony* (Rupert, 1995). Rupert suggests that the US global hegemony is enabled by institutionalization of mass production. Rupert claims that Neorealism cannot give sufficient detail on how states behave when private goals conflict with public goods. It fails to provide answers for the clashes between mercantilist approaches with long term interests of states. Rupert claims that Neorealist scholars focused on state power and creation of international regimes for cooperation among rival states. Neorealists see global politics as a continuous conflict among states, but fail to explain how cooperation emerges under those conditions. IPE scholars criticized Hegemonic Stability Theory for overstating the capability of leading states to enforce their power over others and make them cooperate. Rupert then gives an account on Wallerstein's World-Systems theory. It says that the world is currently run by capitalism and it shapes all political structures, it created classes, ethnic/national groups, households and the states. Immanuel Wallerstein proposed in his World-systems theory that hegemonic states create a political structure to exploit other states without imposing them the overhead costs of the system. Rupert criticizes Wallerstein for neglecting potentially contradictory relations between state and society and portrays this relation as a unified and ahistorical one. He criticizes both Neorealism and World-systems theory for being too abstract and one-sided.

Being unsatisfied with both Neorealist and World-system approaches, Rupert turns to Gramscian approach and tries to develop a historical interpretation of world politics. Post-feudal era divided economic and political spheres of life. Rupert suggests that a concrete explanation of current world politics should approach politics as present in social relations and socially productive practices. He does not take state as an empirical

datum, but he calls for inquiry on the underlying social relations which generate the possibility of such specialized organizational forms. Rupert mentions Robert Cox who says that states are historical constructs built within the relationship between global and social relations. Besides being historically and socially constructed, Cox brought Gramsci into IR theory who tells the importance of consent in power relations of dominant group. Domination brings consent and consequently, coercive approaches become less disturbing.

Rupert writes that the first hegemonic world order was established by Britain in 1789-1873. The mercantilist political economy was the dominant factor and Britain enabled consent over its subaltern states for its domination. The second hegemonic order was between 1873-1945 and came about with the liberalist hegemony. Industrial capitalism damaged social relations between states and societies, militant industrial workers movements increased. Rupert names this era as the “era of rival imperialisms”. After World War II the period of American hegemony began. High production capability contributed America to be the leading state of the world. It used this economic power to create a new world order. It used Marshall Plan to reshape European politics. It spread liberal views and trade cooperation all around the world so that it could sell its production surplus. American labor unions cooperated with American officials and intelligence services in supporting and propagandizing Marshall Plan in Europe, with the hope that it would increase production inside America, and this made Marshall Plan a project of spreading liberalism. Labor unions became agents against communism. A major labor union, AFL, was trying to get in touch with anti-communist labor leaders around the world and they were financially supported for their anti-communist movements. American labor leaders were working in the field side by side with CIA agents and were cooperating. American trade unions sponsored to European business people and managers to travel to America and see the production facilities. They published reports back in their countries and the emphasis of the reports was how cooperative American workers and managers were working. This was used in creating consent in those states for American domination. Marshall Plan was an establishment of American domination over Europe by solely economic means. It created an open door understanding in world trade which was useful for liberal American ideals to spread. It was supported by international organisations, bilateral trade agreements and investments to anti-communist movements. Although at one

point Rupert claims that Gramscian approach on sectoral coalitions would be a limited one in understanding socio-political change; he shows Gramscian scholars' works to be crucial in explaining the economic power in establishing American dominance over Europe and create consent to American liberal ideals.

Robert W. Cox is a famous Neo-Gramscian scholar. In his seminal book "*Production, Power and World Order: Social Forces in the Making of History*" (Cox, 1987), he begins by explaining social relations of production. He lists three dimensions in it: The first dimension is what is produced and how it is produced, second is the roles and work distribution in the production, third is the distribution of the rewards of production. Work is classified in two types: one is physical work that produces artifacts, or production of tools to enable the production; the second is the production of symbols of social relations that enable cooperation in order to make production. "Production relations govern the itinerant peddler in India, the shoeshine boy in Mexico City, the pimps and prostitutes of Taipei, the advertising executives of Madison Avenue, the stockbrokers of Wall Street, the bank employees of Zurich, and the police, soldiers, and civil servants of all countries." (p. 13) Both the employee and the employer are affected by production relations in some ways.

With different combinations of those three dimensions, different modes of production emerge. There are dominant and subordinate groups. Their members are usually drawn from two separate classes. Every social relation of production lives in a social class structure which is a historical reality created by collective experiences. Dominant class members usually are from wealthy groups, while subordinate class members are from peasants or former farmers turned into wage laborers.

Political power is the power to control government policies. The state is an area of class struggles, and it cannot be considered as a mere instrument of the dominant class. Technology has a transformative effect over the relationship between the managers and workers. However, it is not the only factor. Control over social relations also affect the changes in modes of production. "The beginning of factory production of textiles, bringing workers together under one big roof instead of delivering materials to them in their separate cottages, was motivated by the employer's desire to enforce discipline, to better regulate production, and to avoid loss and pilfering of materials. Social control, not the invention of new and bigger machinery, began the movement to factories." Production relations also determine the work ethics which tell how the

relations should be conducted. In this respect, institutional, clientelist, contractual and inspirational work ethics may be available. Decision making rationalities also differ according to social class a worker belongs to. An entrepreneur will use different rationalities than an assembly line worker does. Also, relative importance of events differ according to classes: a breaking of machinery might be very important for a line worker but may have no importance for a large capitalist.

Institutions in the structure of production relations help support the mode of production relations. However, we must be aware that there might be a gap between the real structure and the targeted structure. In other words, the institutions might not be reflecting the true relations of production. Labor unions are centralized institutions to protect workers' rights. However, the union bureaucrats who conduct negotiations in workers' place might have never seen the factory the workers work in, or the negotiation might end up in a way that no concrete benefit for the workers is achieved.

Taylorism enabled factory owners to benefit from unskilled workers by dividing work into very small units and then assembling them. Consequently, craft unions gave place to industrial unions. Similarly, pride from craft skill has gone and replaced by a consciousness of social goals like job security, social insurance, full employment. Cox enumerates twelve modes of production relations: subsistence, peasant-lord, primitive labor market, household, self-employment, enterprise labor market, bipartism, enterprise corporatism, tripartism, state corporatism, communal, central planning.

The rise of America gave it the ability to exercise global leadership all around the world, creating an era called "Pax Americana". America had produced a huge export surplus and had to organize the politics of other countries according to its own benefit. After the WWII, America supported European states with Marshall Plan. It also tried to enforce them to accept the new liberal world order led by America. It also helped keeping European states away from communism. As more dollars held in hands of others, America's debt became the world's debt.

The neoliberal state of post-WWII world had undertaken certain responsibilities. First, it had to do certain tasks which private sector was not willing to do. Second, it had to protect some social classes from the damages of liberal economy. Third, it had to mediate between oligopolistic world and small businesses. There is also a second type of state that emerged with Pax Americana, which is neomercantilist state. It is the

peripheral state and is subject to the domination of neoliberal states, and is generally ruled by Caesarism, which means a despotic rule of a strong man or a strong structure of institutions. This approach enabled neoliberal states to dominate small states more easily. New state forms (the neoliberal and the neomercantilist developmentalist forms of state) emerged in the same historical process as produced a new hegemonic structure of world order called Pax Americana. This period did not bring new modes of production relations, nor did it change the social structure of accumulation. Workers who lived in the core of world production stabilized their preferred status. American methods of production became the world standard.

2.4 Theory Choice

As explained in previous sections, Neo-Gramscian approach tends to explain world politics through production relations, institutions and enabling hegemony over states through *consent* or *coercion*. It views states as just another actor in the global political system besides institutions. It explains hegemony as a concept that is enabled through methods of creating consent or coercion. It emphasizes the importance of elites in creation of consent among masses of other states. It does not focus on merely the military power, as Realism does in explaining hegemony, but also focuses on non-military powers as well.

Neo-Gramscianism emphasizes the importance of classes and class conflicts. In BRI case, China can be viewed as a state which tries to make a transition from a working class to a capitalist one. China has been the production base of world economy and it is trying to transform its labour into a capitalistic one. Therefore, Neo-Gramscian emphasize on class conflict would be helpful in explaining China's behaviour.

Although Liberalism includes the concept of soft power as explained by Nye and Keohane, Neo-Gramscianism uses concept of consent and it explains the creation of consent by influencing the elites and elites then influence the masses. In other words, Neo-Gramscianism provides an explanation of the mechanism for the working of consent. It details the elites, it tells how they have the ability to lead masses. Soft power, on the hand, is a more general term and is not as detailed as it is in Neo-Gramscianism. Therefore, Neo-Gramscian explanation of creation of consent is a more detailed one.

China's BRI is a project that is aimed to decrease logistics costs of its trade towards Europe and it will have impacts on the economies and production approaches in the states over its route, as well as in European states. It will change the way of production, means and relations of production. Since Neo-Gramscianism tries to explain world politics over production relations and means of production, it would be a better choice in theory selection for explaining BRI's impacts on global politics.

In summary, although Realism and Liberalism contains elements of hegemony, Neo-Gramscian approach would explain BRI in more details and provide explanations for the mechanisms of their working. These aspects make Neo-Gramscianism a better theory in explaining BRI case.

3. GLOBAL AMERICAN HEGEMONY AND THE DECLINE DEBATE

In the 21st century, the U.S. had played a leading role in global politics. Simon Reich and Richard N. Lebow (2017, p. 19) write that there are three basic elements in global American hegemony. The first is its leadership in global “agenda setting”. It sets up rules and create institutions and determines the priorities. The second element is economic management. The third element is being the guarantor of global security, in other words, “being world’s policeman”. In latest academic literature, there is an ongoing debate about whether the U.S. global hegemony is in decline. There are two sides in this debate. The first camp, the “Declinists”, claim that the U.S. global hegemony is in decline. The main argument of this view is that the U.S. economy is not growing as much as it used to do in the last decades, it fought wars that resulted in no clear victory in Afghanistan and Iraq, it lost its capability to dominate other states; therefore, it has lost its hegemony on the global politics. On the other side, some scholars claim that the U.S. is still powerful and the U.S. hegemony still endures.

