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The Global Reach of China's Economy

by

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Abstract

The People's Republic of China (PRC) has been establishing an edge over its competitors through its long-term strategic rise to power. The process of pursuing avenues for soft power and economic influence allows China to increase its presence in the global economy. The Belt and Road Initiative is an example of China's economic development. This plan targets new trade routes and grows the economic reach of China through providing loans to underdeveloped regions. The process of investing in infrastructure around the world and providing financing leads to these countries becoming tied to China on an economic level. The competition between the West and China has implications for global trade and economics as China seeks to expand its global influence through asymmetrical means. This paper examines several of the PRC's economic initiatives and the following impact projected to have on the United States and the international community.

Introduction

The global influence of China has been on the ascent as decades of groundwork has been laid with the focused goal of emerging as a great power in the world. The history of China is filled with periods of victory and times of defeat. In October 1949, the People's Republic of China was founded under the leadership of Mao Zedong. With the founding, Mao and the Chinese Communist Party (CCP) prevailed over the Nationalist party, bringing an end to the civil war that had raged on and off for decades. This country has experienced considerable economic growth and now seeks to continue to gain international influence as observed through the Belt and Road Initiative and other investments. The recent unfolding of Xi Jinping procuring an unprecedented term as the leader of the CCP signals his plan to rule with greater levels of power and control. It can be assessed that the PRC is using cultural influence and economic power to grow as a global power raising questions as to China's economic presence in the global market and the future balance of power.

China in the Twentieth Century

During the reign of Mao Zedong, he planned to bring about a revolutionary change to the social, economic, and political structure in China. He initiated the 'Great Proletarian Cultural Revolution' through which he banished a majority of the leaders in the party from their positions.¹ Mao's crusade resulted in isolation from the international community as he displayed seemingly erratic behavior. During this time the economy was centrally planned, prices were controlled, and society was built around a collectivist model. International trade was limited to what could not be internally produced. These measures resulted in poor living conditions for citizens. The controlled economy of China during this time was largely closed off to the global economy and suffered as a result.²

Economic reforms took place when Deng Xiaoping rose to power following the death of Mao. He led with an increased level of pragmatism which initiated a change that allowed the PRC to grow its influence as a result of economic growth. The centrally planned economy that and lack of international economic integration had hindered the economy. In response to this, Deng enacted economic reforms in 1979. Through these reforms, there was an opportunity for new expansion within the Chinese economy. There was an integration of free trade principles into the structure of the economy. Furthermore, Deng recognized the need to integrate foreign trade into the market system in addition to acquiring Western technology. These steps were necessary to further develop as a nation and gain power globally. Opening the economy in China to foreign trade resulted in growth that has now spanned decades and contributed to its rise as a power on the international stage.³

The Cold War also played role in China's influence in the region. While the Soviet Union and China did not have a close relationship during that time, both were pursuing various forms of communism which led to the Sino-Soviet relationship being revived. The Soviets were largely isolated, and this worked in the favor of China. In 1984, an agreement was signed between these two governments.⁴ However, Deng had a strategy that involved further integration with the West and therefore opened trade but did not significantly alter behavior bilaterally.⁵

¹ Warren I. Cohen, "China's Rise in Historical Perspective," *Journal of Strategic Studies* 30, no. 4-5 (2007): 7.

² Warren I. Cohen, "China's Rise in Historical Perspective," *Journal of Strategic Studies* 30, no. 4-5 (2007): 699.

³ *Ibid.*, 699

⁴ Vladislav Zubok, "The Soviet Union and China in the 1980s: Reconciliation and Divorce," *Cold War History* 17, no. 2 (March 2017): 121-141.

⁵ *Ibid.*

China faced economic issues in 1988. Observers expected that the act of opening to free trade markets would cause political instability.⁶ And while there were strains, the resulting political issues were remedied through authoritarian regulation and policies that were set in place remediated the potential for negative effects on the economy. While the West was focused on suppressing Russia, China continued its strategy to gain influence through growing trade and acquiring technology.

