



# CHINA'S BELT AND ROAD INITIATIVE

Redefining Development and International Relations in  
Greece and Sri Lanka

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## Contents

Introduction.....	2
Globalization, Neoliberalism, and China.....	5
China’s Belt and Road Initiative.....	9
The Narratives of the BRI.....	13
The BRI and Greece.....	17
The Piraeus Port in Athens, Greece .....	20
The Five Areas of Cooperation .....	22
The BRI and Sri Lanka .....	30
The Hambantota Port and Colombo Port City Project in Sri Lanka .....	32
The Five Areas of Cooperation .....	35
Discussion.....	45
The Impact of the Five Main Areas of Cooperation .....	47
Conclusion .....	51
Bibliography .....	53

## Introduction

National development strategies and globalization patterns shift in response to the economic system, which determines what a country needs to address in order to improve its economy, social and cultural issues, and environmental policies. While no specific definition exists for measuring what a successful shift from developing to developed looks like, some common issues that developing countries often face include poverty, high pollution levels, and generally poor infrastructure. Several national and international institutions exist to support development activities, such as the International Development Association, which directs funding to developing countries in order to improve equality, economic growth, job creation, and better living conditions (International Development Association, 2020; USAID, 2018). Historically, neoliberal development was defined by institutions like the IMF as a purely economic situation, where the core assumption is if the economy improves then everything else will improve. Development is now described as a comprehensive approach to improving economic, social, environmental, and political conditions (United Nations, 2020). Regardless of how development is measured, the process of development is shaped by continuous shifts in policy and structure that intend to improve the overall conditions of a country.

In the past, development has vastly been implemented through the neoliberal model, which prioritizes the creation of a competitive, free-market economy, rapid industrialization, and modernization that is assumed to provide the opportunity for countries to competitively participate in the global trade system. Historically, neoliberal policies were formed by laissez-faire approaches to economics, which simply intended to reduce the involvement of the government in the management of a free market (Olsen, 2019; Stiglitz, 2018). Now, the meaning of neoliberalism is widely debated among scholars because it impacts geopolitics, democracy, philosophy, and

economics. Additionally, neoliberalism is not a new concept in the global system, development, or how countries interact, as the idea has been forced onto other countries in the past through means of war, land occupation, or the pressure to conform to the model or risk the development of the country. As a result, this research paper will focus on the economic aspects of neoliberalism as it contributes to global trade and macro-economics, especially through emphasizing free trade and open market policies. The economic, neoliberal approach to development is subject to controversy because the global competitiveness of a nation may not be as advantageous as other countries, the neoliberal model may not be enforced or implemented in a way that accommodates the needs of that country, and that traditionally these policies are often forced upon countries. As a result, this model of development is often associated with economic inequalities that are reflective of both the low wages and high unemployment rates of local labor markets as well as the neoliberal policies that required governments to structurally adjust to macro-economic policies.

The Belt and Road Initiative (BRI) challenges the traditional processes of neoliberal development by focusing on development through economic and social reforms. Specifically, China's own development model has relied on a selective approach to neoliberal policies, such as international investment and providing special economic zones for open market economies, while still maintaining their political and economic sovereignty over their specific development goals and organization. As a large-scale global development project implemented by the Chinese government in 2013, the BRI seeks to provide funding to expand upon infrastructure, improve trade accessibility, and assist with the development of participating countries. Through this initiative, Chinese economic and societal norms are being applied through selective engagement in the global economy in order to build upon its once cheap labor workforce as well as relying on the guidance and support of the state's political power rather than a supranational influences

(Rodrik, 2012). China's development and its evolution towards the status of an advanced economy is a result of large-scale capital investment and rapid productivity growth to create an efficient economy and reduce poverty, and decentralized economic production (Koboević, 2018). While this development approach is associated with negative outcomes, such as the censorship of information, increased income inequalities, and disregarding environmental protection, China was still able to promote rapid economic growth and gain substantial financial and political influence in global affairs using this model.

Based on China's development model, the BRI seeks to offer a new alternative for countries participating in the initiative. This model prioritizes economic growth and infrastructure improvement without enacting strict conditionalities or reform (Bonciu, 2019). However, this development model also appears as a new way for China to grow as a regional and global superpower by prioritizing its own interests in order to achieve unimpeded trade access around the globe.

This research will thus look at how China's development model influences the development strategies proposed by the Belt and Road Initiative and the effectiveness of this approach regarding bi- and multi-lateral relations and development within each case study. The analysis of the BRI through the case study approach is beneficial in order to analyze the true impact of the initiative in each country, such as how China has invested into projects and what has been achieved, in order to determine the short and long term impacts of the initiative on a national and international scale. China's presence and investment in other countries through the BRI challenges existing international relations by avoiding political confrontation and instead highlighting economic growth and development. China has historically been a major power in the global system, but it is only within the past two decades that China's economy and political power has

grown to such an extent. China's international presence as a result of the BRI is quickly, yet indirectly, threatening the global influence and power of countries such as the United States and supranational organizations like the European Union (Yibo, 2019). As a result, many nations and institutions are skeptical of China's motivations and to what extent the BRI is yet another tool for hegemonic expansion (Greer, 2018). Since the initiative was only established in 2013 and continuously evolves, the research will also try to assess the current situation and how it may unfold by using two case studies to evaluate the impact of the initiative on international relations and development strategies.

## Globalization, Neoliberalism, and China

This thesis will analyze both the impact of the Belt and Road Initiative on the development of Sri Lanka and Greece as well as its effect on their international relations. Through the existing literature and research on China's relatively new BRI, this thesis will also analyze the effectiveness of China's five main areas of cooperation (development policy, facilities connectivity, trade and investment, financial cooperation, and cultural exchange) to understand the different narratives and interpretations of the BRI (National Development and Reform Commission, 2015). From this interpretation, this thesis will use experiences of Greece and Sri Lanka with the BRI as case studies to determine the short- and long-term consequences of the initiative and its impact on international relations and the development of the involved countries.

During the 20<sup>th</sup> century, globalization took on a new form with neoliberalism, which stemmed from laissez-faire economic liberalism and free-market capitalism. Neoliberalism reflects policies that prioritize privatization, deregulation, free trade, austerity and conditionality

measures regarding the distribution of loans to assist with development, policy reforms, and infrastructure construction. Primarily, neoliberalism reduces the role of the government in investing abroad and instead allows private corporations to manage the international economy (Stiglitz, 2018). This method of open trade and free markets defines Western standards of development, especially for the United States and European Union countries, which not only established international institutions such as the WTO and IMF, but also determined the rules, standards, and regulations that have shaped globalization over the last several decades. While some countries, such as South Korea, Singapore, and Japan, also adapted this Western standard of neoliberalism and have thrived from the transition, not every country benefitted from neoliberal globalization.

The main shortcoming of the neoliberal economic model is the assumption that an improved economy will improve the rest of society. This perspective on development is not particularly effective for countries that need to address other development problems, such as poverty and inequality. Further, with the conditionalities imposed by institutions like the IMF, economic growth is prioritized while multinational corporations take advantage of the open borders to improve their profit and global presence (Stiglitz, 2018). Even though neoliberal policies have allowed for improved transportation and accessibility of goods, services, and people, and that the standards of living have substantially improved, many countries have not received the full benefits that globalization originally promised and have struggled to improve their economies under the neoliberal model.

The East Asian development model has been advertised as a successful form of economic neoliberalism because it takes a selective approach of what aspects of globalization to include, such as trade reforms and infrastructure investments, while also addressing social issues like

poverty and inequality. As a result, this model has been a successful, long-term development alternative for countries that adapted their own unique approach towards conventional neoliberalism. China, for instance, has used globalization to grow its economy and establish stronger relations with other countries, which laid the foundation for the implementation of the BRI. This new dimension uses state-owned enterprises, as compared to private enterprises under classic neoliberalism, that follow the same ideology of openness to trade and access to foreign markets to position its national interests abroad and expand its influence. As a result, the new Chinese twist on globalization has led to an effective approach to development for many countries, and China's economic growth and reform underlines the effectiveness of the model.

Thus, understanding how classic neoliberalism has inconsistently impacted developing countries is an important starting point for an analysis of China's BRI. China's new approach to development through its state-led reform and growth has led to the advancement of its national interests, but now China is attempting to spread this model to other countries through the BRI. This standard of development, through high investment with limited conditionalities, infrastructural development, and an emphasis on open trade borders, provides an appealing opportunity for other developing countries because of its contrast to the neoliberal model. The full effectiveness of the BRI draws on these alternative approaches to the neoliberal model but with uncertainty regarding its short- and long-term impacts due to the initiative being relatively new.

Additionally, this analysis of China's adaptation to neoliberal development examines how the increasing interconnectedness between nations, cultures, and people, in addition to economic cooperation and policies, have impacted international relations. Since the BRI is a global issue, and directly addresses economic needs because of China's primary goal of improving trade connectivity and cooperation between nations, its selective implementation of neoliberalism helps



implement a new range of development strategies and societal change. This will be underlined in each of the case studies discussed in this paper. They will help evaluate the political implications of the BRI because China's method of development relies on providing economic and infrastructural assistance while emphasizing a lack of political reform.