Michael Beckley compares the arguments of both camps on the issue (Beckley, 2012) and suggests that the U.S. economy is still powerful. It controls the international markets. It is the owner of the global currency. It leads high-tech production, it has the highest military technology, it can block any state from the global trade. It has the capability to reward and punish any state. On the other hand, he claims that China does not produce high tech products, most of its high tech products are produced elsewhere. It suffers brain drain, bright people leave China. It creates no innovations. It spends too much for maintaining its internal security. It can not transform its production output into welfare. China can not be a rival to the U.S. in the race of global hegemony. Therefore, concludes Beckley, declinists are wrong and the U.S. remains the global hegemon.

Dong Sun Lee claims in an article (Lee, 2017) that the global leadership of the U.S. is undergoing a transition. It is not the sole leader anymore, but it tries to remain the most influential leader among others. The U.S. will be supporting this new strategy of leadership on its naval and air forces, instead of land armies; thus it will try to increase

its alliances with maritime and coastal states, while outsourcing its land operations to its allies. Lee suggests that the U.S. needs to establish alliances with coastal states in Asia so that it can increase its influence in Asia; and it is ready to make cooperation with other leader states according to their capabilities. The U.S. will not aim to be the sole leader, but be the first among others. Lee mentions National Security Strategy document of the U.S. published in 2016 which claims that the question is not whether the U.S. will lead or not; but how it will lead. Therefore, he suggests, the willingness of the U.S. to lead is still alive. From the perspectives of Russia and China, the great naval power of the U.S. is of little significance because they perceive the real threat as land armies.

Simon Reich and Richard Ned Lebow (Reich & Lebow, 2017) discuss the main criteria for global hegemony. First, a state must be the leader to set the global political agenda. This criteria was satisfied by the U.S. after the collapse of the U.S.S.R. It set the trends for politics and had the last word to say on all issues regarding politics. Second, they suggest, is the economic management. The third is being the guarantor of global security, in other words, “being the world’s policeman”. Thus, we can claim that the U.S. had been the sole leader of world politics for a period right after the collapse of the U.S.S.R. In the same article Reich and Lebow claim that the U.S.’s debt increases and economy is in decline. They argue that the concept of influence, rather than power, is the key in global politics. They suggest two types of influence: one is “material”, the other is “social”. “Material” influence is economic and military resources. “Social” influence is “derived from the legitimacy of the actor and the linkage between the actor’s claim and universalistic values and principles, promoted through processes of persuasion and argumentation”. They claim that although China has high material influence, it lacks social influence; therefore, they argue, its neighbours do not trust China and it lacks influence over those states (Reich & Lebow, 2017).

Chris Chase-Dunn and his collaborators compared the decline of the U.S. with the decline of the U.K. quantitatively and show that the U.S. decline is a reality. They reached the conclusion that the U.S. is too powerful to be replaced by another hegemon. The result of the decline period will either be another round of American hegemony, or a governance by an alliance. This alliance will consist the leading powerful states and it will perform the governin functions which are previously handled by the hegemon (Chase-Dunn, Kwon, Lawrence, & Inoue, 2011).

Mark Russett (1985) criticizes the view of declinists and claims that their argument for the decline is not strong enough. This argument suggested that the collective goods that the U.S. provided to the international system has diminished. He rejects the idea that a hegemon creates collective goods to all other nations, because this would load a huge burden on hegemon's shoulders and eventually make it weak. Instead, he proposes that the concept of collective good should be redefined. He suggests that a collective good should have the properties of non-rivalness and non-exclusiveness. In other words, a collective good should not harm any nation and should not keep any state outside. Following this premise, he claims that the collective goods mentioned in the decline debate did not possess those features. Therefore, Russett concludes that we cannot claim an American decline merely looking on the decline in collective goods in global politics.

Looking on those various opinions on the issue, we can claim that there has not been a consensus about the decline of the U.S. global hegemony. Even though it has lost some battles on the field, it still has the strongest army. Even it has lost some markets to China or Europe, it still controls the global financial currency. Under such uncertainty, the rise of China is a critical issue for the global politics. If the decline debate is true, there will be a power vacuum and a need for a leader for the leadership position the U.S. had occupied. If the decline debate is false, the rising states will be rivals to the U.S. hegemony and they will be major actors in global balance of power. In any case, the rise of China is an important issue to be watched carefully. In the next section we will inspect the reasons and possible consequences of the rise of China.

4. THE RISE OF CHINA

Global Language Monitor reports that the “rise of China” phrase has been the “most read-about story of the 21st century” (Beckley, 2012). In the last two decades China has shown a significant economic growth. “From 2004 to 2014, Chinese aggregate GDP grew 10.0 percent annually in real terms, and per capita GDP grew 9.4 percent” (Shatz, 2016, p. 88). While China was an oil exporter in 1980; it became an importer in 1993 (Guangcheng, 2015). Huang (2016, p. 317) summarizes the growth of China as follows: “When China started economic reform in the late 1970s, it was a small, underdeveloped and closed agrarian economy. Its economic success in the following decades benefited greatly from an open international economic system. Its export share of GDP reached 37% in 2007. And for many years, China was the largest recipient country of FDI. Today, China is already a large country economy in the world market — whatever China buys it becomes more expensive, and whatever China sells, it becomes cheaper. Clearly, China has been a major beneficiary of the globalization process”. Its production capacity has grown so much that in 2014 its overproduction in steel sector has exceeded the total of production of Japan, Russia, India and the U.S. combined (Brodsgaard & Rutten, 2017). Net foreign assets in China has grown so much that “China had an estimated \$2.4 trillion in net foreign assets by the end of 2015, compared with Japan’s \$3.6 trillion. Increases in net foreign assets come through current account surpluses. In the four years ending in 2015, China’s cumulative current account surpluses amounted to about \$1 trillion—far larger than Japan’s \$200 billion. If those trends continue, it is simple arithmetic that China will become the largest net creditor around 2020” (Dollar, 2016, p. 197). Figure 4.1 shows the constant increase in GDP of China until 2012.

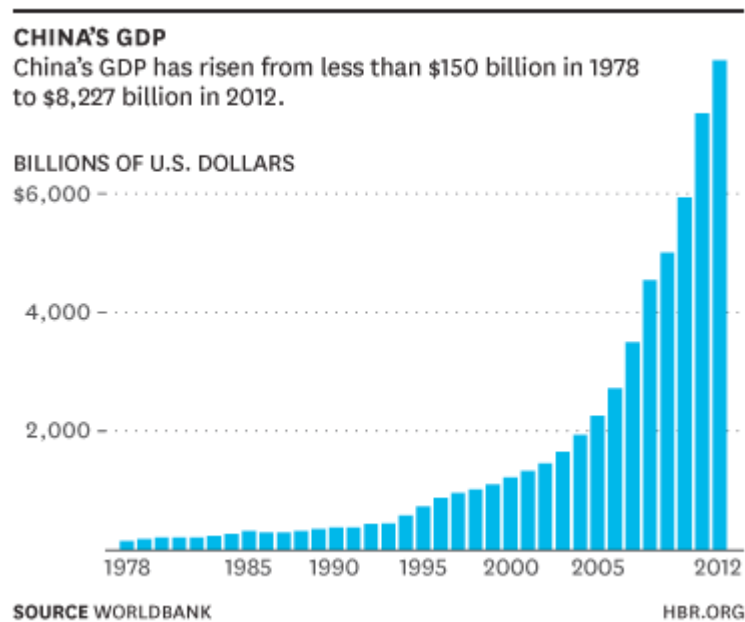


Figure 4.1 : Gross Domestic Product of China (Purdy, 2013)).

On the other hand, by year 2012 Chinese economy has reached a slowdown. At the end of 2015, growth rate decreased to 6.7%, lowest since 1990 (Brodsgaard & Rutten, 2017). Huang (2016, p. 317) claims that most low-skill labour-intensive jobs has to relocate from China into cheaper locations. From June 2015 to September 2015, the Shanghai Composite Index crashed, dropping from 5,178 to 2,850 (Shatz, 2016, p. 86). Year-on-year growth rate of China has fallen to 6.4% in the last quarter of 2018 (Harada, 2019). Figure 4.2 shows the recent decline in China's growth rate.

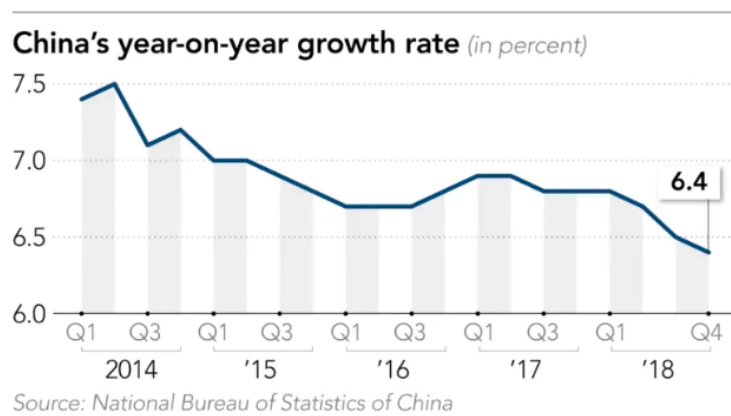


Figure 4.2 : China's growth rate after 2014 (Harada, 2019).

The recent academic literature on the rise of China has divided into two camps. Some scholars think China cannot rise peacefully; while others claim that China has always been a peaceful state following Confucian doctrines of peace and cooperation. The

main argument for a rise with conflicts is the historical conflicts of China with its neighbours, its current border disputes, its increasing economic influence in the region and it is following the way a hegemon would behave. Peaceful rise theorists claim that if China follows a Confucian doctrine and prefers peace over conflict; they prefer peace for the sustainability of trade.

The first group claims that China follows the steps of a hegemon. In a recent article Jennifer Lind (Lind, 2018) claims that China is acting the way a regional hegemon behaves.