The Tiananmen Square massacre in 1989 was a display that the government in China would not tolerate any dissidents. The act of crushing demonstrations naturally led to sanctions by Western nations, but this did not permanently hinder China's trade with the United States. The authoritarian rule of the PRC was on full display throughout this event.⁷

Economy

China is the highest foreign holder of U.S. debt; therefore, understanding their economy is important for context. Through high levels of currency placed in foreign reserves, China has been able to keep its national currency low. This allows their productions and exports to stay at a low price, drawing in U.S. customers for their goods. Put simply, China purchases U.S. Treasury bills, notes, and bonds which results in owning part of the U.S. debt. China's emergence as a creditor nation allows it to influence in the international economy. China has grown as a major trade power, which results in nations avoiding engagement in confrontation due to this reliance.⁸

Examining the recent history of China's economy allows insight into the functioning of its economy and the subsequent economic influence within the global market. After the reforms that began in 1979, China was able to rapidly grow its economy. The reforms included foreign trade and free-market elements. Previously, during the time of Mao, the centrally planned economy, collectivized farms, and regulation against private businesses and foreign investments resulted in three-fourths of production being turned out by state-owned enterprises (SOEs).⁹ The distorted economy was inefficient and resulted in significant poverty. With the reforms under Zeng, steps were taken to open the economy to non-state entities which allowed growth and integration into global trade. The reforms during this period included allowing farmers to sell crops, creating a plan to increase trade and foreign investment, enabling local governments certain economic control, and reducing trade barriers.¹⁰ This was carried out under government supervision to determine which policies brought about greater economic growth. The leadership of Deng allowed integration with the West which was necessary for its economic growth and contrasted the depleted economy that China endured in the years preceding 1979.

China has witnessed significant economic growth since this time. It is cited that between 1979 to 2018, the annual real GDP of China was 9.5 percent, which is said to imply that "on average China has been able to double the size of its economy in real terms every eight years."¹¹ The United States and China are now significant trade partners. Data shows that trade totals in 1980 were at \$5 billion, yet by the year 2018 this grew to \$660 billion.¹² China's cheap labor

⁶ Vladislav Zubok, "The Soviet Union and China in the 1980s: Reconciliation and Divorce," *Cold War History* 17, no. 2 (March 2017): 121-141.

⁷ Warren I. Cohen, "China's Rise in Historical Perspective," *Journal of Strategic Studies* 30, no. 4-5 (2007): 700.

⁸ Michael R. Myers, "The Globalization of United States Debt: The Real Impact of China's Rise as a Creditor State," *Indiana Journal of Global Legal Studies* 25, no. 1 (2018): p. 495, <https://doi.org/10.2979/indjglolegstu.25.1.0495>.

⁹ *Congressional Research Service Reports on Foreign Policy and Regional Affairs*, last modified June 25, 2019, accessed September 25, 2022, <https://sgp.fas.org/crs/row/>, 2.

¹⁰ *Ibid.*, 4.

¹¹ *Congressional Research Service Reports on Foreign Policy and Regional Affairs*, 5.

¹² *Ibid.*, 1.

allows United States businesses to operate at lower costs and become more competitive in the global market. Additionally, China's ownership of U.S. Treasury securities helps with budget deficits in the United States.¹³ China possesses the highest number of foreign US Treasury securities.¹⁴ The United States is therefore deeply tied to China on an economic level.

China has expanded its economy but is now looking to invest in and obtain more advanced technology for the purpose of avoiding the "middle-income trap."¹⁵ This occurs when a country moves from an agrarian society to a more industrial manufacturing country yet is not able to rise to the point of being equal to more advanced and wealthy nations.¹⁶ China recognizes that it must increase its access to technology to attain the status of global power and avoid stagnation.

It is said that China is first regarding its "purchasing power parity (PPP) basis, value-added manufacturing, merchandise trade, and holder of foreign exchange reserves."¹⁷ Currently, a large portion of China's market is tied to manufacturing.¹⁸ This is primarily achieved through the country importing parts which are then made into products by Chinese labor and factories to be exported.