The two case studies for this research project highlight the Piraeus Port in Athens, Greece, and the Hambantota Port and Colombo Port City in Sri Lanka. Both case studies represent major landmarks along China's Belt and Road, especially regarding maritime trade. These ports have not only experienced extensive infrastructural developments and economic assistance from China, but both countries have also recently emerged from a difficult economic situation: Greece with its financial crisis and Sri Lanka with its 25-year civil war. These economic and political shocks provide an opportunity for China to move in for attractive infrastructure investment projects as well as establish a strong presence in the Mediterranean Sea, the Indian Ocean, and near the Malacca Strait, all of which are strategic and necessary aspects of efficient global trade. As a result, China has provided both countries with the opportunity to improve their economy and expand their access to international trade.

Greece and Sri Lanka may be similar in terms of their economic and maritime importance for the BRI, but they also provide a unique analysis for the different aspects of the initiative. Greece, for instance, is a developed country, a member of the European Union, and needs to move beyond an economic crisis that threatened the Euro currency. The island country of Sri Lanka, alternatively, is a developing nation in the Indian Ocean that needs financial assistance to rebuild its economy and society after a devastating civil war. China thus provides a feasible way to achieve these goals by re-establishing Sri Lanka as a major maritime trade hub in South Asia. Since both Greece and Sri Lanka are at varying levels of international engagement and international

cooperation, the impact of the BRI on both a developing (Sri Lanka) and developed (Greece) nation provides a meaningful comparison of the effectiveness of the initiative.

## China's Belt and Road Initiative

Throughout history, China has been central to global trade. One element of this centrality is the ancient Silk Road that emerged during the Han Dynasty (206 BC - 220 AD) and endured into the 15<sup>th</sup> century. In the 15<sup>th</sup> Century, China closed its borders to the outside world as a response to hundreds of years of foreign rule by the Mongolian Yuan Dynasty in order to affirm traditional Chinese culture and values, as well as to focus on national development. During the 19<sup>th</sup> century, the British imposed the Treaty of Nanjing, which ceded Hong Kong to the United Kingdom and opened five ports in China, including a port in Shanghai. These agreements limited Chinese sovereignty by leasing the port areas to foreign powers, concessions that lasted until around 1941 with the Japanese invasion. While opening the Chinese ports and prioritizing foreign powers, the impact resulted in establishing Shanghai's port as a foreign trade hub from the late 19<sup>th</sup> century onwards (Keller, 2013). In 1949, following the dissolution of the port treaties by the People's Republic of China, the economy once again closed itself off from international trade as communist policies shifted to attain a level of economic autonomy.

A wave of economic reforms, known as the "Open Door Policy," began in 1978 when China gradually applied market principles after decades of central planning resulting in low productivity levels. The reforms involved opening the country to foreign investments allowing for privatization, specifically taking place in special economic zones under a more open regulatory regime, as well as allowing entrepreneurs to start businesses. This resulted in the rapid growth of

the national economy. China's economic success is mostly attributed to the shift from a centrally planned economy to an economic model allowing for market principles within a highly regulated environment, which tries to balance private ownership and state-owned enterprises. The resulting rapid growth of the Chinese economy decreased poverty rates in the country, but increased income inequality. The "Opening Up" strategy also helped China deal with overproduction and overcapacity issues in both population and trade goods (Chaturvedy, 2017). This process allowed China to become a major trader, a newly labeled global superpower and established a new form of national development and identity.

China's national development created the changes necessary for the country to open its borders to foreign investment, reduced tariffs, and offered fewer trade restrictions. Additionally, Chinese leadership wanted to transform China through national improvements to create a favorable environment that emphasizes its international success and strategies in order to increase cooperation between nations. The reform era ended around 2005 during the leadership of President Xi Jinping, who reversed the reforms to allow the government to adopt populist policies and increase its control over state-owned and private enterprises. The government control over Chinese businesses thus allowed for financial expansion throughout China and promoted the rise of large national corporations that could compete with foreign corporations (Blanchard, 2017).

President Xi Jinping's modern plans for Chinese reform involve implementing redesigned "Opening Up" policies to increase its global influence and economic development. In 2013, President Xi Jinping first introduced China's Belt and Road Initiative (BRI), previously referred to as the "One Belt, One Road" (OBOR) Initiative, as a large-scale infrastructure project focused on improving transport connectivity between countries. The initiative focuses on enhancing regional connectivity and cooperation between nations, with an initial focus on Central Asia. The

BRI reflects the efforts made by China to establish a more substantial presence in international trade and relations, as well as through exchanges promoting the Chinese culture. The BRI is meant to reshape China's global profile as a result of engaging in international relations and cooperation, with a focus to promote China as the main figurehead for Asia. The plan lays down the groundwork for economic and social development, with stated objectives such as improving economic prosperity, promoting sustainable development, strengthening cooperation and mutual understanding between nations, and promote world peace and development (Blanchard, 2017; Xi, 2017a). China's national objectives, therefore, involve becoming an advanced economy by improving trade connectivity through infrastructure and transportation development.

The BRI primarily focuses on land transportation through railroads and highways by setting corridors that China intends to construct in over 60 countries across Eurasia, South Asia, and Africa. This network is expanding through the increasing interest of countries to participate in the BRI in order to benefit from the improved trade access and infrastructure investments, as well as related investments from BRI projects such as the construction of manufacturing plants. Additionally, the 21<sup>st</sup> Century Maritime Silk Road Initiative (MSRI) is one of the core projects for the BRI as it seeks to establish new and expanded sea trade routes connecting Southeast China to Europe.

The New Silk Road, or the "Belt" section of the BRI, focuses on improving economic connectivity through infrastructure development, in addition to trade agreements and cultural exchanges between nations. Three major "Belts" make up for the BRI: (1) the North Belt, which goes through Central Asia, Russia, and Europe; (2) the Central Belt passes through Central and West Asia to the Mediterranean; (3) the South Belt runs from China to South Asia through Pakistan (Figure 1). Through "Belts", economic corridors, and relations with other countries, the BRI seeks

to establish a bilateral and multilateral mechanism that builds free trade zones along the Silk Road (Organization for Economic Cooperation and Development, 2018). To achieve financial cooperation and improve trade networks, the BRI will strengthen transport infrastructure through the integration of expressways, railways, shipping lanes, and airways to facilitate trade and enhance China's national and global connectivity.



**Figure 1: The New Silk Road Routes on land and sea.** Source: *The Economist*, July 28, 2018

In addition to the land routes of the BRI, the Maritime Silk Road Initiative aims to improve sea trade from Southeast Asia through Africa and Europe, and to help the participating countries with economic and infrastructural development projects. The MSRI plays a key role in the development and improvement of maritime trade through its regional connectivity that revolves around the five areas of cooperation. Compared to the “Belt” of the BRI, which focuses on infrastructure development, the MSRI relies on regional collaboration, free trade, and financial integration to reinforce China's commercial aspirations (Bonciu, 2019; Iftikhar, 2016; Klemensits,

2018). Despite an emphasis on cooperation between the countries involved in maritime trade, the MSRI primarily benefits China as it connects Southeast Asia to South Asian and European ports that allows China to use foreign ports to expand its naval presence and establish convenient trade routes for Chinese goods to travel across the world (Blanchard, 2017). The MSRI promotes China's resource security, provides less restrictive trade policies, and increases the protection of China's commercial interests, which means that the MSRI is gaining access to markets and resources that China needs for its economy and development.

### The Narratives of the BRI

In order to guide the BRI objectives and to prioritize international development, China advocates its development model through five main areas of cooperation: policy, infrastructure, trade, financial exchange, and people-to-people connectivity (Xi, 2017b). Policy coordination involves formulating development plans for advancing regional cooperation and resolving common problems. Infrastructure relates to port and land transportation corridors throughout Eurasia. Trade involves taking steps to reduce trade barriers and promote regional economic integration. Financial integration focuses primarily on currency exchange and the ability to manage financial risks through project construction and financing. For brevity in this research paper and because of the similarly and interconnected nature of trade and economic cooperation, those two areas of cooperation will be analyzed together. Lastly, cultural exchange promotes the interaction of cultures to form a basis for improving regional arrangements through mutual understanding and peaceful relations (HKTDC Research, 2019). While these goals and principles appear promising on paper, understanding their impact on the involved countries will reveal how China's goals

challenge current neoliberal development norms in a way that is not conducive to the overall well-being of most people in the affected geographical areas.

Currently, there are several challenges for China to overcome in order to build the necessary infrastructure and institutions to improve economic and social conditions. The worldwide involvement of Chinese assistance involves massive monetary investments in participating countries in order to construct the project and improve the economy in the long run. Foreign loans do not drastically change a country's political conditions but involve the risk of failing to improve the economy substantially because of debt repayment obligations. In the past, large capital investments, such as those promoted by the World Bank, provided the necessary funds for a country but required structural adjustment programs (SAP) to bring political, cultural, and economic reform. China's method of development promises economic assistance without strict political or cultural reforms, which encourages more countries to participate in the BRI in order to receive financial assistance.

The BRI also relies on foreign demand and cooperation to address China's economic problems, such as poverty and income inequality, so the initiative must actively work to improve the participating countries and accommodate the needs of their foreign affairs in order for China to benefit in the future. Its impact on international relations and development may assist in rapid economic growth for developing countries, such as improved trade facilitation and reduced trade restrictions to increase the average income of the Chinese citizens and improve labor mobility. However, for the BRI to succeed, the initiative must establish trust with the participating countries as well as create reforms that are necessary to improve their low-income economies and weak political institutions. As a result, the BRI will not only need to prioritize the needs of the involved

countries but also address the economic or political complications that come from increased involvement in international relations.