Great powers typically dominate their regions in their quest for security. They develop and wield tremendous economic power. They build massive militaries, expel external rivals, and use regional institutions and cultural programs to entrench their influence. Because hegemons fear that neighboring countries will allow external rivals to establish a military foothold, they develop a profound interest in the domestic politics of their neighborhood, and even seek to spread their culture to draw other countries closer. (Lind, 2018)

Lind suggests that China has increased economic influence in the region by establishing New Development Bank in 2014 and Asian Infrastructure Bank in 2015. It began employing economic coercion to South Korea in 2017. The same year, China also opened its first overseas military base in Djibouti. Considering all these events, Lind argues that, China tries to undermine the U.S. presence in Asia. She claims that using its increasing economic and military power, China will begin intervening its neighbours' domestic policies. She views Japan as the only power that can balance a rising China and proposes that the U.S. should cooperate with Japan in order to contain China. But in order to accomplish that, Japan should also increase its military capabilities in order to be ready for a Chinese attack.

Perhaps the most famous article on the rise of China is the one written by John J. Mearsheimer (2014) named "*Can China Rise Peacefully?*". In this article, Mearsheimer claims that China is on a rise and there are some factors that will lead it to be a problematic one. The first reason is that it has some historical problems with Japan and those problems will lead Japan to take military action against a rising China. Second, China has some border issues with its neighbour states: Brunei, Malaysia, Philippines, Taiwan, Vietnam. Therefore, he claims that, China will seek ways to establish its regional hegemony. He suggests the U.S. should follow one of the three

strategies: launch a preventive war, slow Chinese economy, or topple Chinese government. Any one of those strategies will help the U.S. keep China out of global hegemony. He writes that the periphery of China is like the backyard of the U.S. Navy, and this might lead to clashes with China in the region, especially in sea. Additionally, Mearsheimer believes that Confucian beliefs of China do not necessarily bring peace to its relations with other states, these beliefs can also be interpreted differently and be used for self-defence by China. Furthermore, he sees China as a state full of hypernationalism and believes that this might also ignite a clash with China's neighbours. Due to all those reasons, Mearsheimer believes that China's rise will not be a peaceful one.

Some scholars focus on the military build-up of China which happened in recent years. Alexandre Sheldon-Duplaix focuses on the increasing naval power of China. In one of his articles (Sheldon-Duplaix, 2016), he claims that China is expanding its naval power. He mentions that China has bought a medium-sized aircraft carrier from Russia and also started building one on its own in 2015. Chinese trade routes in Indian Ocean are also critical, claims Duplaix, and will need to be protected by Chinese navy. He compares China with Ottoman Empire and says "two bad systems with a strong military power to dominate the trade routes" (Sheldon-Duplaix, 2016). The U.S. domination puts a pressure on China's maritime routes just like Ottoman Empire put pressure on China to dominate the old Silk Road. He claims that China perceives the U.S. naval existence in South China Sea as a threat to its security.

The second group of scholars claim that China can not be regarded as behaving like a hegemon yet. Steven F. Jackson argues (Jackson, 2016) that in order to behave like a hegemon, China should have excluded other forces from the region; however, he claims, that China has not yet shown any signs of regional exclusion policies. Monroe Doctrine of the U.S. is given as an example for regional exclusion policies and it is defined as saying "hands-off" to other states; "an explicit and unilateral foreign-policy announcement by the regional hegemon that powers external to the region are not welcome" (Jackson, 2016). Jackson identifies the first rule for a regional exclusion policy is an official declaration of such a policy. When following Monroe Doctrine, the U.S. had officially declared that other states were not welcomed in intervening its domestic policies. However, China has not made such a declaration. On the contrary, President Xi Jinping of China has declared in 2009 that it will increase its cooperation

with all states through its “Good Neighbour” policy. Jackson proposes that in order to detect a hegemonic behaviour in China, two factors should be monitored. The first is China’s attitude towards the citizens of overseas states. A hegemonic state would behave hostile to people from overseas states, viewing them as potential threats to its security. The second is the rhetoric style used in official declarations of Chinese government. A hegemonic state will use a belittling tone towards its neighbours or other states in the region it wishes to dominate. Currently China has not showed evidences of those two factors, therefore China can not yet be regarded as pursuing regional hegemony.

Sahan Savas Karatasli and Sefika Kumral (2017) also investigate the same question. They write that China is not rising with the same pattern of previous world hegemons. China does not try to change the current international system and not try to cause instabilities. It supports anti-seperationist movements both domestically and internationally. It does not intervene the domestic politics of other nations. These are regarded as the opposite attitudes of the previous hegemonic states such as the U.S. or the U.K. They also claim that China benefits from the stability of the status-quo. Territorial unity is China’s main motivation, because in the absence of territorial unity China will lose its economic power.

The capacity of China to become the new global hegemon is also investigated from a constructivist perspective. Bentley B. Allan, Srdjan Vucetic and Ted Hopf (2018) take the issue as a matter of distribution of identity. They claim that a hegemon has to persuade both elites and masses in terms of distribution of identity in order to make a transition in hegemonic force. They conducted a research in nine powerful states and studied discourse analyses over leadership speeches, news releases and media coverage. They reached three findings: the first is that great powers support democratic and neoliberal hegemonic ideology. Secondly, they found that China is seen as an authoritarian regime by those powerful states and it is kept out of the existing hegemonic order. Thirdly, they found that China can not persuade other states to join it in order to change the existing hegemonic order. Due to those reasons, they conclude that identity perception of China in other powerful states is blocking China to establish a hegemony or change the existing hegemonic order.

Whether China is willing to become a hegemon or not is another dimension of this discussion among the same group of scholars. Andrew J. Nathan and Andrew Scobell

wrote in *Foreign Affairs* in 2012 that Chinese people do not assume themselves to have the power to win over the U.S. in a hegemonic race (Nathan & Scobell, 2012). They claim that even though the relative power of China has increased in recent years, the main focus of Chinese foreign policy is its own security; this has been so since the end of Cold War. Instead of becoming a regional hegemon, it tries to eliminate influences coming from abroad, avoid territorial losses, manage its border disputes with its neighbours and protect its economic development. The Chinese see the U.S. as a revisionist state, which tries to shape other states for its own benefit; and they view the U.S. as the sole responsible for not being able to unify with Taiwan. Nathan & Scobel claim that in order China to become a world hegemon, the U.S. should be willing to withdraw from it. Otherwise, even the Chinese people do not believe that they can dominate the U.S.'s global hegemony in the near future.

China's economic structure is also regarded by some scholars as a reason for its unwillingness for hegemony. Ho-fung Hung wrote (Hung, 2017) that the current monetary policy of China is not suitable for establishing a global monetary currency, which is a requirement for global hegemony. China is the largest creditor of the U.S. because it keeps too many Treasury Bonds from it; Hung claims that this resulted in the increasing demand for Chinese products in American market. The high stock of U.S. Treasury Bonds in China leads it to support and remain a part of the global dollar-standard. Hung also argues that China's development model contains contradictions and closed to foreign investments. Therefore, China can not maintain a global hegemony with its existing currency. Hung says: "It is still possible that in the longer term, China will be able to radically reformulate its model of development, rebalance its economy and fully actualize its potential power to lead other semiperipheral states to prevail and transform the system. Before it happens, China will continue to support the global dollar standard." (Hung, 2017).

Some scholars discuss the institutional balancing opportunities for a peaceful rise of China. Huiyun Feng and Kai He wrote (Feng & He, 2017) about how China is capable of solving its conflicts with the U.S. through institutional balancing. They give the examples of APEC (Asia Pacific Economic Cooperation) and CICA (Conference on Interaction and Confidence-Building Measures in Asia) as two cases. They argue that the institutional solutions of China will be more peaceful for the international order than it is expected. They claim that although it is clear that China will challenge the

international order, how China will do this is still unclear. Additionally, which part of the international order China will impact is not known. Therefore, they argue, it is too early to predict that China's rise will lead to conflicts. They believe that China can overcome the possible conflicts with the U.S. by employing institution based counterbalancing measures.

5. BELT AND ROAD INITIATIVE (BRI)

5.1 Definition

Belt and Road Initiative is a series of investment by China in land and maritime transportations in order to decrease its logistics costs of its exports. It is expected to reach \$1 trillion dollars to be invested globally (Phillips, 2017). The Belt and Road Initiative is composed of two legs: one is called “the silk Road Economic Belt” (the belt), and the other one is the “21st Century Maritime Silk Road” (the road). Previously, the project was first named as “One Belt One Road Project” but later it acquired its final name. Figure 5.1 gives an overall plan of the project.

The main goal of BRI can be summarized as to increase the volume of trade, and grow the economy of Asia. It includes roads, bridges, railroads, sea ports, powerplants, gas pipelines and other infrastructure projects. Tom Phillips from The Guardian newspaper quotes from a study of McKinsey, a global consultancy firm, and reports the significance of BRI as “the plan has the potential to massively overshadow the U.S.’s post-war Marshall reconstruction plan, involving about 65% of the world’s population, one-third of its GDP and helping to move about a quarter of all its goods and services” (Phillips, 2017). On the other hand, it is argued that the project also has a political agenda for China to increase its influence in its region.

In September 2013, during his visit to Kazakhstan, Chinese President Xi Jinping called for the creation of a new regional cooperation model, by jointly building the “Silk Road Economic Belt”. He said “We should jointly build this belt step by step: first, to strengthen policy communication; second, to improve road connectivity; third, to promote trade facilitation; fourth, to enhance monetary circulation; fifth, to strengthen people-to-people exchanges” (Guang, 2015, p. 356).