In recent times, China's economy has been greatly impacted by the COVID-19 Pandemic. They have enforced strict restrictions in an effort to suppress the spread of infection in the country. The economy in China has seen levels of contraction that exceed any since 1992 which was the beginning of the national economic accounting system. The government has raised the production of bonds which has led to an increased target fiscal deficit.¹⁹

China's Belt and Road Initiative

China has rolled out an ambitious program to expand its economy. While the economy has grown significantly over the past several decades, it is necessary to implement improvements to avoid stagnation. It is evident that China is motivated to attain higher goals on the global stage as an economic power. One example of this is China's Belt and Road Initiative (BRI). This initiative was announced during President Xi's state visits to Kazakhstan and Indonesia in 2013.²⁰ This enterprise includes a plan for expansive infrastructure investment with the objective of increasing connectivity between China and other parts of the world. It is reminiscent of the 'Ancient Silk Road' trade route.²¹ The BRI is seen as an opportunity for China to integrate itself into the international economy while fostering its own economic growth. China's economic growth has slowed and in response, the government recognizes the need to seek new ways for expanding its economy if it wants to continue its quest to become a great power.

The BRI allows China the opportunity to gain influence on the international economic stage. China can invest in infrastructure in underdeveloped regions which can in turn provide new trade relations. This plan invests mainly in underdeveloped regions which have the potential to grow and allows China the chance to benefit from the resulting growth. By creating a new trade

¹³ *Congressional Research Service Reports on Foreign Policy and Regional Affairs*, 5.

¹⁴ *Ibid.*

¹⁵ Martin K. Whyte, "China's Economic Development History and Xi Jinping's 'China Dream:' an Overview with Personal Reflections," *Chinese Sociological Review* 53, no. 2 (September 2020): 115-134.

¹⁶ *Ibid.*

¹⁷ *Congressional Research Service Reports on Foreign Policy and Regional Affairs*, 1.

¹⁸ *Congressional Research Service Reports on Foreign Policy and Regional Affairs*, 23.

¹⁹ Kerry Liu, "Covid-19 and the Chinese Economy: Impacts, Policy Responses and Implications," *International Review of Applied Economics* 35, no. 2 (January 2021): pp. 308-330, <https://doi.org/10.1080/02692171.2021.1876641>.

²⁰ Muhammad Afzaal, "China's Belt and Road Initiative: Challenges, Doubts and Legal Implications," *Asia Pacific Business Review* 28, no. 2 (2021): 273-286.

²¹ *Ibid.*

network and investing in infrastructure in other countries, China is experiencing increased levels of globalization and connectivity. This regional trade investment is part of China's plan to gain international economic influence.²² The BRI links China to Iran, Iraq, Syria, and Turkey through highways, railways, and pipelines. The PRC seeks to connect to countries with ports and coastal infrastructure in Asia, East Africa, and the Mediterranean. China reports that it reaches 65 countries through the BRI. Through this they have an opportunity to increase their global connectivity and economy.²³

Relations with Iran

China's BRI creates ties and partnerships with other countries through economic their dealings. As a result, there are cultural, political, and geographical aspects to consider regarding the perspective of the country that China is investing in. For example, there are certain challenges such as political instability or issues that are brought up through the legal systems that result in not being adequate to process foreign investments. Additionally, China must consider cultural aspects and respond through initiating influence for the purpose of gaining favor needed for long-term cooperation. Iran is an interesting example to examine in light of these considerations.²⁴

Iran and China come together in a unique relationship due to their mutual dislike of Western values.²⁵ For China, Iran is strategic in terms of connectivity to Europe, Central Asia, and the Middle East.²⁶ Sanctions against Iran and tense relations with the United States have resulted in long-standing barriers to securing foreign investments.²⁷ China's need for energy resources and Iran's vast energy resources but limited avenues to trade due to Western sanctions is a major reason for their relationship.²⁸