However, the main issue of China's development goals, as this thesis will examine, involves analyzing whether Chinese involvement benefits the recipient country, or, like prior bi- and multilateral development programs, there is an asymmetrical relationship between the provider of capital and the recipient. The current discourse regarding the BRI underlines the multiple interpretations of the initiative because nations are skeptical of the hidden motives behind China's strategy and the contradictory nature of the BRI goals and implementation. Specifically, there are two different narratives to the initiative: (1) solely focusing on the policy documents and the stated objectives to determine the goals of the initiative, as well as (2) analyzing how the outcomes reflect the policy documents.

On an international and multinational level, China's initiative assists developing nations by providing loans and the monetary means to improve infrastructure. This method of engaging governments is particularly effective because most of the involved countries struggle to attract investments and regularly need economic assistance from international agencies (Mengzi, 2017). China, with its intentions to improve trade routes and accessibility, is providing much-needed capital investment so that the recipient country is not only benefitting in the short term with capital influx but also in the long term when the economic benefits of the projects materialize. Through China's assistance and cooperation, neighboring countries take part in the BRI initiative because of the development benefits that China is providing; China is, of course, eager to add additional partners because it furthers its own goals, trade plans, and international influence.

On a national level, China's BRI plans represent the epitome of China's growing influence in the global system. Chinese investments have included the requirement that Chinese nationals



work on infrastructure construction so that its labor force benefit from job opportunities abroad. This method of infrastructure development not only provides cost-effective and reliable labor for Chinese companies, but it also reduces labor overcapacity in China (Blanchard, 2017; Chaturvedy, 2017). Establishing a Chinese presence abroad, thus influences the local culture of the participating country with the intention of improving the Chinese image and reputation as well as create a Chinese-centered Asia through its cultural and economic connectivity.

Despite the positive and, at times, enthusiastic support from countries interested in participating in the BRI, there is increasing skepticism over China's long-term motivations and intentions. Global powers, such as the United States, feel threatened by China's growing influence and increasing trade dominance in the global community. The BRI assists any country that has an interest in participating in the initiative, even though it may not directly benefit China's economic goals but rather their political influence (Greer, 2018). Some countries are apprehensive about China's investment methods because of the long-term strategy of exerting Chinese influence and the associated presence of Chinese corporations. Since China's form of investment appears solely driven by economic means and, in the short-term, lacks any form of direct political control as traditionally seen in the past with other global superpowers, there are two ways to approach the BRI: (1) China must improve the image of the BRI in order to ease suspicion among countries and major global powers, which is possible by promoting innovative, sustainable, and open development projects; (2) other countries, whether involved or not in the BRI, must determine if China's motivations and the BRI are worth the risk of cooperation and how it may impact relations with other countries.

Since China's BRI strategy is still a relatively recent endeavor, the initiative and its impact on other countries remain to be fully assessed, especially as Chinese companies invest in specific

ports and infrastructure projects that rely on Chinese management, engineering, equipment, and labor. Despite this initiative being under development, research on China's approach to global connectivity and the effects on the involved countries can help assess how nations may manage their political and economic positions given a more than often asymmetrical power relationship. The purpose of this research is to analyze China's involvement in the selected case studies by understanding China's five key areas of cooperation and how this global initiative impacts their national development and international relations.

## The BRI and Greece

The primary goal of the BRI is to improve the velocity and convenience of trade by improving the connectivity of the Eurasian continent through land-based transportation. China's innovative approach to enhancing multilateral cooperation throughout Eurasia revolves around consensus-based decision-making, voluntarism for countries to participate in the BRI, and flexibility to accommodate the individual country's goals. However, to gain economic access to Europe, China needs to establish agreements with each involved European country as well as with the European Union (EU) without threatening the sovereignty of either power.

One of the primary ways China achieved this goal is through the "16+1" format, or the China-CEEC (Central and Eastern European Countries) agreement. The arrangement was established in 2012 to expand cooperation between Beijing and eleven EU member states and five Balkan countries who are on the accession towards EU membership (Ge, 2019). These countries include Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. The

format has relied on multiple summits and statements by the representatives of the CEEC to enhance cooperation (Ciurtin, 2018). It involves the creation of a new regional context in Europe because of their unified participation in the BRI.

In the past, China's relations with the Balkan countries have relied on their shared socialist policies and otherwise similar experiences in economic development. Initially, the format promoted exchanges and gave rise to new institutions, such as the construction of several Confucius Institutes that spread Chinese language and culture, as well as setting up funds and credit lines funded by Chinese organizations. These credit lines allow countries to acquire loans and to fund projects related to infrastructure, transportation, culture, or other projects relevant to development (Grieger, 2018; Richet, 2019). The intention of the 16+1 format is to establish multilateral connectivity by strengthening the relationships between the participating countries. Still, the format has remained largely bilateral between the CEEC and China regarding project-based implementation and high competition for BRI investments.

The challenges that China has experienced as a result of its 16+1 format has not only caused increased skepticism from the EU and the participating countries, but also growing criticism of how China is presenting the format as a means of unifying the Central and Eastern European region solely through economic changes. China's increasing presence in Europe has, in some ways, undermined EU's power because of its transparent economic support and influence that threatens to divide the union by decreasing national dependencies on the supranational authority. For example, the EU monetary support and loan assistance programs for infrastructure projects is a competitive process with long-term austerity measures that determine the eligibility for a project to receive support (Richet, 2017). Many EU candidate countries desperately need the financial help of the EU in order to improve their economy but lack the means and resources to do so on

their own or to risk the strict reforms that follow EU conditionalities and loan requirements. As a result, China's supposedly open and transparent investments into the area come simply with the means of providing loans for infrastructure, transportation, energy, and other economically beneficial additions without any explicit political or economic reforms.

Additionally, China has emphasized its lack of political influence or pressures on the involved European countries in order to show that the initiative is strictly focused on improving each country's trade system and connectivity. In order to determine the extent of China's political influence, the EU has attended the 16+1 summits as an observer to analyze the agreements and cooperation between the CEEC. However, even with China's claim to acknowledge the EU as the dominant political power in the region and to work under its guidelines and regulations, China's presence and economic assistance have indirectly influenced 16+1 countries to side with China over contentious issues. Recently, this political influence has included Greece defending China during an EU conference on China's potential violation of human rights (Fang, 2018). For countries that face stringent financial reforms, China's open policy with supposedly free-flowing loans also influences their political opinions in order to appear favorable towards China to receive more benefits under the BRI. In other words, China's involvement may influence other countries to participate in the BRI and ultimately threaten the cohesion of the EU.

An additional challenge that China faces by implementing the 16+1 format is the belief that China is slowly preparing itself to have a long-term presence in the region. That is, through creating interregional connections to improve trade and cultural activity, China has established a shorter and cheaper way into the EU market without the usual regulations for trade or other political pressures because of Chinese companies investing in the economy. China's long-term agreements and concession arrangements, as well as the increasing economic dependencies from

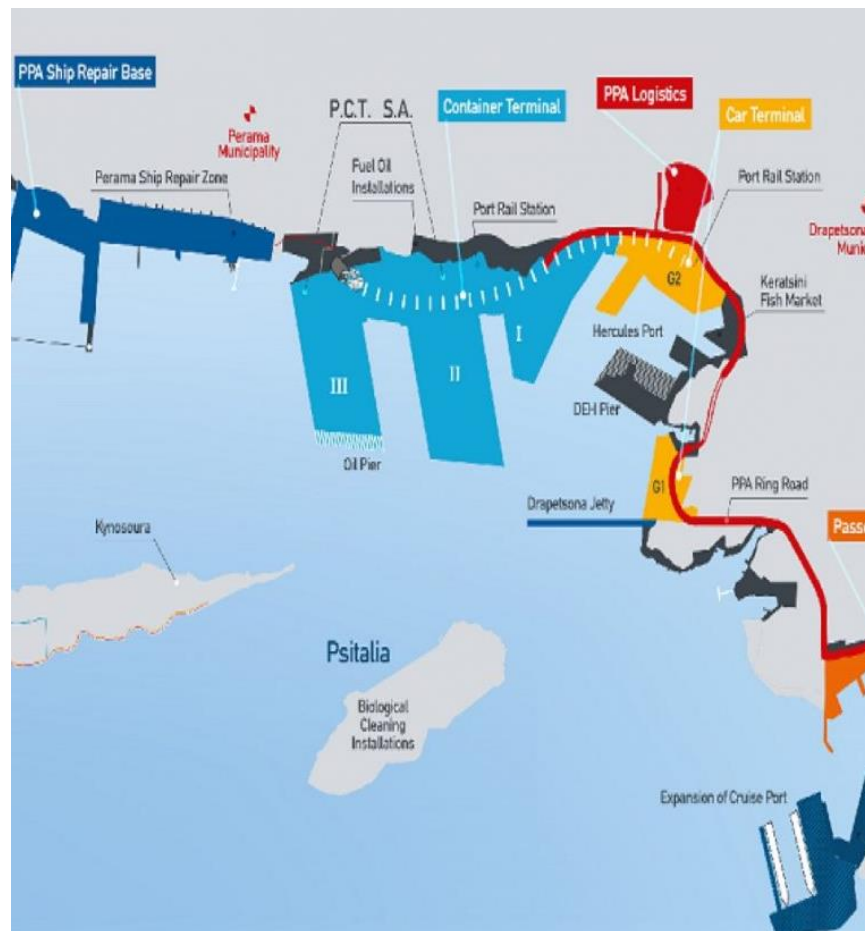
European countries under the BRI, also threaten the EU with the idea that China will eventually have a strong foothold in the region to control trade and development (Mitrovic, 2014). Until then, however, cooperation with China through the 16+1 format has occurred without China presenting itself as a dominant political power.