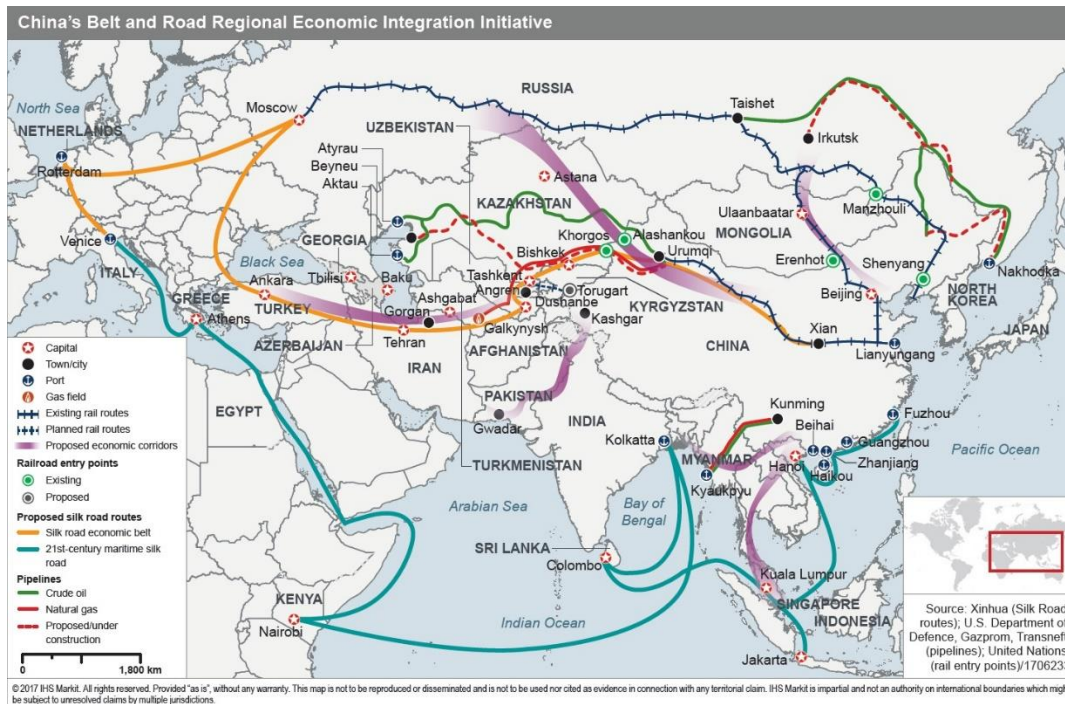


Figure 5.1 : Map of the Belt and Road Initiative (IHS Markit, 2017).

One month later, in Indonesia, President Xi again emphasized the need for a fund which will be named the Asian Infrastructure Development Bank (AIIB) and construction of the “21st Century Maritime Silk Road”. These proposals are officially termed as the “One Belt & One Road Initiative” (OBOR) or the “Belt & Road Initiative” (BRI). In November 2013, the Communist Party of China has accepted a draft document which summarizes the content of BRI as a key policy priority before. The draft document focused around global trends such as *multipolarity, economic globalization, cultural diversity, and greater use of information technologies*; the document also noted that the initiative would uphold global free trade, an *open world economy*, and *open regional cooperation*. Those targets will be satisfied by the following methods: *policy or political coordination, transportation connectivity, trade and investment cooperation, financial integration and use of the renminbi as a currency, and stronger people-to-people connections* (Shatz, 2016). In March 2015, the State Council of China has approved BRI and government departments started to lay out their comprehensive projects for BRI. (Huang, 2016, p. 314). And consequently, on May 14, 2017, The Belt and Road Forum for International Cooperation gathered for the first time.

Below is a brief timeline¹³ for the main events in the initiative:

- Sep 2013: President Xi puts forward the BRI.
- Nov 2013: A resolution adopted at the Third Plenary Session of the 18th of the Communist Party of China Central Committee calls for advancing BRI.
- Feb 2014: President Xi and his Russian counterpart Vladimir Putin reach consensus on jointly pursuing the BRI and connecting with Russia's Trans-Eurasian railway.
- Nov 2014: During the Beijing APEC Meeting, President Xi announces China will contribute \$40bn to set up the Silk Road Fund, which will provide investment and financing support for infrastructure, resource, industrial, financial and other connectivity-related projects in countries involved in BRI.
- Mar 2015: The National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce together issue the first master plan for the initiative, titled Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road.
- Nov 2015: China and 16 Central and Eastern European countries adopt the Medium Term Agenda for Cooperation, in which they vow to make full use of the opportunities offered by the BRI.
- Dec 2015: The Asian Infrastructure Investment Bank, a multilateral financial institution committed to financing infrastructure construction in Asia and project under BRI is established.
- Mar 2016: BRI is designated as a major objective in China's 13th Five-Year Plan (2016-2020).
- Sep 2016: During the G20 Hangzhou Summit, President Xi pledges that the BRI will share opportunities presented by China's development with other countries along the routes to achieve common prosperity.

¹³ http://www.bjreview.com/Special_Reports/2018/5_Years_of_the_Belt_and_Road_Initiative/

- Jan 2017: A China-Europe freight train becomes the first of its kind to reach London.
- May 2017: The BRI Forum for International Cooperation is held in Beijing.
- Aug 2017: 69 countries and international organisations have signed deals with China to make joint efforts to build the BRI.
- Jul 2018: Senegal agrees to partner with China to build the BRI, becoming the first West African country to do so.

BRI can also be regarded as a project of China to export its cultural norms worldwide. As it is described in Neo-Gramscian concept of cultural hegemony, China tries to influence the elite classes of other states to convince them for their good intentions. This is exemplified elegantly by Golley & Ingle (2018) as follows:

In preparation for the inaugural Belt and Road Forum on International Cooperation in Beijing on 14–15 May, Xi took his vision for the BRI a step further. In a promotional video released on YouTube under the title of ‘Why I proposed the Belt and Road’, subtitled in English, Xi says he ‘feels that [he] can hear the sound of the camel bells ringing in the mountains and see plumes of smoke rising over the desert’. He then voices his concerns about the future of lands that were once prosperous and bustling but whose names are now synonymous with difficulty, conflict, and crisis.

Against a CGI-enhanced backdrop of camels travelling across the desert and eagles soaring above oceans dotted with seafaring junks, Xi explains that:

‘The Belt and Road Initiative draws inspiration from the ancient Silk Road and aims to help realise the shared dream of people worldwide for peace and development. Shining with the wisdom from the East, it is a plan that China offers the world for seeking common prosperity and development.’

This conceptualises BRI as the culmination of two of Xi’s other favourite tropes: the ‘China dream’ and a ‘shared destiny’ (the title of the China Story Yearbook 2014). In case this was not convincing enough, a second video features ukulele-playing children from many of the BRI partner countries singing ‘The Belt and Road is How’ (a pun on the Chinese word for good, hao 好). The children explain how the BRI will enable us all to share in a world of prosperity. To top it off, the China Daily launched its ‘Bedtime Stories’ campaign online, in which an American staffer at the paper explains the initiative to his young daughter to put her to sleep! (Golley & Ingle, 2018)

5.2 Previous Attempts of Silk Road Revival

This is not the first time that historic Silk Road concept is being tried to be revived. Many states had previously saw the potential of a revival of historic Silk Road route and its possible impacts to their economic and political power.

Timur Dadabaev (2018) claims that Japan initiated its Silk Road diplomacy in 1996 under Hashimoto administration. Similarly, the U.S. ratified its Silk Road Strategy Act to expand its presence in Central Asia and counter the threat of Russia. Also, South Korea initiated a series of strategies between 2009-2013 under the name of “Silk Road umbrella” in order to connect South Korea through Russia, China and CA railroad networks to energy and other resources in Eurasia. Finally, China has started in 1990s the One Belt One Road project in order to revive the Silk Road region by connecting China to various markets through infrastructure networks. *Second Eurasian Continental Bridge* is the most important project which aimed to increase the connection within the continent. Immediately after the collapse of the USSR, Qian Qichen (Foreign Affairs Minister of China) referenced the re-emergence of Silk Road, during a visit in Uzbekistan (p. 37).

Even though there had been many such attempts to revive historic Silk Road, it is not possible to claim that any one of them had been successful. This leads us to be more cautious about the success of BRI of China.

5.3 Content of Project

BRI projects include landroads, railroads, ports, powerplants and other infrastrucute investments. A detailed portrayal of BRI plan is given in Figure 5.2. In total, BRI is estimated to cost around \$900bn globally and the projects are estimated to be completed by year 2030. The major projects of the initiative consist a \$62bn China-Pakistan Economic Corridor, which will contain a series of investments such as motorways, powerplants, wind farms, factories and railways, and is expected to create one million jobs in Pakistan. Other major projects include a \$1.1bn port project in Sri Lanka, a high-speed railroad in Indonesia and an industrial park in Cambodia (Phillips, 2017).

With the initiation of BRI, both state owned enterprises (SOEs) and non-SOEs started to make direct overseas investments (DOI). Du & Zhang (2018, p. 204) claim that

there is a certain pattern in sharing of the investments. They show that Chinese SOEs focus on infrastructural sectors in their DOIs; whereas Chinese non-SOEs focus on other sectors.

The project is not focused only to Central Asia; investments to Africa is also in the scope. There is a significant amount of investments within the project that is invested in Africa. China makes long term leasing agreements in Africa for ports and existing firms. David Dollar (2016) reports that small to medium sized private Chinese firms investing in Africa do not invest in natural resource extraction. Most investments are in services and manufacturing.

The most important aspect of its content is that is spread over almost 70 states and it needs the cooperation of all. Such a large scale cooperation requires careful diplomatic planning and coordination. For now, it is not announced whether China devises a change in its diplomatic mechanisms.

5.4 Financing of the Projects

The main finance sources of BRI are grouped as direct and indirect sources. Direct sources include *Silk Road Fund* (approximately \$40bn) to be run as a private equity fund, *Export & Import Bank of China* (approximately \$ 80bn) and *CITIC Ltd.* (approximately \$113bn), a state owned conglomerate. Indirect sources include *Asian Investment and Infrastructure Bank* (AIIB) and *New Development Bank* (Shatz, 2016, p. 94). Those institutions differ from Bretton Woods institutions such as the World Bank and IMF in that they do not mandate the states they invest in to make reforms in their political systems, and they by-pass financial sanctions enacted on them by developed states. In other words, they are less oriented about the domestic and foreign politics of the states they invest (Murphy, 2016).

China's leadership in the project can be seen in its financial dedication in the project. Du & Zhang (2018, p. 191) report that only through *Export & Import Bank*, China has invested \$80bn so far, and it is a much higher amount when compared with the \$27bn investment made by *Asian Development Bank*, which is a multinational organisation.