Iran also has geo-economic importance which attracts China to invest in through the BRI. In 2016 President Xi visited Iran and set forth a 25-year agreement whereby China agreed to provide financial investments to Iran as part of its BRI plan. Between the years 2005 and 2017, China invested over \$23.3 billion into Iran. This places Iran as the highest foreign investment as a part of the initiative.²⁹

Iran is situated in a strategic location and is a key exporting partner for oil and gas to Asia. Its presence near the Persian Gulf and the Caspian Sea makes it a geographically advantageous position. Iran's location and natural resources provide motivation for China to cultivate bilateral relations. Simultaneously, Iran has the incentive to respond favorably to a partnership with China due to heavy sanctions and political tensions that Iran experiences with the United States and the West. Though there are challenges in this relationship due to political instability and corruption within Iran, China benefits geoeconomically from continuing to invest in Iran. For China, Iran

²² Xian Huang, "The Chinese Dream: Hukou, Social Mobility, and Trust in Government," *SSRN Electronic Journal* (2020).

²³ Khanmohammadi and Sun, "China-Iran Strategic Cooperation Agreement in the Changing International System," *Asian Journal of Middle Eastern and Islamic Studies* 16, no. 1 (February 2022): 27-45.

²⁴ Seyedashkan Madani, "Beyond Geopolitics: A Geoeconomic Perspective of China-Iran Belt and Road Initiative Relations," *Uluslararası İlişkiler Dergisi* (2022): 1-15.

²⁵ Seyedashkan Madani, "Beyond Geopolitics: A Geoeconomic Perspective of China-Iran Belt and Road Initiative Relations."

²⁶ Ibid.

²⁷ Ibid.

²⁸ Roie Yellinek, "Soft Power and SPPD in China Iran Relationship," *Journal of Balkan and Near Eastern Studies* 24, no. 5 (July 2022): pp. 733-754, <https://doi.org/10.1080/19448953.2022.2037959>.

²⁹ Seyedashkan Madani, "Beyond Geopolitics: A Geoeconomic Perspective of China-Iran Belt and Road Initiative Relations."

presents an opportunity to facilitate westward movement and provides energy resources that connect the Middle East to Asia.³⁰

China's initiatives are increasing its influence as it seeks to further insert its presence into the international economy through the BRI. Strategically, Iran can view this as an opportunity to benefit its economy. The ambitious plan China sets out under the BRI is geopolitically significant as it globally integrates international economies, and this can be observed through its relationship with Iran. The operational plan of the Chinese leadership describes five areas that are formally outlined in the *Chinese Government Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*. These include: "policy coordination, facilitation of connectivity, unimpeded trade, financial integration, and people-to-people bonds."³¹ In terms of connectivity, Iran has much to gain from investment from China in transportation infrastructure.³²

On the strategic level, the BRI aims to change the international economic system by integrating the economies of many nations in a new way. This could result in the rebalancing of power which leads to each country responding according to their own national interests. For Iran, the restructuring of the global order could be positive given the extensive sanctions from the West. Within the context of the history of the Silk Road, Iran was a key part; therefore, the BRI could be part of recovering Iran's standing geoeconomically. According to the previous mention of China's operational plan, there is an objective to meet a level of cooperation on shared interests. This can be seen as their "macro" policy. However, this has not yet been truly implemented between China and Iran and is not well-coordinated regarding macro policies.³³

Another aspect of the relationship that offers insight into the strategy is the concept of Soft Power since that is something that has been explicitly addressed by China's leadership. At the 18th Communist Party Congress, Xi Jinping stated: "We should increase China's soft power, give a good Chinese narrative, and better communicate China's messages to the world."³⁴ Soft Power is described as the use of means such as education or cultural influence that leads to another nation to act without the use of force or coercion. It is said that this is employed when the country using Soft Power, the active country, attempts to influence another nation, the passive country, though drawing attention to the favorable characteristics of the active country. In 2015, China was last on the Soft Power 30 index but rose to the twenty-seventh spot within the next four years. This indicates that they are not the strongest in this area but do have a priority to improve their standing and Soft Power abilities. Cultivating this is important for China to be able to grow its influence internationally.³⁵