### The Piraeus Port in Athens, Greece

The Port of Piraeus is a major seaport in Greece and one of the largest seaports in Europe. For the BRI, it represents a major investment to assist in establishing the port as a prevalent hub for European maritime trade. The initial BRI plan labeled the Piraeus port as a major aspect of the MSRI due to its geostrategic position in the Mediterranean, making it imperative that China improves its relationship with Greece. China's interest in Piraeus not only involves rebuilding the port into an important container and transit hub between Europe and Asia but also to establish Piraeus as an international distribution center to enhance the capacity of China's sea and land connectivity throughout Europe.

China and Greece established diplomatic relations in 1972 and began a strategic partnership in 2006. In 2008, China's state-owned shipping giant China Ocean Shipping Company (COSCO) signed a 35-year concession with the Greek government for a 51% stake in the Piraeus seaport. This involved an initial down payment of USD 50 million, with increases to yearly revenues as well as mandatory investments in infrastructure (Horia, 2018; Mitrovic, 2018). Additionally, China asked for uncontested access for Chinese companies at the port, which has paved the way for their long-term presence in Europe. In 2016, COSCO increased its stake to 67% of the Piraeus Port Authority. As a result, COSCO's subsidiary Piraeus Container Terminal (PCT)

runs Pier 2 and Pier 3 of the Piraeus Port (Chaziza, 2018). For a map showing the location and layout of the Piraeus port, see Figure 2 below. Under COSCO's control, Piraeus has transformed and modernized into a commercial trading port that helps the Greek economy while primarily benefiting Chinese companies and investments through easier trade access.



**Figure 2: Map of Piraeus Port and Terminals.** Source: Vaggelas, 2018

In 2009, in the aftermath of the financial crisis of 2007-2008, Greece faced a serious debt crisis, where it was contemplating defaulting, which would threaten the viability of the euro and the eurozone. Since then, Greece has struggled to recover from the crisis. The EU provided enough money for Greece to continue making payments on its loans but required the adoption of austerity measures that were meant to reform and strengthen the Greek government and financial structures.

The reforms worked, but it also left Greece in a recession that did not end until 2017. As a result, Greece is forced to repay the EU's loans, which may cease around 2060. Since 2017, Greece slowly saw an increase in GDP and a decline in unemployment, which has made the country appear more stable and has thus led to China's increasing presence in the area (Bo, 2018). In early 2019, Greece was accepted into the 16+1 format, the first time the agreement expanded since its formation and transformed the platform into "17+1." With Greece's previous, historical relations with China, on top of its economic recovery, and the general success of the original 16+1 countries, it was easy for Greece to be accepted into the initiative and officially establish itself as a key component of the BRI.

#### The Five Areas of Cooperation

Beyond the success of COSCO essentially owning the Piraeus port, China's connections with Greece promotes bilateral cooperation in infrastructure, technology, and creating multiple business opportunities that support employment, growth, and development for mutual economic gain. To measure if China's investment and engagement with Greece has been successful, it is important to view these investments regarding the five main areas of cooperation: development and policy communication, facilities connectivity, unimpeded trade and investment, financial cooperation, and cultural understanding. Analyzing and understanding the effects of these areas of cooperation will not only interpret China's direct impact on Greece but also whether China is following its advertised win-win ideology.

China's emphasis on development policy and communication has been at the forefront of its agreements with every country involved in the BRI or the 17+1 format because it reshapes how countries support and engage with each other. The Chinese development model has influenced how the BRI approaches assisting the participating countries because of the belief that the method is mutually applicable to all countries since it prioritizes economic growth instead of political or cultural reform. On the surface, the BRI abides by the mutual agreement to advance the domestic and foreign needs of both China and Greece in order to access key trade goods and improve the economy (Pencea, 2018). As a result, China's new take on development and international relations has established a blank slate for the two nations to collaborate, with no contentious issues, in order to improve Greece's trust in the BRI.

If China's goal is to present the initiative as a win-win situation, then its cooperation with the countries under the 17+1 format relies on successful infrastructural development and dependable policy creation. Through its direct relationship with Greece, China's strategy mainly focuses on Greece's geostrategic position in the Mediterranean for the benefit of Chinese trade. As a result, China has improved the port's performance and container capacities in order to increase shipping traffic for international trade. However, importing Chinese citizens to construct the new infrastructure, as well as the apparent privatization of the port, has led to increased skepticism over China's involvement in Piraeus (Davarinou, 2016). COSCO's control over the port, for example, primarily benefits China, foreign investors, and other major shipping corporations rather than Greek companies, which takes money away from the Greek businesses, locals, and economy. To reduce COSCO's dominant claim over the port, Greece needs to assert a mutual agreement regarding national development with China that creates multilateral agreements



between both powers, businesses, and the people (Davarinou, 2016; Ge, 2019). Setting a win-win situation between China and Greece requires creating a direct and detailed strategy of what Greece hopes to achieve in the long-term by collaborating with China rather than simply prioritizing short-term economic cooperation.

#### *Infrastructure and Facilities Connectivity*

Another aspect of the five areas of cooperation includes transportation connectivity and the construction of infrastructure facilities, which include railways, roads, canals, ports, energy transfer networks, and maritime accessibility. China's MSRI established a strong connection between Greece and the rest of Europe through its infrastructural developments at the Piraeus port, but another major transportation project involves creating a railway linking the Mediterranean with Central Europe, and thus the larger Eurasian continent (Figure 3).



**Figure 3: Budapest-Belgrade Railroad.** Source: *OBOR Europe*, April 9, 2018

The Budapest-Belgrade railway is the main railroad connecting Budapest, Hungary to Belgrade, Serbia, with additional connections to Athens, Greece. This major corridor allows for improved trade connectivity within Europe, especially for increasing Chinese imports into the region. These direct rail services link maritime and land transportation by distributing goods to markets for a lower cost and over a shorter travelling time. The railway primarily allows Chinese companies to carry goods between nations, which thus provides a convenient way for Chinese products to enter EU markets. This emphasis on a project that is predominantly used by Chinese companies removes the effectiveness of China-CEEC mutual collaboration because it discourages the use of other European companies and instead prioritizes China's own goals for increasing its trade and financial presence and influence in the region (Richet, 2019). However, despite the railway's primary use for Chinese companies, the project helps to expand regional access and provides the foundation for connecting 17+1 countries. Currently, the infrastructure projects that the BRI is developing within the CEEC work primarily on a bilateral level but improve intra-regional relationships with tourism, trade, and transportation in the future. Additionally, through more convenient and developed trade route access throughout eastern Europe, land-based transportation will compete with maritime transportation in terms of cost, further benefitting Chinese profit as well as the CEEC.

#### *Trade, Investment, and Financial Cooperation*

The privatization of the Piraeus port and port companies are a concern for local Greek corporations and workers as China's dominance in the area essentially undermines Greece's sovereignty. These concerns stem from the willingness of Chinese companies to pay high prices to take over strategic assets and heavily invest in infrastructural projects. COSCO's control of the

Piraeus is illustrative of this financial dominance because of the support from Chinese banks and funds that provide the financial capabilities to take over other companies and assets (Horia, 2018; Smith, 2015). However, as Greece claims, the concession of the Piraeus port may be removed at any point during the 99-year lease and is solely intended for the use of repaying Chinese loans and working to improve the economy by increasing port operations. The Greek government has thus been very open to COSCO's investments and signed a memorandum of understanding that states the mutual interest of Greece and China to strengthen the Piraeus' transshipment role within Europe, regardless of what obstacles may arise.

Like trade and investment, China also seeks to improve financial cooperation through its involvement in Greece. Specifically, financial integration removes barriers to cross-border financial transactions and increases investment and banking activity (Pardo, 2018). These measures include establishing lines of credit and financial resources throughout the 17+1 countries, which not only includes making Greece a member of the Asian Infrastructure Investment Bank (AIIB) but also utilizing BRI investment funds from national and international banks. These resources allow for the countries to request loans for projects, whether infrastructural or not, without the tedious challenge of going through the EU loan competition process (Richet, 2019). Additionally, providing Chinese funds for infrastructure and development also promotes the internationalization of the Chinese currency as a means of exchange and investment, which not only extends the use of China's RMB as a reserve currency but also indirectly challenges the monetary dominance of the USD.