China has taken reformative actions for enterprises to make overseas investments. With the newly revised Measures for Foreign Investment Management enacted in September 2014, the approval-based system has been replaced with a registration and

filing system and the administrative procedures for overseas investment have been simplified (Du & Zhang, 2018, p. 191). Additionally, the State Council of China issued a document on the future structure of Chinese banking system. In this document, loans are divided into three groups; commercial, policy and development. The functions of each kind of loan and the conditions are clearly specified (Murphy, 2016).

The majority of China's direct overseas investments go to the U.S., Australia and the U.K., none of which are BRI states (Dollar, 2016, p. 199). He also shows that while global investments take good practice of law in the states they invest in into consideration, Chinese investments do not show attention to good rule of law. In other words, Chinese investments are flowing to states where laws are generally not obeyed.

In Figure 5.3, it can be seen that global foreign direct investments are directly related to the rule of law. On the other hand, Figure 5.4 shows that China's foreign investments are not done according to the rule of law in the countries that it invests. In other words, although other states care about rule of law in the states they invest, China does not focus on that aspect.

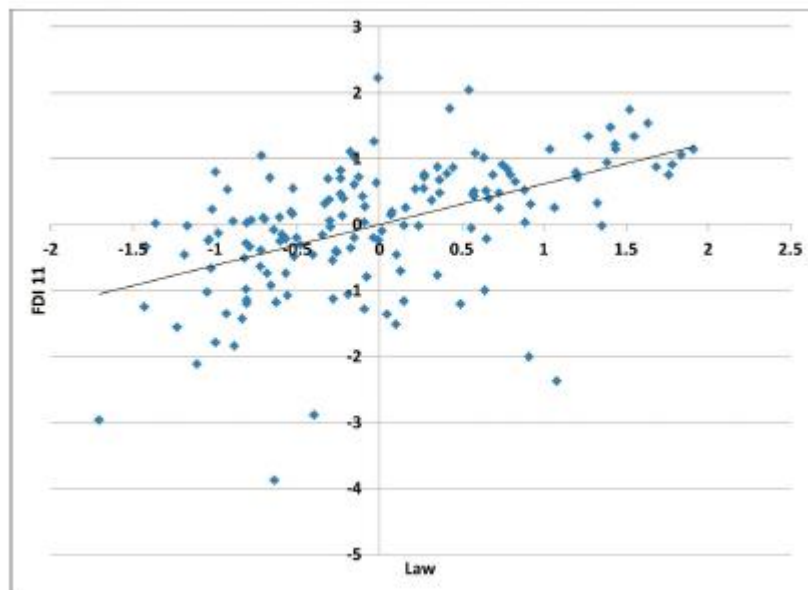


Figure 5.3 : Global foreign direct investments are strongly attracted to the good rule of law (Dollar, 2016).

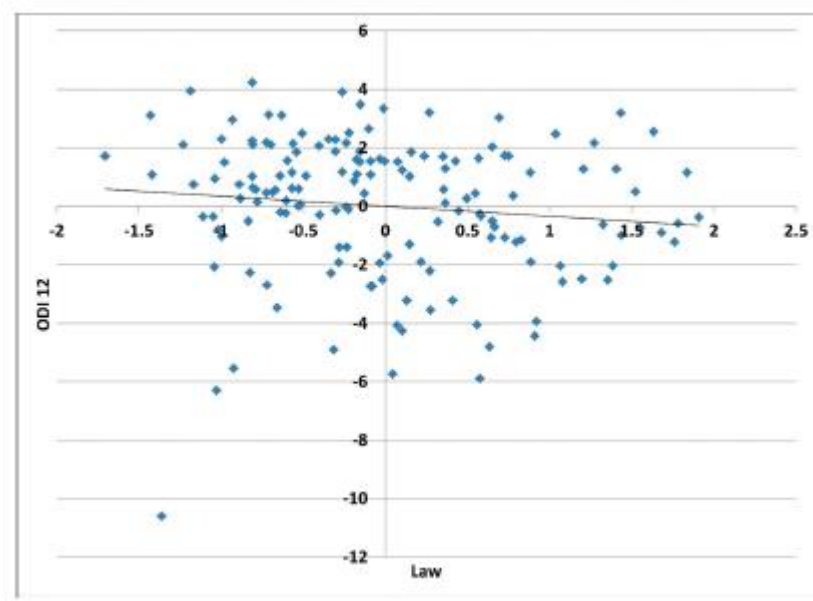


Figure 5.4 : Chinese foreign direct investments are uncorrelated with rule of law (Dollar, 2016).

5.5 What Makes BRI Important?

The importance of BRI can be evaluated in many aspects. It may be viewed as an economic plan in order to stimulate China's slowing economic growth and help increase its overproduction of cement and steel and shift factories to less-developed overseas countries where production and labor costs are cheaper. It is also expected to help China to connect its less developed border regions with its neighbouring countries.

On the other hand, many political thinkers claim that the main importance of BRI is that it is a geopolitical step by China in order to increase its regional power in an era where the U.S. is stepping out of Asia. When coincided with the Decline Debate of the global American hegemony, BRI might have a positive impact on the rise of China. This might cause the U.S. to feel threatened and alarmed. Since China is one of the rising rivals of the U.S., its rise might disturb the U.S. Phillips (2017) quotes from Tom Miller¹⁵ saying about BRI that "[i]t's about making China the dominant country in the region".

¹⁵ Miller, T. (2017). *China's Asian Dream: Empire Building along the New Silk Road*. Zed Books.

The need of China for such a huge project has many reasons. According to Yiping Huang (2016), there are three fundamental triggering factors that led China towards initiating BRI. First, China's economy is in a slow down. The GDP of China is decreasing¹⁶. Due to this slowdown, China needs to find new ways in order to increase its growth by reconfiguring its domestic and international trade by creating new economic models. Second, China has become a major superpower and it is not possible for her to stay out of the global politics. The international community constantly calls China for taking more responsibilities. Third, the existing economic structure is not compatible with the new reality of the global economy and the reformative actions so far proved to be ineffective, especially in BRI region. As a consequence, Huang argues, China needs to employ this Initiative in economic and political reasons.

Similarly, Leonard K. Cheng (2016) makes a list of objectives of such a project by China. First objective is to conquer world markets by penetration into emerging and developing economies. Second objective is making direct investments into those countries and securing the supply of energy resources, which is a strategic concern of China. Third objective is making China's national currency, Renminbi, a global currency by increasing its global usage. Fourth objective is to strengthen the diplomatic relations and partnerships with other countries. Fifth and last objective is to counter the U.S. policy of increasing its presence in Asia by its "Pivot-to-Asia Policy" including free trade agreements with countries in the region such as Trans Pacific Trade Agreement. In summary, China expects to gain advantage by BRI in meeting those objectives. Therefore, it is a crucial tool for maintaining political and economic benefits.

This Pivot-to-Asia Policy just mentioned is especially important and William H. Overholt (2015) emphasizes the importance of BRI in the context of this policy. Overholt claims that the political gains that is targeted by BRI may fail because China has an image of a "reef-grabbing and island-building" state, and this image may deteriorate the political objectives of the project.

Goley & Ingle (2018) argue that the domestic benefits of BRI to China are more than other aspects. They show that China's GDP has fallen between 2012-2017 from 7.7%

¹⁶ Some other scholars also claim that the economic slowdown may be an outcome of China's four-decade-old one-child policy (see Huang, 2016).

to 6.9%, which signifies an apparent slowdown for such a huge economy. Additionally, they claim that China has a serious overproduction problem. Furthermore, the growth of China is not distributed homogenously among its states and provinces, some border cities of China are less developed than others. All these problems, they argue, may be healed by BRI.

Another importance of the project is that it has the potential to unite Central Asian states with railroad and land road. As Gilpin put it elegantly, "politically fragmented, largely agrarian, and lacking good land transportation, continental Europe was relatively stable until the unification of Germany under Prussian hegemony by the force of arms and the railroad" (Gilpin, 1981, p. 136). Therefore, BRI ight provide the infrastructural framework on which cooperation can be increased among Central Asian states.

5.6 BRI and Political Hegemony

5.6.1 Central Asia

China might have a goal to increase its hegemony in Central Asia with the help of BRI. Central Asian states will be directly influenced by BRI, mainly because BRI is a project which aims to connect China to Europe with a better infrastructure, and this infrastructural works will take place on a route which mostly passes through Central Asian states. Every investment made by China will also have an impact on Central Asian states, either positive or negative. Yiping Huang (2016, p. 317) suggests that the Central Asian states are "sandwiched between the vibrant West European and East Asian economies, has the potential of turning into a new growth pillar of the world economy". They will have the opportunity to increase jobs by those infrastructural projects, and later they will be able to reach Europe with a better and lower-cost means of transport. These might be positive factors that will help China to increase its political hegemony over Central Asian states. On the other hand, Chinese trade may influence the economies of Central Asian states negatively, since they do not have the production capacity or competitiveness of China. Either way, BRI will have political influences in those states. In the region, Russia is the dominant force over Central Asian states, and it is open to debate whether China can increase its power over them.



Energy infrastructure in Central Asia. Infographic by Natalia Mikhaylenko

Figure 5.5 : Energy Infrastructure in Central Asia (Russia Direct, 2013¹⁷).

This is not the first attempt of China to connect with Europe through Central Asia. Previous attempts of China to connect Central Asian states through a route include the construction of *Second Eurasian Continental Bridge*. Timur Dadabaev (2018) argues that this project benefitted China in economic terms, as well as Japan and South Korea. They had increased their trade with Central Asian states. However, it provided no significant political influence for China, since Russia remained the dominant force over those states. Therefore, it is not possible to claim that BRI will certainly prove effective for China to increase its influence over Central Asian states.

Some Central Asian states have already expressed their negative concerns about BRI. For example, India suspects BRI as a “smokescreen China is using to seize strategic control of the Indian Ocean”. India’s prime minister, Narendra Modi, has accused Beijing of trying to “undermine the sovereignty of other nations” (Phillips, 2017).

¹⁷<https://russia-direct.org/analysis/china-russia-and-new-great-game-central-asia>

Therefore, it can be inferred that BRI will receive some negative reactions from the states in the region.