Soft Power can be difficult to recognize since it is challenging to quantify as it often takes the course of long-term subtle influence. Historically, China has engaged in Soft Power influence through social and cultural avenues. They have attempted this through media, literature, and cultural events. For instance, in 2019 the Chinese Embassy hosted an event to recognize both Iran's New Year and China's Spring Festival. Through this, China advertised its progress since

³⁰ Seyedashkan MADANI, "Beyond Geopolitics: A Geoeconomic Perspective of China-Iran Belt and Road Initiative Relations," *Uluslararası İlişkiler Dergisi* (2022): 1-15.

³¹ Mohsen Shariatinia and Hamidreza Azizi, "Iran-China Cooperation in the Silk Road Economic Belt: From Strategic Understanding to Operational Understanding," *China & World Economy* 25, no. 5 (2017): 46-61.

³² Ibid.

³³ Ibid.

³⁴ "China's Soft Power Campaign," Wilson Center, accessed October 23, 2022, <https://www.wilsoncenter.org/chinas-soft-power-campaign>.

³⁵ Roie Yellinek, "Soft Power and SPPD in China Iran Relationship."

Deng's reforms, which could be seen as an effort to attract the Iranians to look up to them as a successful nation. The aim is also to benefit China by cultivating a desire to continue to pursue relations.³⁶

In the area of economics, China has procured investments in the energy sector in Iran for the purpose of gaining reliable access to Iranian energy. China requires energy imports, so this arrangement is beneficial for that reason. These two countries have an agreement that was signed in 2011 which allows China the exclusive right to drill in several of Iran's oil fields from that time until the year 2024. China is also a key investor in Iran's transportation infrastructure. This infrastructure is an important part of the trading partnership between China and Iran.³⁷

Information is a powerful tool, so it is not a surprise that China uses education as an avenue to exert influence. Confucius Institutes are a key example of this. At this point, there is one Confucius Institute in Iran that operates at Tehran University. This is seen as a way to learn about China in support of the BRI which is seen as helping the Iranian economy. This program allows foreign students an opportunity to study in China. The students are taught about the culture and language which they then take home as "ambassadors of Chinese culture."³⁸ It is evident that this plays a significant role in the Soft Power that China exerts, as this proves to be a strong influence through the education of these students.³⁹

Both China and Iran are motivated to push against the current balance of power as human rights and democracy currently are pillars of the general order that both nations do not align with in many ways. One author points out, "Western dominance on the global stage has led China, together with Russia, to consistently support Iran's right to nuclear power."⁴⁰ This addresses the idea that these nations are motivated to rise in power for the purpose of promoting their opposing ideology.⁴¹ The United States has utilized sanctions in an effort for Iran to cease nuclear developments. Iran faces challenges from this such as weak foreign investment and hindrances to selling natural resources. Some within Iran view the relationship with China as a counter to US sanctions, while others fear a resulting interdependence on China to result.⁴²

Iran's relationship with China has been largely due to necessity resulting from heavy sanctions and a shortage of allies on the international stage. The United States has utilized sanctions to deter Iran's nuclear developments which presents challenges for Iran such as weak foreign investment. Some within Iran view the relationship with China as a counter to US sanctions, while others fear a resulting interdependence on China to result.⁴³ The presence of cultural and educational programs signifies a desire for notable levels of influence. These avenues permit China's cultural influence in addition to economic connectivity with Iran. Additionally, the mutual aim to counter the Western power is manifested in China's support for Iran's nuclear program. Cultivating ties is both historically significant considering the 'Silk Road' and also presently with the role that China is playing in regard to the international

³⁶ Roie Yellinek, "Soft Power and SPPD in China Iran Relationship."

³⁷ Ibid.

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Khanmohammadi and Sun, "China-Iran Strategic Cooperation Agreement in the Changing International System," *Asian Journal of Middle Eastern and Islamic Studies* 16, no. 1 (February 2022): 27-45.