China's investments into Greece and the larger CEEC region regarding providing funds for specialized financing challenges the economic unity and influence of the European Union over these countries and Greece's own ability to control its economic and trade policies. One of the

major problems that the EU has with the Chinese presence and involvement in the CEEC is the possibility that they will develop economic dependence on China as they repay the infrastructure loans in the future. The distribution of Chinese loans differs from EU norms and regulations, where Chinese enterprises sign the agreements rather than local corporations or governments. For example, Chinese state-owned enterprises are more likely to win contracts for infrastructure construction. This has not only raised skepticism over the involvement of Chinese state aid to influence the contract decision, which is incompatible with EU competition rules, but it also removes the income that local companies need to keep their business open (Grieger, 2018). While the BRI investments and projects promise an increase in economic prosperity, the asymmetrical relationship between the role of Chinese enterprises and the local CEEC contributions only appear to lead the countries towards further debt, limited economic growth, and establishing the region as a place for China to expand its economic influence over the rest of Europe.

Investments in the CEEC under the BRI primarily improve Chinese access to trade, especially as China improves the CEEC deficiencies in infrastructure and transportation connectivity. While Chinese state-owned enterprises take control of various trade hubs in Europe, such as the Piraeus, to establish stronger trade connections between the CEEC and other European countries, China has primarily profited from its corporative dominance over trade and shipping locations. Through this method, Chinese goods conveniently enter the EU markets from the Piraeus and travel throughout Central Europe with limited trade restrictions (Grieger, 2018). COSCO, specifically, has been accused of utilizing its profits by investing in subcontractors associated with the company, which ultimately helps China improve its trade facilities and economic dominance over the port but takes away potential revenue from the Greek counterparts (Pardo, 2018). This not only unilaterally benefits China as it utilizes, and essentially exploits, its

position in Greece and the European trade system for economic benefits, but it also directly negates China's goals of creating mutual benefits through its cooperation.

### *Cultural Understanding*

Finally, the last area of cooperation includes cultural understanding and exchange between Greece and China, which is not only reliant on economic prosperity but also how the countries collaborate socially. This involves providing scholarships for students to study in China, and vice versa, and organizing political forums for students to participate. Additionally, Chinese assistance in development promotes Greece as a prime destination for Chinese tourists (Leung, 2015). Tourism is a major aspect of cooperation and peaceful public diplomacy, which China needs in order to reduce the public's skepticism over its involvement. As a result, China has established more direct flights to connect the CEEC and China. Additionally, in 2003, the Chinese Language Council established its first Confucius Institute in Athens for general education on Chinese culture while specializing in business and economics; in 2018, a second institute opened in Thessaloniki (Greek News Agenda, 2019). The institute seeks to promote joint research programs in finance, business management, and technology research for students, adults, and business executives in order to bridge cultural gaps and support economic and technological exchange. Since the BRI is an inherently economic initiative, emphasizing cross-cultural, personal communication helps China peacefully cooperate with both the EU and Greece by establishing itself as open to exchange and long-term engagement among the people rather than solely for economic purposes.

In the end, China's involvement in Greece has not only established a sizeable Chinese trade and maritime presence in the Piraeus port, but also created an interregional connection between Greece and other Central and Eastern European countries. In some regards, China's involvement

has been bilateral in terms of economic assistance and cultural exchange. Still, its limited transparency on its long-term intentions hinders future cooperation because of growing unilateral investment and development. The contradictory narratives of the BRI, both from Greece and China, impact the full success of the initiative in Europe. While the five areas of cooperation show the tangible benefits that the BRI has provided for Greece and other 17+1 countries, the hegemonic control of Chinese businesses over parts of financial exchange, trade, and cultural awareness plays a new role in understanding how countries interact with each other. Specifically, the conflict Greece faces in responding to both its membership in the EU and accepting China's involvement, means Greece is working primarily to appeal to external powers rather than focusing on its civil society and the needs of the people regarding national development (Breidhardt, 2015). The Chinese focus on improving its economy and making a profit through its international investments shows the need for China to expand the influence of the BRI while also damaging its relationship with Greece and the EU by failing to follow the mutual win-win guidelines that the BRI originally prioritized.

In order to ensure Greece benefits from its participation in the BRI, the Greek government and the EU need to establish a direct strategy for its goals and purposes for collaborating with China. Rail transport, especially through the Budapest-Belgrade rail line, has the promise of directly contributing to the Greek and European economies. Still, it is dependent on infrastructure maintenance that currently lacks both the funds and the administrative capacity to compete with Chinese corporations adequately (Palaiologos, 2015). Developing a broader, long-term strategy that directly addresses what Greece hopes to achieve and how it wants to improve its economy through collaborating with China is essential. Additionally, the EU has established stronger connectivity agendas for the CEEC to provide more grants for infrastructure projects, but the EU

needs to adjust its reform policies and requirements in order to compete with free-flowing Chinese investment. The 17+1 countries also need to collaborate with each other in order to establish stronger multilateral relations for the region rather than simply competing with China individually. Greece, and the rest of the CEEC, need to work to establish their own needs rather than simply letting China do the work for initiative investment projects. As the Eastern European region is slowly being marked as a center for Asian trade, the collaboration between the 17+1 countries will help to create successful development projects, establish stronger relations between the countries, and ensure the equal spread of profit. Lastly, China is responsible for the success of the initiative by establishing stronger international relations with the involved countries, especially if China wants the BRI to succeed in the long-term. China must reduce its China-centric cooperation by sharing the risks and benefits of economic development, and observe international and national principles, norms, and regulations in order to improve its public image. Within Europe and the European Union, all nations must establish multilateral and bilateral connectivity as well as mutual cultural and political understanding in order to improve the development of the CEEC and to improve overall trade accessibility and economic growth throughout Eurasia.

## The BRI and Sri Lanka

The Democratic Socialist Republic of Sri Lanka is an island country in South Asia located in the Indian Ocean, where it marks an important port for both international maritime trade and the MSRI. From 1983 to 2009, Sri Lanka suffered from a civil war between the Sri Lankan government and the Liberation Tigers of Tamil Eelam. The Liberation Tigers wanted to create an independent Tamil state in the north and east areas of the island, but Sri Lanka refused. The war

caused significant hardships for the population, environment, and the economy in terms of thousands of deaths and stagnant levels of FDI throughout. In 2009, as the civil war ended, and the country attempted to rebuild, the UN labeled the civil war as a horrific abuse of human rights from both sides (Smith, 2018). Due to the atrocities of the civil war, investors have been skeptical about investing in Sri Lanka since the process of redevelopment has been slow, and tensions between the people and government are still high (Alff, 2020). As a result, Sri Lanka's economy required financial assistance not only in recovering from the costs of the 25-year civil war but also to re-establish itself as a major trade hub in the Indian Ocean.

The South Asian region is one of the least economically integrated regions in the world. Through the BRI's extensive multidimensional cooperation with the region, China's economic influence has helped to increase the region's trade, communication, and infrastructure development. China and Sri Lanka established diplomatic relations in 1957, but their cultural and historical ties extend back hundreds of years to the original Silk Road. Historically, Sri Lanka played an important role in the Ancient Silk Road because it was strategically situated in the middle of the trade routes connecting the East and the West, where Sri Lanka functioned as a key point of trade for exchanging commodities and culture (Perera, 2016). Enhanced economic cooperation between China and Sri Lanka was re-established in 1996 when the Sri Lankan president visited China at the invitation of the Chinese president. This agreement resulted in closer relations between the countries, both politically and economically, because of the pro-China stance from the Sri Lankan government.



## The Hambantota Port and Colombo Port City Project in Sri Lanka

In 2014, PRC President Xi Jinping visited Sri Lanka and signed the “Action Plan for the People’s Republic of China and the Democratic Socialist Republic of Sri Lanka on Deepening Strategic and Cooperative Partnership,” which officially declared Sri Lanka as a major country under the BRI and solidified China’s investment in the country. China’s initiative has particularly focused on improving trade and transportation facilitation with Sri Lanka through maritime security and port development. The idea of a “string of pearls” has been used to describe China’s presence and maritime routes as a series of seaports along the Indian Ocean in order to achieve long-term control over trade in the region (Chung, 2018). China is thus financing and constructing two key MSRI projects in Sri Lanka in order to improve the country’s relevance in South Asian maritime trade: the Colombo Port City project and the Hambantota Port project (Figure 4).



**Figure 4: String of Pearls Map.** Source: Pejic, 2016

The Colombo Port City project is an ambitious, large-scale urban development plan to build a new metropolis on a 665-acre island reclaimed from the land along the coast and from the sea. The project establishes Port City Colombo as a center for business, financial districts,

residential functions, tourism, as well as hosting political and cultural activities in South Asia. The port city resembles a smaller form of Singapore or Hong Kong, with a plan to create its own business-friendly economic zone and regulations to encourage foreign corporations to establish their headquarters in the port city. China Communications Construction Company (CCCC), the main construction company and investor of the port city project, estimates that the expansion will add around 80,000 people to live in the city once completed, with an additional 250,000 commuting daily, as well as nearly doubling the size of the city's land area (Rossi, 2019). The Port City is the biggest foreign direct investment in Sri Lankan history, financed by a \$1.4 billion USD loan issued by CCCC. In 2015, concerns over extensive Chinese loans, alleged corruption of Chinese firms, and the destruction of Colombo's coast forced the project to a halt by the Sri Lankan president (Gowen, 2015). In March 2016, however, the government announced the Port City project would resume because the CCCC was threatening to sue for compensation as it claimed to lose about \$380,000 for each day the project was on hold (Reuters, 2016). The Sri Lankan government also claimed to amend its contract with China to include new environmental protections. However, this new contract has not been released to the public to prove its validity.