Relation of China with Central Asian states is generally peaceful and cooperative. Xing Guangcheng summarizes the characteristics of China's relationship with Central Asian states in five categories: "1. Emphasizing friendship, 2. attaching great importance to the development of economic and trade relations; (3) trying to promote China's own values to the Central Asian countries; (4) not intervening in the Central Asian countries' internal affairs, and not promoting its own model to the Central Asian countries; (5) and limiting other countries' intervention in China's domestic affairs." Unlike Russia, China does not claim control over them, rather, it focuses on building mutual cooperation. (Guangcheng, 2015, p. 160).

In this regards, BRI may have improving effects over the lives of people living in Central Asian states. Tom Phillips quotes from Tom Miller¹⁸ who says "There are certain countries, like Kyrgyzstan and Tajikistan, where it is literally keeping the lights on" pointing to massive Chinese power transmission projects in those nations (Phillips, 2017). In other words, BRI has a significant impact for Central Asian states who have insufficient energy resources in their energy consumption, and cooperation with China will help them to find a source for electricity. Figure 5.5 shows the main elements of energy infrastructure in Central Asia. Additionally, there are many projects coming with BRI for the lives of Central Asian states, which are highlighted in Figure 5.6.

Similarly, increasing People-to-People communications is an important target in BRI project, and China is trying to improve its image in Central Asian states as a part of the BRI content. China financed the higher education for Kazakh and Kyrgyz students in Chinese universities in the hope that their culture can be spread in young members of Central Asian nations (Yujie, 2018). This can be an example for China's intentions for influencing the elites within the states on BRI route so that they can further influence the masses in their countries. This can be regarded as an example case for cultural hegemony in Neo-Gramscian terms.

¹⁸ Phillips quotes from Miller, T. (2017). *China's Asian Dream: Empire Building along the New Silk Road*. Zed Books.



Figure 5.6 : Map of Central Asia illustrating Silk Road Economic Belt projects and fragility indicators per state (Stockholm International Peace Research Institute, 2017¹⁹).

The biggest challenge China may face in Central Asia is the political dominance of Russia. Guangcheng (2015) reports that none of the Central Asian states list China as their most important strategic partner. Although Russia's influence was much higher, this influence reduced significantly during Yeltsin Period. However, during Putin Period, Russia began to increase its influence in the region back again. Guangcheng mentions that some scholars view China as an important player in the region, but he claims that "the game is between Russia and the U.S.". It might be difficult for China

¹⁹ <https://www.sipri.org/commentary/topical-backgrounder/2017/silk-road-economic-belt>

to reap political benefits from BRI under the existence of Russian political hegemony in the region.

Another challenge for China in Central Asia is the security concerns which is increasing steadily. Rising Islamic extremism and political conflicts in Middle East have threatened the region, as well as it did China. Pan Guang (2015) explains that the rising Islamic extremism has threatened both China and Central Asian states in three aspects: “first, instigating ethnic and religious extremism, launching violent terrorist attacks, and threatening the stability and development of the SCO member states; second, interfering and damaging SCO economic and trade cooperation, especially posing a serious threat to Central Asia and China’s oil and gas pipelines; third, directly threatening the safety of companies and citizens of the SCO member states in Afghanistan and the Middle East” (p. 351). China is also focusing on maintaining safety and development of its northwestern regions, therefore Central Asia is critical for China, it views the stability of Central Asia as the stability of itself. (Guangcheng, 2015, p. 156).

Under these circumstances, it is not easy to make a satisfying prediction about the consequences that BRI will create in Central Asia. Although BRI will increase living standards and ease of trade in Central Asian, it is seen as a political instrument of China and has many opponents and critics. Additionally, Russian dominance and security concerns in the region makes it more difficult for China to reap benefits with BRI. Even though BRI might help China increase its trade with Central Asian states, it might not help in establishing political hegemony because of Russian dominance. Furthermore, economies of Central Asian states are under great risk because of increasing trade with China. Therefore, although Central Asia is destined to be impacted by BRI, it is not clear whether the impact will be positive or negative.

5.6.2 East Asia

Economic growth of China brings the question of whether China can establish political hegemony over East Asia with BRI, because this project will also provide better infrastructure for East Asian states to reach European markets. However, the political relations between the states in the region are complicated. There is an American hegemony in the region but the relative decline in the U.S. economy and the increase of China’s economic and military power inevitably put forward the possible concerns

in the political relations between the two states. Combined with the Decline Debate explained in previous sections, China is viewed by some as the candidate for the being the next hegemon in East Asia. As the Chinese economy grew larger, it started to steal from the markets where the U.S. dominated. China's increasing exports increased its use of the trade routes. China started to build artificial islands in the South China Sea and this increased the tensions. China's historical disputes with Japan worsened the situation as Japan is the closest ally of the U.S. in the region. China's military build-up also raised the suspicious thoughts in regards of the balance of power mechanism of the Realist theory of international politics. In 2017, the U.S. began increasing tariffs for Chinese goods, starting a dispute whether a trade war has begun.

China's relations with Japan is regarded as a major issue in the power politics in East Asia. They have historical conflicts about the islands in South China Sea. There is also a militarization trend growing in China and Japan. Some scholars Shelley Rigger wrote (Rigger, 2014) that Japan was undermilitarized after WWII and it had benefitted this situation, since it could focus on its technological advancement. Rigger foresees that China will not push Japan too much because it could lead Japan to become a fully militarized state, which China would not favor. Security Dilemma might be at work, meaning that China is building up militarily, thinking that the U.S. is building up in China's neighbours; while China's neighbours think that China is building up militarily in order to attack them. Both parties feel insecure and resulting in a military build-up in both sides. Rigger predicts that asymmetrical economic development might be a reason of conflict in East Asia. She suggests that due to the increase in the costs of war in the recent years, states will not go to war as easily as they did in the 20th century.

Japan has a conflict with China over the unpopulated Senkaku/Diaoyu islands. As can be seen in Figure 5.7, they are a group of islands which are located in East China Sea. Japan names them Senkaku Islands, China names them Diaoyu Islands. Both China and Japan claims right over those islands. The significance of those islands comes from the fact that they enable their owner to perform oil drilling activities around them for a certain range. In other words, the owner of those islands will have the right to extract and use the oil that is available around them. Both China and Japan suggest their own boundary proposals, each claiming Senkaku/Diaoyu islands within their own territory. Since the maritime routes of BRI pass through East China Sea, therefore China might

claim that it has to protect its trade fleet and consequently increase its naval power in there. This would cause Japan to feel more insecure and retaliate militarily.



Figure 5.7 : Senkaku/Diaoyu Islands²⁰.

Even though China's relations are tense with Japan, some scholars view a war between these two neighbour states improbable. Key-young Son claims that there has been a tension between China and Japan for decades and the U.S. plays a combining role in the region. China and Japan recently had conflicted about the ownership of Senkaku/Diaoyu islands in South China Sea. The U.S.-China-Japan triangular relationship will determine the future of the East Asia. He emphasizes the difference between pre-WWI era and post-2010 era such that it is now possible to separate power from politics. He claims that American military power can coexist with Chinese economic power in East Asia. He foresees that in East Asia the U.S. will remain the military hegemon, while Japan will be the technological hegemon and China will be the economic hegemon (Son, 2016).

As a counter measure to China's BRI project, Japan also declared a project worth \$110bn in order to improve the infrastructure in South East Asia and targeting to improve its trade with the region (Golley & Ingle, 2018, p. 55).

²⁰ <https://www.theguardian.com/world/2012/apr/19/tokyo-governor-senkaku-islands-china>

South Korea is another major actor in East Asia. It has gone through a transformation in the last 50 years and increased its economy. Production technologies in South Korea have grown and it became a leading manufacturer of electronics. South Korea has historic disputes with North Korea. South Korea was supported by the U.S. financially in order to contain communism which had captured North Korea. The U.S. supported South Korea not just financially, but it also helped it to learn technologies so that it could increase its production capabilities. North Korea, on the other hand, had been supported by China for long time. Both being communist states, they had close relations especially while China remained its communist attitude before 2001. China and North Korea are still good partners both politically and economically, and this situation concerns South Korea. It views China as a friend of its enemy and regards all its actions with a precaution. Kristian McGuire (2018) claims that the central dispute between South Korea and China is North Korea's nuclear weapon production. North Korea is determined on its nuclear missile production and testing, and this is a security concern for South Korea. China is not willing to persuade North Korea to relinquish its nuclear researches. Additionally, South Korea is home to U.S. Terminal High Altitude Area Defense (THAAD), which is a security concern for China. Furthermore, South Korea is a member of tripartite alliance with the U.S. and Japan. Due to these reasons, relations between China and South Korea are very tense. The maritime routes of BRI pass through East China Sea. China might want to take measures to provide security for its increased sea trade and deploy its navy. This scenario exacerbates security concerns of South Korea. In summary, BRI might increase security concerns of South Korea and has the potential to worsen the already tense relations with China.

In order to compensate the decline in global political strength, the U.S. increases its military existence in East Asia. American military existence in the region is claimed to protect Japan and also Taiwan. Although it may seem like an effort for protecting its long term allies, it can also be viewed as a power balancing method. Taiwan is another topic of dispute in the region. Edward Friedman (2013) evaluates the U.S.-China relationship through Taiwan issue and claims that ending support to Taiwan can not be a method for increasing peace in East Asia. He claims that there has been a negotiation during Barack Obama administration such that the U.S. was offered to stop supporting Taiwan and accept China's dominance in Taiwan in exchange for China to let North Korea to unite with South Korea; however, President Obama did not accept

this suggestion. Friedman claims that ending of American support to Taiwan will upset other allies of the U.S. in the region such as South Korea, Vietnam, Indonesia and Japan.

American military presence in East Asia Sea is seen as a threat perception by China and is regarded as a potential reason for its nuclear build-up. Susan Turner Haynes discussed (Haynes, 2016) that China has a big nuclear arsenal and it has built it even more even though it has signed Nuclear Nonproliferation Treaty. As long as China feels a threat perception from the U.S., it will continue its military build-up. She suggests that the U.S. should be in dialogue with not only China but also with Russia and the relationships of this dialogue must be handled with utmost care since it will have different dynamics from Cold War era.