⁴³ Khanmohammadi and Sun, "China-Iran Strategic Cooperation Agreement in the Changing International System," *Asian Journal of Middle Eastern and Islamic Studies* 16, no. 1 (February 2022): 27-45.

economy.⁴⁴ China can be identified as using soft power as it goes beyond its national borders to build its economy through educational programs in addition to its economic policies. However, there are cultural and policy challenges in the implementation of projects. Iran is one example that displays China's movement to integrate itself into the economy while also presenting challenges that are unique to each host nation throughout the BRI.

Confucius Centers In the United States

As touched upon in the previous section, China uses the influence of soft power through Confucius Institutes. These institutes have caused much contention in the United States due to concerns regarding the influence of the CCP through these entities. First opening on a U.S. campus in 2005, they have come under increasing scrutiny as U.S.-China relations have declined. There is a contention that these centers influence students for purposes that serve China, and additionally, that can serve the purpose of espionage and intellectual property theft by the Chinese government. Policies in response to this include:

The National Defense Authorization Act (NDAA) for FY2021 (P.L. 116-283, Section 1062) restricts Department of Defense (DOD) funding to institutions of higher education that host a Confucius Institute. The United States Innovation and Competition Act of 2021 (H.R. 4521) would restrict funding from the National Science Foundation and other federal education funding to institutions of higher education that host a Confucius Institute, unless certain conditions are met (Sections 2525 and 6122).⁴⁵

The Confucius Institute U.S. Center (CIUS) was designated a "foreign mission" in 2020. Under this, the CIUS must report its operations to the Department of State. CIUS is filed as a nonprofit in Washington DC and funded by the PRC.⁴⁶

Confucius Institutes teach the Chinese language to students and offer cultural events. They also provide programs for students to learn the language by studying in China. These Institutes facilitate an opportunity for U.S. and Chinese schools to work together. There were 103 Confucius Institutes in the U.S. by the year 2017 out of approximately 550 around the world.⁴⁷ Between the years 2006 and 2019, China invested \$158 million into funds for Confucius Institutes located in the U.S., as recorded by a Senate Permanent Subcommittee on Investigations report.⁴⁸ In recent years, the number of Confucius Institutes in the U.S. has decreased to 18 reported as of April 2022.⁴⁹

There are concerns surrounding the influence of the PRC's presence in the U.S. through Confucius Institutes; additionally, there are questions regarding a lack of transparency of operations. The extent and purpose of the cultural influences, in addition to the concern that the CCP using these Institutes for espionage, is a significant consideration in relation to China's global posture.

⁴⁴ Roie Yellinek, "Soft Power and SPPD in China Iran Relationship."

⁴⁵ "Confucius Institutes in the United States: Selected Issues - Congress," accessed November 8, 2022, <https://crsreports.congress.gov/product/pdf/IF/IF11180>.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

Future Implications

According to the current U.S. National Security Strategy, “The PRC is the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it.”⁵⁰ It goes on to state that the PRC enjoys the benefits of the open international economy but does not allow open access to its domestic economy in return. This results in the making other nations reliant on China while moving away from reliance on other countries. The document addresses the strategy in three points: “invest” in U.S. assets, “align” with allies, and “compete” in such a way as to defend and construct a productive future.⁵¹

The recent unfolding of China’s 20th Communist Party Congress provides insight into the future of the government and leadership structure of the CCP. Xi Jinping announced an unprecedented third term as leader of the CCP in October of 2022.⁵² Notably, he was applauded by Russia’s President Vladimir Putin and North Korea’s dictator Kim Jong Un following this statement.⁵³ Additionally, those announced to be holding seats in the politburo standing committee were identified as strong loyalists.⁵⁴

These moves signal Xi’s consolidation of power within the CCP. Previously in 2018, the term limit for president was removed as he has also worked to remove any opposition to his leadership. As a result, he is positioning himself to lead for an unlimited number of years.⁵⁵ These acts display Xi as rising to a level of power that has not been seen in China since the rule of Mao.