The Hambantota Port, also known as the Magampura Mahinda Rajapaksa Port, is the second-largest maritime port in Sri Lanka, after the Port of Colombo. The port's limited maritime commercial activity and unstable employment labeled the port as remote and underdeveloped before construction began. In 2008, Sri Lanka agreed to collaborate with China to build the new Hambantota port for \$360 million USD, which included a bunker terminal for an additional \$76.5 million. Two Chinese state-owned enterprises, China Harbor Engineering Company and Sinohydro Corporation, were the primary contractors for the port but collaborated with China Harbor Engineering Company and state-run China Merchant Port Holdings for financing and

further construction assistance. The financial investment and construction occurred in two separate phases: the first phase, which opened in November 2010, including the construction of the basic port and other facilities for shipbuilding, ship repairing, and crew changing. The second phase originally involved the construction of several berths, a feeder container terminal, an artificial island, and other handling facilities and access roads, but Sri Lankan President Rajapaksa turned down several of the proposals, such as the artificial island, because of financial complications and social unrest over Chinese control (Carrai, 2019). Upon completion, the port will have improved capacity for handling mega-vessels as well as ten berths specialized for containers, bulk cargo, general cargo, and liquid bulk.

Most of the investments in Sri Lanka from China are concessional loans and foreign direct investment, primarily through Chinese enterprises rather than directly from the Chinese government. In 2016, Sri Lanka's foreign debt peaked at 100% of its GDP, and 60% of the debt came from Chinese lenders and policy banks. The Hambantota Port failed to generate enough income to pay the \$1.1 billion USD loan back due to poor management and the inability to attract corporations or shipments due to the previous instability of the country. To make the port a viable business to generate income instead of requiring the public to pay higher taxes, the Sri Lankan government decided to set up a joint company with China to operate the port together (Kodituwakku, 2019). In December 2017, after two years of negotiations, Sri Lanka agreed to a debt-equity swap to create a public-private partnership agreement between the Sri Lankan Port Authority and Chinese companies, including a long-term lease of a 70% share of Hambantota Port for 99 years by China Merchant Port Holdings Co. for \$1.12 billion USD (Alff, 2020). In the past, similar lease agreements used by Western countries were used to acquire land to secure military bases and to create sovereign-like rights over the territory of the involved country. While the 99-

year lease agreement does not imply that China will become an imperial power in Sri Lanka, it does mean that it has received the exclusive rights to develop, operate, and manage the Hambantota Port and collect revenues for all port and marine-related operations (Carrai, 2019). Sri Lanka claims that it can terminate the lease and buyback its share at any time if the need arises, which reflects the country's attempt to maintain its sovereignty and to maintain a mutual relationship with China, but this does not mean that Sri Lanka will be successful in reclaiming their territory in the future (Crowther, 2019). Additionally, Chinese port operators claimed 15,000 acres of land to establish the port as a special economic zone and industrial park. China's intention for Hambantota is to build the city into a center for international shipping, port logistics transit, aviation, and industry and thus become a driver for the beginning of Sri Lanka's economic growth.

#### The Five Areas of Cooperation

The involvement of China and Chinese corporations such as CCCC, China Harbor Engineering Company, and China Merchant Port Holdings improved the Sri Lankan viability for trade and investment but has produced major complications in terms of social opinions and economic challenges. While the construction of the Colombo Port City and improving the Hambantota Port promise to bring high employment opportunities and economic growth for the country in the long-term, the short-term cooperation between China and Sri Lanka relies on a mutual agreement that ensures Sri Lankan sovereignty while still bilaterally benefitting the BRI and both nations. The impact of Sri Lanka's involvement in the BRI and with China, as well as predicting future changes and complications through this agreement, can be understood through the five main areas of cooperation. Within the areas of cooperation, infrastructure has been given most of the attention. In contrast, other areas are sidelined, which has challenged the amount of

trust that Sri Lanka attributes to China and created attitudes of suspicion towards China's involvement. However, the construction of extensive infrastructure projects has improved other areas of Sri Lankan trade, tourism, and connectivity, but these changes occur mostly over time rather than immediately.

#### *Development Policies and Communication*

The development policies and effectiveness of clear communication between China and Sri Lanka have mostly been positive, especially since their relationship has been mutually beneficial over the last several decades. China regards Sri Lanka as a trustworthy friend and partner for mutually beneficial cooperation. However, this relationship primarily relies on China benefiting from its involvement and presence in Sri Lanka to update the South Asian maritime trade and connectivity (Syndiate Media Inc., 2020). Regardless of the intentions, Sri Lanka is grateful that China has, in the long run, provided help and support for the island country to develop its economy and boost mutual trust.

To construct and implement the development projects abroad, both in Sri Lanka and other participating BRI countries, China prioritizes Chinese companies and workers to work on projects rather than the traditional method of using the involved country's businesses and people. Additionally, this method establishes relations between the Chinese state-owned corporations and the Sri Lankan government to form direct agreements regarding loans and other changes, which not only excludes the Sri Lankan citizens but also reduces the direct contact of China's government with other nations' governments. China's involvement emphasizes the limited political conditionalities for providing loans under the BRI, as both China and Sri Lanka have committed to respecting each other's sovereignty and territorial integrity in order to ensure the mutual success of the initiative (Carrai, 2019). This method of cooperation challenges the previous means of loan

distribution, such as from the United States or the United Nations, where Western development and assistance prioritizes human rights reform and societal changes as well as transforming political governance after the Sri Lankan civil war. China's emphasis on economic and infrastructural reform policies allows Sri Lanka to maintain its political and societal sovereignty while still benefitting from the BRI. However, it also means that Chinese corporations are risking their investment in a relatively unstable Sri Lankan society, where cultural and ethnic tensions are high, and the government's power is relatively unstable and insecure. In order to protect Chinese investments and people during its unstable engagement with Sri Lanka, China must prepare to become politically involved in the Sri Lankan government to ensure the continuation of Chinese cooperation despite negating the original intentions of the BRI (Chung, 2018). So, while China's BRI agreement currently is different from previous norms of loan agreements and infrastructure involvement, the instability of Sri Lanka's government may change the extent that China becomes politically involved in the future.

Regarding the semi-concealed nature of the terms and agreements for BRI projects between the Sri Lankan government and Chinese corporations, China's popularity among Sri Lankan citizens is decreasing because of the lack of clarity on development policies. Specifically, changes to how China manages the environment, protects local businesses that are reliant on natural resources, as well as handles concession agreements regarding temporary land ownership, Sri Lankans worry that China is slowly seeking to dominate the country rather than provide support and economic assistance. Additional concerns focus on the national and local impact of projects, like the Hambantota Port, that fail to generate enough income even after construction and increases the uncertainty that other Chinese projects will further damage the Sri Lankan economy (Perera, 2016). Though the BRI appears to be promising in terms of physically constructing new ports and

other projects to improve the country, the lack of transparency on project plans and effectiveness, as well as the refusal to share the agreements with the public makes it difficult to monitor the success of the initiative, assess its long-term benefits, and how it will impact the people, environment, and overall country.

#### *Infrastructure and Facilities Connectivity*

In comparison to the other global BRI projects that focus on road and facilities connectivity, such as the development of highways, bridges, and ports, China's construction in Sri Lanka is different. As the BRI invests in the development of the Colombo Port City and Hambantota Port for easier international connectivity, the initiative is also constructing a highway to unite the different regions of the island. China provided a loan of \$989 million USD to Sri Lanka for the construction of a highway that will connect Colombo to Hambantota by China Railway Group 5 (Patranobis, 2019). The construction of the highway began in 2003 and was partly funded by the Japan Bank for International Cooperation and the Asian Development Bank. In 2015, the Exim Bank of China loaned an additional \$180 million USD to expand the highway to four lanes to improve traffic and travel convenience. The commute from Colombo to Hambantota via the highway reduces the time from three hours to one, making regional transportation more convenient and facilitating local economic and social development. One of the concerns of the Sri Lankan citizens is how the highway construction and development of Port City Colombo and the Hambantota Project will impact other cities and rural areas in the country. Specifically, the Sri Lankan citizens worry that BRI construction will interfere with local businesses and accessibility to Colombo city, which damages the local economy as Chinese projects and investments are prioritized.

The BRI's goals for establishing unimpeded trade and improving investment corresponds to the financial cooperation part of the five areas of cooperation regarding Sri Lanka, especially as the two areas rely on Chinese assistance and improving Sri Lanka's economy in the global system. The BRI's goal of achieving unimpeded trade throughout South Asia and the Indian Ocean has thrived in its investment in Sri Lanka, especially by providing several loans to development projects to establish stronger and more convenient connectivity across the island country (Heiduk, 2019). Some scholars and policymakers believe that China has positively contributed to the economic growth of Sri Lanka, especially because of the construction of roads and ports that depict the success and involvement of China's investment (Var, 2017). However, China Exim Bank's high interest rates on the loans for development projects has increased Sri Lanka's national debt because the BRI projects struggle to improve Sri Lanka's economic growth. Given the economic position that Sri Lanka faces, China's loans, investments, and policy-free agreements are not something that Sri Lanka is comfortably able to refuse because of the hope that the projects will assist the country in the long-term despite the short-term complications.