This military presence of the U.S. in the region is found useless by some critics in terms of keeping China off the table. Kurt M. Campbell and Ely Ratner argue that while the U.S. was busy in Middle East, China increased its military power and economic development (Campbell & Ratner, 2018). The trade between the U.S. and China is reported to have increased 30 fold (inflation smoothed) between 1986-2016. They argue that the U.S. had never been successful in shaping Chinese foreign policies or influencing their decisions. They claim that Chinese realities had upset American expectations many times before. The U.S. is not able to change China's trajectory. With the increasing economic development, people expected China to become more liberal but it turned out the just opposite. Imprisonments of journalists, media and internet censorships increased. Xi Jinping modernized the army and built a world-class army. Campbell and Ratner compare American and Chinese attitudes in foreign politics. They claim that Trump administration focuses too much on bilateral trade deficits, abandonment of multilateral trade deals, questioning the value of alliances and downgrading human rights and diplomacy. All these steps make Trump administration "confrontational without being competitive", while China behaves "competitive without being confrontational" (Campbell & Ratner, 2018). Therefore, they suggest, the U.S. should focus on its own power and increase the power of its partners in the region.

China builds artificial islands in South and East China Sea in order to increase its boundaries in the seas. As can be seen in Figure 5.8, they find a reef close to water surface, and they pile up soil on it and create an artificial island. An island gives China

to claim airspace control, as well as maritime boundaries around the island. Artificial islands are created by first finding a pre-existing coral or subsurface structure. Then a specially equipped ship comes and extracts soil and rocks from the bottom of the sea and throws them over this structure until the level rises over the sea level. Figure 5.9 shows how this technical equipments are used in order to create those artificial islands. Once an island is created, China occupies its armed forces to those islands, which increases the tension in the region.



CNES 2014/Distribution Airbus DS/IHS

Figure 5.8 : Before and After Photos of Artificial Islands Built by China in East China Sea (National Post, 2015²¹).

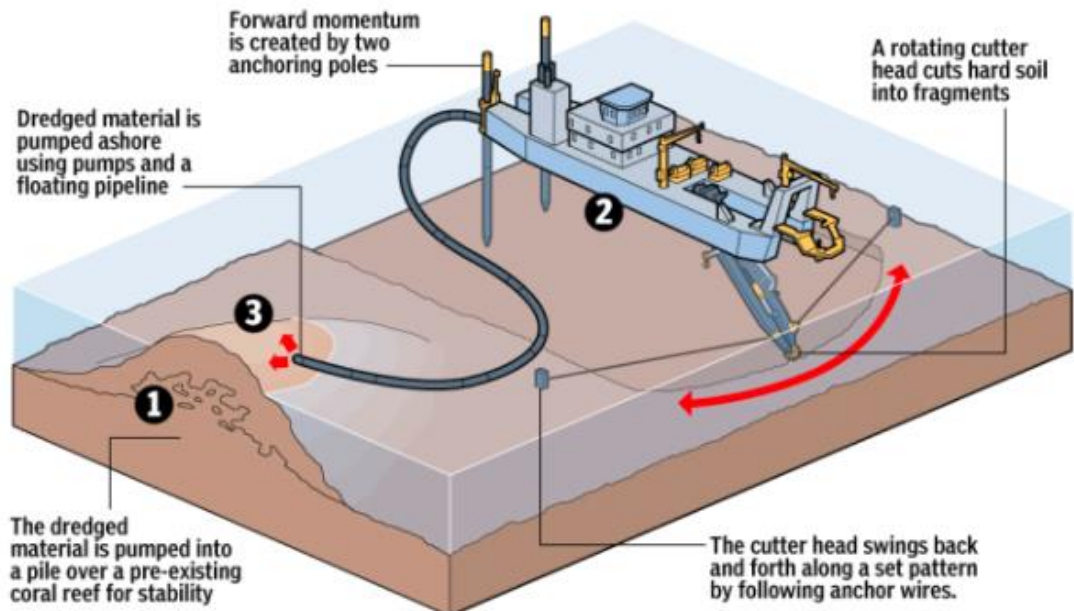
²¹<https://nationalpost.com/news/world/china-claims-airspace-and-seas-around-artificial-islands-in-disputed-waters-after-warning-off-u-s-plane>

HOW TO MAKE YOUR OWN ISLAND

China is building artificial islands in the South China Sea to bolster its claim over the body of water. Here's how they are doing it.

- 1** Find a pre-existing coral structure or other subsurface mass
- 2** Bring in dredging barges to pull up sand and rock from the surrounding sea floor
- 3** Deposit the dredged material on the coral until it breaks the surface

HOW A DREDGING BARGE WORKS



SOURCES: VOSTAL.MG.COM, DISCOVERY.COM, HICBEAVERDREDGERS.COM

MIKE FAILLE / NATIONAL POST

Figure 5.9 : Method of China to Create Artificial Islands (National Post, 2015).

5.6.3 The U.S.-China relations

There are many factors that effect the U.S.-China relations. The first factor is the decline in global American hegemony. American military power failed to reach successful results in Afghanistan, Iraq and Syria. Moreover, it began to take back its army from Middle East, leading to a power vacuum in this region, which might trigger activities of terrorist organisations. When coincided with the increase in economic and military power of China, the situation becomes even more critical. The rising trade revenues and production output made China the leading state in global trade. China transformed this income into military investments and modernized its army and navy. This situation made the U.S. feel threatened in front of China's growing military power. The U.S. began deploying its navy towards East China Sea. It increased its support to its long time allies such as Japan, Taiwan and South Korea. Similarly, as Guangcheng (2015) writes, the gradual withdrawal of American forces from Middle East causes a threat for China and Russia in terms of increasing radical Islamism.

This increase in American military deployment in East Asia is called “Pivot-to-Asia Policy” and it is a critical issue in the U.S.-China relations, because it has the potential to cause China feel threatened and create a security dilemma in the region. The U.S. proposes that it has to defend its allies in the region, namely Japan, Taiwan and South Korea, from a strengthening China. This argument helps the U.S. to further increase its military presence in East China Sea. Since China will demand to protect its trade fleet, an increasing American existence in the region brings the risk of Chinese navy to have conflict with American navy.

Despite the possible risks it brings, the U.S. keeps following Pivot-to-Asia policy. William H. Overholt (2015) emphasizes the importance of BRI in the context of this policy. Overholt claims that the U.S. is apparently taking its presence away from Iraq and Afghanistan and shifting it towards Asia. However, the U.S. is falling back on creating the required diplomatic relations in this shift and focusing mostly on military presence. On the other hand, China’s global image is viewed as a reef-grabbing and island-building state (China builds artificial islands in East China Sea in order to increase its sea boundaries). Therefore, Overholt claims that the political gains that is targeted by BRI may fail.

In the relationship between the U.S. and China, there are many possibilities for cooperation, as well as issues of conflict. Pan Guang (2015) writes about the possible cooperation and conflict issues between the U.S. and China. He claims that there might be many issues where the U.S. and China could work in cooperation and he names the areas open to cooperation as “fighting terrorism and extremism, especially bringing peace and stability to Afghanistan; containing the proliferation of weapons of mass destruction, including the proliferation of nuclear weapons and nuclear materials; promoting energy exploitation and economic development in Central Asia, while facilitating postwar reconstruction in Afghanistan; and jointly coping with such nonconventional security threats as drug trafficking, weapon smuggling, illegal immigration, cross-border crimes, environmental degradation, water resource shortage, and emergent public health incidents” (p. 357). An exemplary cooperation had taken place when the U.S. asked China to close its border with Afghanistan so that no terrorist could escape to China, and they cooperated on this issue very successfully. It was a part of the bilateral agreement by the two states on the fight against terrorism.

In addition to the cooperation possibilities, Guang also mentions about the conflict issues: “First, there are obviously different opinions regarding political reform and democratization in the region. Indeed, such different opinions resulted in the common opposition on the part of Chinese, Russian, and Central Asian regimes to the “color revolutions” endorsed by the West, including the United States, in 2005. Second, there are different interests regarding the alignment of the Central Asian energy pipelines. The most desired choice for Russia would be having the pipelines go through Russian territory, and the Americans strongly favor the lines leading to the West through the Caucasus and Turkey, while in the eyes of the Chinese, more pipelines from Central Asia leading to China would be an ideal option” (p. 359). Also, the declaration of Shanghai Cooperation Organisation which announced Iran as an observer state caused concerns in the U.S. (p. 360), which can be interpreted as China is taking sides by Iran.

Trade wars is probably the most important issue in the U.S.-China relations. As the economic power and production output of China increased, the products of China became cheaper in American and European markets. In 2014, China had a steel overproduction equal to the combined production of Japan, India, Russia and the U.S. (Brodsgaard & Rutten, 2017, p. 6). This caused the U.S. to lose jobs and markets to China. As a retaliation, the U.S. started to increase tariffs and customs taxes for Chinese products in order to protect its domestic production. In economic terms, China is spreading its dominance in trade over Europe and America. The European states refused to join tariff increase of the U.S. and this led to a crisis between major European states and the U.S. When the U.S. increases tariffs on China products, it will also have an impact on European products manufactured in China. Therefore, Europe will also be affected from this trade war (Pi, 2018).

The Trump administration sees China as a threat to America’s trade power. Golley & Ingle (2018, p. 48) write that Trump’s tweets are concentrated on how America is willing to use its trade power and economic might as a tool to achieve its diplomatic goals. Moreover, they claim that Trump blames China of undermining international trade by supplying excessive amount of aluminum sheets to global markets, and this entered into his administration’s first national security strategy document (p. 59).

Although the trade wars is on the rise between the U.S. and China, some scholars suggest that trade partnership can be viewed as an alternative way of cooperation between the U.S. and China and claim that it must be preferred over trade wars. David

Dollar (2016) suggests that the U.S. must choose to make a trade deal with China and keep it inside the global trade flow. He suggests that an “open” China will be to the benefit of the U.S. (p. 212). This view is consistent with the Gramscian view which suggests that trade is an important tool of establishing hegemony over other states, here the U.S. keeping China inside the global trade with the rules it set out.