The naming of strong loyalists to high-ranking positions indicates a focus on policy and power over economic reform. Considering the anti-Western stance of China and its leadership, this strengthening of power will drive the policies that come out of Beijing toward continuing moves that target Western power and global dominance. Xi appears to be moving towards national resources for its economy. By proposing the “unified market,” the CCP is looking to develop and innovate technology internally in response to U.S. controls.⁵⁶ The act of Xi securing his power as an authoritarian leader will serve to heighten tensions with the U.S. and the West as values and power conflicts take place.

Another recent development that increases tensions between the US and China is the regulation announced in regard to the chip industry. The Biden administration set forth controls that limit China’s access to semiconductor chips that are manufactured using US equipment.⁵⁷ This is projected to have a significant impact on China’s chip industry and significantly influence

⁵⁰ “Biden-Harris Administration’s National Security Strategy,” White House , accessed November 14, 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>.

⁵¹ Ibid.

⁵² “China’s Leader Xi Jinping Secures Third Term and Stacks Inner Circle with Loyalists,” The Guardian (Guardian News and Media, October 23, 2022), <https://www.theguardian.com/world/2022/oct/23/xi-jinping-to-rule-china-for-precident-breaking-third-term>.

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ “Politics Will Determine China’s Economic Future during XI’s Third Term,” Council on Foreign Relations (Council on Foreign Relations), accessed November 8, 2022, <https://www.cfr.org/in-brief/politics-determine-china-economic-future-xi-jinping-third-term>.

⁵⁷ Person and Karen Freifeld Stephen Nellis, “U.S. Aims to Hobble China’s Chip Industry with Sweeping New Export Rules,” Reuters (Thomson Reuters, October 10, 2022), <https://www.reuters.com/technology/us-aims-hobble-chinas-chip-industry-with-sweeping-new-export-rules-2022-10-07/>.

their technology sector.⁵⁸ This action further incites strained relations between these two nations. The result of these acts has an effect of slowing China's industry but also has the potential to lead to retaliatory action from China.

China's developments are taking the form of a long-term plan that seeks overall gain to take precedence over short-term return. They have set manufacturing strategies in place that display this, such as the 'Made in China 2025' plan. This initiative, in addition to other developments, echoes the indication that China is aiming to become a major manufacturing power on the global stage.⁵⁹

China's technological developments also pose a distinct security threat. For instance, China's 5G network could connect to any device and also has the potential to work as a remote control.⁶⁰ The possible use of this technology creates an opening for espionage and even sabotage. As the world becomes increasingly reliant on technology, there are increased avenues for one entity to leverage it against its foe. Those who can gain access to the functioning of technological infrastructure will be in a position of significant power. Therefore, it is important to respond with regulations that monitor and respond to the cyber and technological threats.

Furthermore, as discussed above, China is increasing its global economic presence through projects such as the BRI. This has the potential for effects on the balance of power as the PRC continues its influence in areas such as the Middle East, Central Asia, and westward towards Europe. This infrastructure and trade initiative allows for long-term trade partnerships and indebts countries to China; these developments could be used as a means for further influence in the future. However, there are complications with this plan, such as policy alignment and cultural differences which are likely to slow down the process.

China's birth policy and resulting population that has set a course of lower numbers of productive members in society which will take time to adjust. Falling below the replacement rate poses a challenge to the nation. As of 2020, the birth rate was at 1.7.⁶¹ This presents an obstacle to China's labor force and productivity levels as projected into the future the population is projected to experience a decline. This presents additional financial pressures as the population ages and there will be increasing disparities for social programs.⁶²

Though China's economy has suffered as a result of COVID-19, the pandemic has provided a pretext for China to develop comprehensive surveillance methods for what is cited as health reasons. This increased surveillance in turn facilitates new avenues for connectivity and controls.⁶³ Going forward, this allows the government to restrain any dissidence with higher levels of ease. The resources and technology can also be adapted in other locations as part of a surveillance network. These capabilities allow increased power for the CCP to suppress disagreement while also collecting intelligence and information.