China's extensive investment in Sri Lanka without the positive economic success of the projects appears asymmetrical and economists label it as a "debt trap" because loans are freely given to Sri Lanka even though China knows that the country is in no position to repay them within a reasonable time frame. Some Sri Lankan citizens, such as those in the fishermen's union, who have been impacted by Chinese construction and growing dominance in the local economy, are protesting the integrity of Sri Lanka's agreements with China and are accusing the government of being bought off by Chinese companies rather than focusing on Sri Lanka's interests (Sivaram,



2017). In order to alleviate its debt, Sri Lanka must resort to concessional loans, which gives China control over projects and sections of land and establish Chinese havens in major cities in Sri Lanka. While the Sri Lankan government claims that it requested every loan from China and the country's financial situation did not require concessional loans, this long-term economic game still results in Sri Lanka's economic dependence on China to repay its loans, as well as create a reliance on China to complete the development projects it promised (Crowther, 2019; Heiduk, 2019; Kodituwakku, 2019). The debt-equity agreements that China and Sri Lanka have created regarding the Hambantota Port project, which traded Sri Lankan debt for Chinese access and temporary command over the land for 99-years, represents how China's "debt trap" financial agreements come into play. It shows the determinism and interest of Chinese enterprises to invest in the MSRI in order to have uninterrupted access to the global trade market rather than its mutual support for developing Sri Lanka.

The Hambantota Port concession agreement has become a controversial topic among Sri Lankan citizens because it leads the people to believe that Sri Lanka sold its territory to China. Even though Sri Lanka ensures that it has the power to renegotiate and remove its concession agreement at any time, the people fear that the termination of the agreement or the end of its 99-year lease will not remove China from Sri Lankan territory. Specifically, the Hambantota Port project provides a glimpse into how China intends to extend its influence over Sri Lanka, which makes the citizens afraid that the Colombo Port City project will intentionally not generate enough economic return to repay the debt and will result in a similar concession agreement (Seibt, 2019). For the Colombo Port City, the amount of the original Chinese investments and loan agreements are uncertain because Chinese companies have spent approximately \$4.2 billion USD on sand and rock to establish the ground for the port city, which is almost three times the initial Chinese

investment and agreement with Sri Lanka (Rossi, 2019). In 2016, the Sri Lankan government renegotiated its agreement regarding the Colombo Port City with the CCCC that originally gave China 50 acres of land in perpetuity to now giving China an additional 99-year lease on 270 acres with no freehold rights. As a result, concern over how Chinese loans will circulate throughout the Sri Lankan economy and produce job opportunities for the citizens is growing as it appears that the Sri Lankan government is currently focused on development projects and repaying loans.

### *Cultural Understanding*

While the BRI works to improve cultural exchanges between the Chinese and Sri Lankan citizens, the extent to which Sri Lankans are accepting the Chinese presence as a result of its loan and concession agreements has changed over the years. In the beginning phases of China's involvement in the development of the Hambantota Port and the construction of the Colombo Port City, the Sri Lankan people and media favored the government's decision to work with China because of the unexpected long-term benefits for the people, such as more employment opportunities and generating income. Additional Chinese cooperation came from the implementation of government scholarships for Sri Lankans to improve their education system and offer opportunities for students to study abroad in China (Bu, 2015). However, after the limited economic growth from the completion of the Hambantota Port and the 99-year lease of the land surrounding the port, the people began to criticize Chinese involvement because it appeared that Sri Lanka was selling its sovereignty to a foreign power that is perceived as indifferent to the national population's welfare (Alff, 2020). Beyond the economic skepticism of China's involvement, the cross-cultural exchanges between China and Sri Lanka have directly improved

the tourism industry in Sri Lanka and resulted in the construction of a Confucius Institute to incorporate Chinese culture and language into Sri Lanka's society.

Public diplomacy between China and Sri Lanka focuses on establishing positive relations and impressions of the Sri Lankan citizens, so they tolerate and support their government's efforts to improve the country, such as through tourism, which has recently become a major source of income for Sri Lanka. As the government enacts fast-track approval for interested investors and helps coordinate the construction plans for businesses, tourism has grown as a result of the economic improvement and stability of the country, but also through the increase in tourist attractions (Sri Lanka Tourism Development Authority, 2019).

One of the major changes that Sri Lanka enacted was to set specific guidelines for tourism in each region of the country, so that tourism could be easily spread throughout the country and to avoid ad-hoc tourism development that challenges the unification and the success of the nation's tourist industries. However, through the construction and establishment of convenient travel routes connecting China to Sri Lanka, such as the construction of the highway that connects Hambantota to Colombo, as well as easier maritime transportation methods from improved port capacities, Chinese-focused tourism in the country has grown tremendously. Since 2014, when President Xi Jinping first signed the BRI agreement with Sri Lanka, the country's tourism revenue increased by nearly \$2 billion USD. Sri Lanka has received over 260,000 Chinese tourists since 2017, which is over 11% of the nation's total number of tourists (Kodituwakku, 2019; Sri Lanka Tourism Development Authority, 2018). One of the major criticisms of China's involvement and emphasis on establishing the Colombo Port City as a tourist hotspot in Sri Lanka, is that it may undermine other national tourist areas (Crowther, 2019). The skepticism of Sri Lankans regarding the long-term influence of China's infrastructure development and concessional claims over several acres

of Sri Lankan land stems from the country's shift to a Chinese-oriented economy but also because the initiative prioritizes China over the needs of the Sri Lankan people. However, Sri Lanka has continued to adjust its culture and society in order to accommodate the increasing Chinese population by producing more media materials in Chinese and introducing Chinese mobile payment systems for convenient currency exchanges, with the flexibility to introduce new concepts according to Chinese needs (Crowther, 2019).

The construction of a Confucius Institute at the University of Kelaniya in Sri Lanka is meant to highlight the positive components of China's influence and build goodwill between the Chinese people and the Sri Lankans. The Institute offers Mandarin Chinese language classes and helps educate the Sri Lankans on Chinese culture in order to ease the people into China's overall presence in the country, especially as materials like brochures and signs are being printed with Chinese translations; this helps to advance China's business and investment in the country because it establishes China as a positive influence on Sri Lanka and improves their people-to-people exchanges (Rajapakshe, 2016). For Sri Lankans, however, the Confucius Institute is a representative of China's soft power in the country because it consolidates culture, institutional, and economic strategies to make it easier for China to become more involved in Sri Lanka. This form of soft power, which is the long-term presence and growth of Chinese culture in the country, is increasingly important for China's initiative to accommodate the overpopulation by encouraging Chinese citizens to move out of the country as well as expanding the role and presence of China on a local level in the participating countries. While this cultural influence does not necessarily challenge the sovereignty of Sri Lanka, as the citizens believe with China's economic assistance, it slowly establishes a strong Chinese presence in Sri Lankan hotspots, such as the Colombo Port City.

The five areas of cooperation between Sri Lanka and China, according to the BRI goals and objectives, have nonetheless had both positive and negative influences on Sri Lanka's development. While China has successfully assisted in the development of Sri Lanka, seen through the completion of projects such as the Hambantota Port, the Colombo Port City project, and other infrastructural projects in the country, the long-term impact of foreign investment invokes skepticism over the true value of Chinese cooperation. The BRI promotes cooperation with Sri Lanka as a mutually beneficial bilateral relationship regarding cultural exchange as well as infrastructural and monetary assistance. As projects are completed, the lack of power and ownership over the projects by the Sri Lankans only furthers the narrative that the BRI mainly focuses on Chinese benefits.

In order for Sri Lanka to effectively work with China and the BRI to accomplish concrete outcomes for development in the country, the Sri Lankan government needs to consider the citizen's needs and opinions as well as attempt to predict how China's economic influence will impact the future Sri Lankan economy. While Chinese investment assists with increasing the hope of Sri Lankan citizens for improving their country after 25 years of civil war, which is especially important for the development of the nation, the government must remain aware of the future impact of Chinese motivations and economic plans that complicate Sri Lanka's desired economic prosperity. This measure will assist in preparing Sri Lanka for China's potential financial debt traps as well as evoke positive and peaceful relations between Sri Lankan people and culture with the Chinese. On the other hand, China must become more open and transparent about its investment figures and project agreements, especially regarding its concessional claim over Sri Lankan territory, in order to improve Sri Lanka's trust in China. China also must emphasize cultural exchange and Sri Lankan opinions, which currently appears to be neglected in order to

prioritize infrastructural development, so that the BRI may continue to invest and create a Chinese cultural presence in the country without conflict.

## Discussion

China's Belt and Road Initiative challenges the neoliberal model of development by providing investment opportunities and financial assistance that allows for the construction of infrastructure and enhancing international relations. The initiative also redefines the role of international relations by establishing stronger cooperation between the involved nations and places the state at the forefront of development rather than private actors. Since 2013, the BRI has rapidly spread and influenced development throughout Asia and Eastern Europe, leaving a trail of soft Chinese power in each participating country through the presence of Chinese workers and businesses. Despite its seemingly comprehensive approach to cooperating with developing countries, the BRI has primarily invested in infrastructure projects related to transportation and financial connectivity, especially prioritizing maritime sea trade through ports such as the Hambantota Port and Piraeus Port. These ports not only represent major hubs in the global trade network but, in relation to the BRI, the ports also assist in improving China's goal of having unimpeded trade access to the rest of the world.