The high amount of trade activity between the U.S. and China is seen as a binding factor by some scholars. Howard J. Shatz (2016) writes that the trade bond is so strong between those two states that a trade war would have negative consequences for both states. Figure 5.10 shows the rapid increase in Chinese imports in total imports of the U.S. In 2016 figures, he tells that per capita GDP of China is less than \$8,000, while it is almost \$55,000 in the U.S.; and he finds it unlikely for China to exceed the U.S. in this figure. He reports that in 2015 China sold \$477bn to the U.S. Between 2000 and 2015 China imports into the U.S. grew with an average of 11% growth rate. China enabled this increase by displacing other Asian importers and displacing their imports into the U.S. In 2018, U.S. trade deficit with China (which means the difference between the price of imported Chinese goods minus American goods sold to China) is calculated as \$382bn²². Shatz claims that keeping China inside the global rule-based system of international trade is to the benefit of the U.S. (p. 100). However, the Trump administration increases tariff rates constantly in order to decrease Chinese imports.

To sum up, the U.S-China relations are open to impacts mainly from Pivot-to-Asia Policy and the trade wars between the two states. Pivot-to-Asia Policy leads military deployment of the U.S. in East Asia to increase with the claim to protect its allies in the region, however it may raise the tension in the region. China’s military build-up in East and South China Seas make the issue more complicated. It can also devastate the cooperation possibilities that BRI can enable. Under such a tense political climate, cooperation through trade might lose its positive impact. Trade wars can also spoil the relations irrevocably. Losing markets, jobs and diminishing production output seems to continue leading to conflicts and trade wars is expected to continue. This might have negative impacts on the goals of BRI.

²² United States Census Bureau (<https://www.census.gov/foreign-trade/balance/c5700.html>)

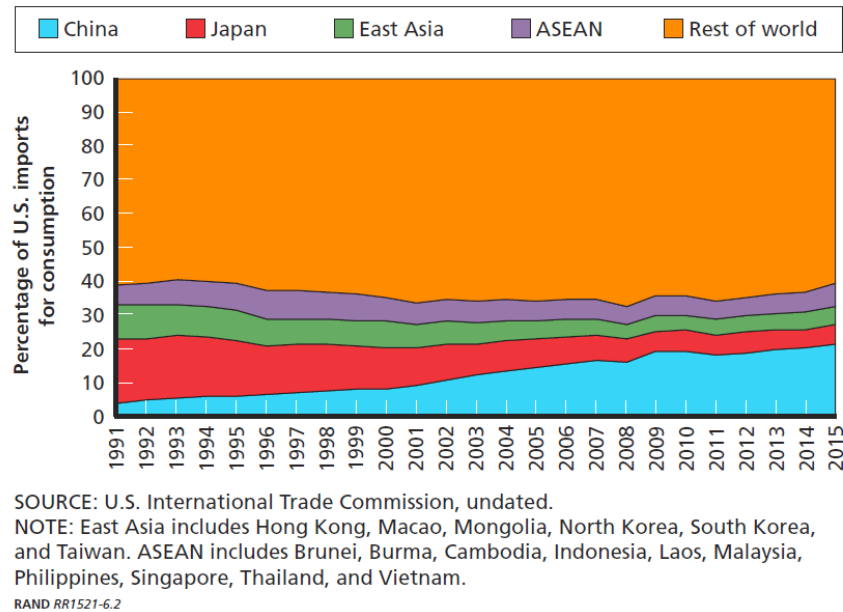


Figure 5.10 : World Share of U.S. Imports (Shatz,2016).

5.6.4 Russia-China relations

Russia is the dominant power in Central Asia. It has the biggest military power. As a result of the Cold War era, it has the biggest nuclear arsenal in the region. It uses its historic ties with the states in the region to influence their politics. It does not hesitate to mobilize its army in case of political conflicts. This was seen in crises with Georgia in 2008 and Ukraine in 2014. Those states tried to keep away from Russian influence and improve their relations with European Union, however Russia was not happy with this situation and it prevented this by its military might.

Central Asian states still speak Russian as a second language. It has a significant impact on their politics. Since BRI route passes through Central Asia, China has to cooperate with Central Asian states in the construction of BRI, which means it also has to have good relations with Russia.

Guangcheng (2015, p. 160) writes that “without Russia’s participation and its important role, the construction of an economic belt along the Silk Road is impossible”. He also reports that China has solved its border disputes with Russia and other Central Asian states. Russia and China also cooperate in fight against terrorism.

Current status of relations between China and Russia are peaceful. Both states are members of Shanghai Cooperation Organisation. However, this peaceful relations may break in the case of a clash in interests. Both states are militarily powerful and a rising

China might at one point upset Russia. This might lead to a balance of power in the region. Central Asian states would possibly gather around Russia and this might put the BRI investments into significant risk of security. This scenario is totally speculative, but it is important in emphasizing the fragility of BRI in front of any political instability in the region.

6. CONCLUSION

It can be claimed that BRI is a Chinese project of increasing its trade benefits, but the matter is not that simple. It has the potential to influence the political elites in the states on its route to China's cultural hegemony and create consent to a Chinese domination. Chinese military buildup is also another example for its hegemonic aims as coercive potential. The lowering costs of raw material and finished goods transportation will dramatically change the production methods and trade routes of the states in both Asia and Europe. Still, China announces this project to the world as a project of cooperation and friendship. This low-profile, humble attitude of China is viewed critically by its neighbour states in its region as a potential threat. China will try to dominate the trade routes created by BRI and will impose its military presence.

The success of BRI in helping China to increase its regional hegemony is closely tied with its relations with other significant political actors in the world. China used to be the rising power of the 21st century but its economy entered a phase of stagnation. Its rise caused powerful states to turn their focus on it. The U.S. tries to contain China with trade barriers, protecting its market from Chinese invasion, which consequently raises the tension with China. Trump administration's conservative and aggressive attitude is not helping the relations to stabilize. Central Asian states benefit from Chinese investments, but they remain under the influence of Russia. This might lead their attitude towards BRI and China to be volatile.

All these political uncertainties make it more difficult to predict BRI's impact on China's hegemonic aims. One prediction might claim that BRI might create a cooperation environment, increase trade in the region and cause economic growth for all. Another prediction might claim that BRI is open to volatile changes in political agenda, it heavily depends on the acceptance and approval of Russia, maritime routes and ports make South China Sea open to naval clashes. Both predictions would be equally convincing and admissible. Therefore it is not possible to make a clear cut prediction for the relation between BRI and political influences in the region.

The 21st century has started with many changes for China. It has entered to World Trade Organisation, it opened its economy to the world. With the help of a mixed economy made up of elements from both capitalism and central planning, it created a miraculous development. It used its cheap labour and low-cost advantage from central planning of raw materials to create reductions in production costs. It eventually became the global manufacturing center for all types of industries.

Meanwhile, the global U.S. hegemony entered a decline period. It lost critical military campaigns in Afghanistan, Iraq and Syria. Its economy has been impacted from economic crises of 1998 and 2008. Many political scientists claimed that the U.S. began losing its global hegemony. This led them to search an answer or the question who the next global hegemon will be. Due to its recent economic and military growth, China was one of the candidates for replacing the U.S. as global hegemon. Therefore, the rise of China attracted many attention in political agenda.

China started an investment project with the name of Belt and Road Initiative in order to lower its logistics costs in transportation of its goods into European and American markets. It announced the project in 2013. It would consist of land roads, railroads, sea ports, powerplants and other critical infrastructure projects that contain almost 70 states globally, in Asia, Europe and Africa. Since it would touch to the lives of many nations, this initiative brought about many diplomatic concerns about its possible impacts. Many critics claimed that this initiative was not just an economic oriented project to lower sales costs of Chinese goods, but also an action towards increasing China's regional hegemony and political influence. Building long range roads was a method that helped Roman Empire to mobilize its army towards remote corners of the world, therefore it could help Chinese army as well. These concerns created to camps in political science scholars. One camp claimed that BRI was just a peaceful project, and other camp claimed that it was aimed to enable Chinese hegemony.

China's growth period continued until around 2012. After that, a period of economic stagnation began for China. Its production capacity became so large that it failed to sell all its products. Its economy entered a phase of slowdown with less-than-expected growth rates. BRI is financed by global funds with many investor states globally, but the main creditor of those funds is China. This led financial world to question the feasibility of the initiative.

The branch of political sciences that might explain BRI and its impact is the study of hegemony. Since BRI has the potential to change economy and manufacturing relations of the world, the most suitable theory to explain this initiative is selected as Neo-Gramscianism. It tries to explain the world in class conflicts and domination of one class over another using the methods of consent and coercion. Although China has grown in economic and military aspects, it has not the ability to influence the political agenda of BRI states. Additionally, its approach to BRI states seem to be limited to economic and financial dimensions.

The economic impact of BRI on means and relations of production will be crucial in the following decades. The decrease in the transportation costs will make China a better competitor in global trade. Neo-Gramscian explanation for this case would be the change in means and relations of production. China also tries to influence the elites in the states in region so that it could create consent to its hegemony. It uses education programs, scholarships and science project endorsements. China sponsors Hollywood movies with the aim of persuading masses to its friendly attitude. It also builds up its military and navy so that it can also generate coercive power.

In a Neo-Gramscian perspective, China fails to be the ruling state in its region to set rules of conduct and create coercion over other states. It has a massive production capacity, but it cannot transfer this power into coercive power due to the political relations of those states with Russia. Furthermore, China lacks the ability to establish institutions to shape the relations and create hegemony over the conduct of politics. The consent of those nations for a Chinese hegemony would not be possible in the absence of a coercive threat, since they would prefer their sovereign rights over any other benefits.

In this master thesis I tried to show why Neo-Gramscianism is a better IR theory than Realism and Liberalism in explaining and understanding BRI case. On the other hand I have to admit the difficulty of reaching a decision about the future impact of BRI. There are many different factors that will affect the success of BRI and their impacts are not yet determined. Moreover, the real aim of China in this project is not clear for now. Therefore, any comments in this issue would be speculative.

For further academic researches, my study might constitute a beginning point in theory selection, since I tried to show why Neo-Gramscian IR theory is the best choice. There

is a wide range of research potential about BRI in global politics. As the route of BRI is gradually extended into Europe, academic world witness the political impacts in those states resulting from their interaction with China and its political goals.

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