The BRI has two distinct narratives and interpretations for how China's involvement and development plans impact the involved countries. First, the Chinese national narrative is that China seeks to improve its economy and to spread Chinese power and influence throughout the globe. Second, the narrative for the participating BRI countries is that China is providing financial support for developing national economies while strengthening international relations. These two

distinctly different, yet similar, goals impact how nations perceive China's newfound willingness to become involved in international relations and bring forward skepticism for Chinese motivations. With China's rise as a global superpower, the BRI's intentions stem from Chinese desires to expand its power throughout Asia and beyond through its adaptation of neoliberalism, such as debt-equity agreements and its seemingly political-free involvement. Through its new development model and engagement, China is slowly accumulating hundreds of acres of foreign land, such as in the Hambantota and Colombo ports, where China is constructing small areas for Chinese workers. The long-term plan for China thus prioritizes establishing direct access and control over maritime trade by claiming land around the ports and to confer Chinese businesses to have larger stakes in port operations. Chinese involvement, thus, may intentionally risk economic failure because the investments are too large and expensive for the country to pay back within a reasonable amount of time. Ultimately, a debt-swap equity agreement provides a convenient way to reduce the debt owed to China, but at the expense of encouraging Chinese permanent control over key assets, as seen in Sri Lanka.

While involved countries remain skeptical of China's motivations for cooperation and developments, the benefits that China's assistance provides is ultimately enough for countries to remain involved in the BRI because they now have the financial means to improve their infrastructure systems. For example, Greece, under the 17+1 format, is benefitting from railroad construction and improved port structures connecting to the rest of Eastern Europe and the global maritime trade network. As a result, countries appear interested in risking economic dependence on China in order to develop both in the short and long-terms, even if it potentially means giving up some assets and control over business operations to China.

## The Impact of the Five Main Areas of Cooperation

Beyond the two narratives for the BRI, the success of the initiative's investment in other countries stems from its implementation of the five areas of cooperation. Policy coordination and infrastructure development are the primary source of investment for the BRI. Chinese investments in Greece and Sri Lanka have not only expanded upon the pre-existing ports by attracting more trade and improving port management capabilities, but also by constructing railways and highways to provide regional connectivity for people and goods. China's BRI has also improved trade connectivity beyond infrastructural development: the BRI seeks to reduce trade barriers. Also, the BRI's less complex trade and diplomatic agreements, such as the "17+1" format, improves regional economic integration by encouraging cooperation. Trade, thus, provides a convenient way for financial integration to occur because of the BRI's emphasis on establishing the RMB and the Asian Infrastructure Investment Bank (AIIB) to step away from the USD as a reserve currency. All five areas of cooperation work towards the long-term benefit of establishing an area as a connectivity hub. With improved transportation methods, tourism is expected to follow as China became in recent years the world's most important source of tourists. The success of the BRI initiative, thus, stems from the tangible improvement of financial, cultural, and infrastructural development in the involved countries, which not only increases their willingness to participate in the initiative but also improves the public image of China.

On the other hand, the BRI and its five main areas of cooperation have also resulted in negative consequences, which has led to skepticism over Chinese intentions to cooperate with other nations and challenged the authority of other global and regional superpowers. China has invested over \$100 billion towards the BRI, but barely half of the original investment has been repaid through profit and mutual financial agreements (Routley, 2020). These rapid and expensive



Chinese investments threaten the Chinese economy as several of the BRI countries have unstable economies or political systems. Greece, for instance, after recovering from an economic crisis, has struggled to improve its GDP growth and convey an image of stability. Even though Greece has improved, foreign investors and businesses remain reluctant to cooperate because of the perceived structural weaknesses in the Greek economy. Sri Lanka's Hambantota Port, even after being constructed and redesigned to accommodate maritime vessels and improved shipping capabilities, has failed to generate enough revenue to justify its capital investments. The challenges that both Greece and Sri Lanka face in terms of their economic and political stability challenge the benefits that China will gain in the long-term with profit and revenue generation through its investments.

Additionally, citizens of the involved countries are skeptical of Chinese investments and growing influence in national economic and political affairs. The usefulness and success of projects like the Hambantota Port remain questionable because agreements involve the leasing of land to China in order to construct areas dedicated to Chinese workers. The involvement of the BRI challenges the sovereignty of the participating country, as leasing land reduces national sovereignty. This is particularly the case in Greece with the Chinese control of the Piraeus Port and in Hambantota, where an agreement leases several acres of land for 99-years. The threat that Chinese involvement poses to traditional and local cultures has led to port strikes, such as the Piraeus strike in July 2018, where workers protested working conditions at the COSCO terminals. The short-term challenges of Chinese investment, thus, has impacted local attitudes towards China because of the threats to reducing national sovereignty and the limited, tangible benefits from cooperation.

As a member of the European Union, Greece's participation in both the EU and the "17+1" format is not an abnormal situation, as a country can participate in multiple agreements at once.

However, the challenge that Greece faces with its recent cooperation with China under the BRI is that its trade, foreign investment, and infrastructural development come directly from China and not through the traditional grant and loan processes sponsored by the EU. Even though China promises to cooperate with EU regulations, the Chinese economic and cultural influence subtly influences how Greece engages with the EU as it begins to defend Chinese involvement. The EU and Greece ultimately must establish stronger agreements about what they intend to gain from cooperating with China and the BRI in order to limit Chinese soft power in the region and to ensure the ongoing sovereignty of the EU and Greece. The creation of an EU-China bilateral investment agreement would help ensure the EU that China is, for the moment, not seeking to overthrow EU authority (Richet, 2019). Instead, the cooperation between China and the EU may provide means to accelerate the development and upgrading of the least developed economies in the region, such as Greece or Eastern European countries.

The BRI and China's fast-growing influence as a global superpower threaten the pre-existing regional and global influences of the United States and the European Union. China's political avoidance of these powers, whether through creating maritime routes in the Pacific and Indian Oceans that avoid confrontation with these countries, or through the establishment of regional agreements such as the "17+1" format that stack on top of the EU's power, only add to the tension as China expands its influence in other countries. The United States, as the world's major superpower for decades, is quickly witnessing the rise of China's dominant influence over countries through its soft power rather than the United States' preferred method of military presence and structural changes to foreign governments in order to earn American assistance. Specifically, in Sri Lanka, where the United States is the third-largest export market and has invested in disaster relief and educational exchanges, the Chinese influence has challenged the

power that America has regarding its cooperation with Sri Lanka (Yibo, 2019). Sri Lanka will benefit from having military power and investment from the United States. Further, the American influence that advocates for democracy and human rights may incite more ethnic and religious feuds reminiscent of the Sri Lankan civil war. However, the Chinese investment in Sri Lanka that comes without political reform is to improve infrastructure and, thus, result in improved economic opportunities in the long-term. This tension between the United States and China over Sri Lanka is not a one-way resolution between the two superpowers. Instead, it relies on Sri Lanka's decision on how to cooperate with both countries. As a result, Sri Lanka's idea of establishing equidistant diplomacy with both countries is a way to benefit from American military aid but also from Chinese investment.

However, as mentioned in the cases of both Sri Lanka and Greece, where some of the solutions do address international relations, China is also responsible for ensuring the success of the BRI by cooperating with other supranational powers. Currently, the skepticism toward Chinese investment and presence in other countries limits the success and range of expanding the BRI, such as larger infrastructure projects and the willingness for citizens to accept the Chinese presence. The BRI must improve its reputation with both the participating countries and other foreign powers in order to ensure the success of the initiative through the willingness to accept China's assistance. Without a more reliable reputation or trust in China, the stability of the BRI may change if the participating countries feel that China is not living up to its original promise or agreement. Thus, the emphasis on the five areas of cooperation provides a valid means of interpreting whether the BRI holds up to its pledge for collaboration or if Chinese investment is solely for Chinese gain. With a redesigned, bi- or multilateral agreement established between the countries under the BRI, several countries may benefit from the improved economic opportunities that emphasize global

mutual trade, observe international principles to ensure the national sovereignty, but also fairly share the risks and benefits of cooperation in view of instability and uncertainty.

## Conclusion

Even though the BRI is still a relatively new initiative, its impact on the global trade system, economic development, as well as its new approach to neoliberal globalization and international relations drastically impacts how the world sees China and the purpose of its cooperation and investments. The five main areas of collaboration measure the success, impacts, and failures of the BRI because the areas are a significant determinant of Chinese motivations and the different narratives of the initiative. The BRI, as a major international cooperation strategy from China, influences the economic growth and development of the participating countries while challenging the pre-existing authority of supranational organizations like the EU and the superpower status of the United States.

While BRI infrastructure projects are still a relatively new concept, it offers China the chance to redefine the global system and methods of development as well as the terms of foreign investment. China's alternative influence in the global system and the receptiveness of the participating countries will determine the success of the initiative if China works on its transparency with trade agreements and ensuring cooperation and support. Over the past several years of the initiative, the BRI has accomplished a lot in terms of improving maritime trade and improving cultural interactions, which is meant to lead to more peaceful relations between nations through diplomacy. Further research will need to address how China's initiative is impacting the environment, its success in trade, and the specific impacts of the BRI on demographic changes,

cultural sentiments or biases, or the interactions between different cultures. The 21st Century has the possibility of becoming a China and Asian-focused century and change the nature of globalization, but only if China promotes the BRI as a global initiative and not a China-centric action.

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