⁵⁸ Ibid.

⁵⁹ Kerry Liu, "Covid-19 and the Chinese Economy: Impacts, Policy Responses and Implications."

⁶⁰ Karsten Friis and Olav Lysne, "Huawei, 5G and Security: Technological Limitations and Political Responses," *Development and Change* 52, no. 5 (2021): 1174-1195.

⁶¹ "Fertility Rate, Total (Births per Woman) - China," Data, accessed November 13, 2022, <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=CN>.

⁶² "Politics Will Determine China's Economic Future during XI's Third Term," Council on Foreign Relations (Council on Foreign Relations), accessed November 8, 2022, <https://www.cfr.org/in-brief/politics-determine-china-economic-future-xi-jinping-third-term>.

⁶³ ⁶³ Karsten Friis and Olav Lysne, "Huawei, 5G and Security: Technological Limitations and Political Responses," *Development and Change* 52, no. 5 (2021): 1174-1195.

Soft power, as observed through Confucius Institutes is a point that further contributes to China's strategy of increasing power and influence. The presence of these in the U.S. presents a specific avenue for China to pursue influence in American culture. However, the significant decrease in the number of these in the U.S. indicates that there is an effort to curb the presence of these institutes. The reasons provided for Institutes in the U.S. being closed down were reasons related to academic freedom concerns, national security concerns due to the CCP's influence, complications due to COVID-19, the restriction of some government funding, and the influence of some Congress Members.⁶⁴ Continuing with policies that enforce oversight and transparency of these operations is vital to ensuring that the CCP is not allowed to use universities to propagate its own agenda and undermine U.S. security and intellectual property.

The step of cutting off trade of semiconductors signals the United States initiative to weaken China rather than work together through trade.⁶⁵ Considering Xi's posture toward loyalty and control over reforms, trade controls are not likely to be met with compromise and on the part of Beijing. The reaction could be viewed as escalatory action and increases bilateral tensions.

China plays an integral role in the U.S. economy. It is estimated that in 2019, exports of goods and services to China covered 758,000 jobs.⁶⁶ They are also the largest trading partner with exports at \$164.9 billion and imports at \$450 billion.⁶⁷ The trade deficit of the U.S. with China in 2020 was cited as \$285.5 billion.⁶⁸ Considering these trade relations, there is little option for moving away from the relationship. Therefore, there should be care taken to avoid escalation of tensions. However, there remains a need to curb China's technology and trade developments that threaten the security of the U.S. and other nations from the authoritarianism of China, while maintaining international stability.

These economic and political tensions and competition indicate distinct traits that a cold war is beginning. There is a clash of U.S. policy to deter China's growth while China is moving forward with vigor to project its own power internationally.⁶⁹ The U.S. is working to limit China's foreign direct investment to curb power and access to technology while China is continuing to assert itself.⁷⁰ These tensions are projected to continue as the PRC appears to be consolidating power under Xi. Nonetheless, the U.S. should continue its effort to limit the reach of China to combat the spread of authoritarian regimes into other nations. The fall of the Soviet Union and the end of the Cold War defeated the grip of communism on the international stage. In a similar way it is vital for freedom and flourishing around the world that China does not become the dominant power as it is aspiring to do through the growth of its economy and global influence.

⁶⁴ "Confucius Institutes in the United States: Selected Issues - Congress," accessed November 8, 2022, <https://crsreports.congress.gov/product/pdf/IF/IF11180>.

⁶⁵ "Washington Raises Stakes in War on Chinese Technology," Council on Foreign Relations (Council on Foreign Relations), accessed November 13, 2022, <https://www.cfr.org/article/washington-raises-stakes-war-chinese-technology>.

⁶⁶ "The People's Republic of China," United States Trade Representative, accessed November 13, 2022, <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>.

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ Syed Muhammad Zaidi and Adam Saud, "Future of US-China Relations: Conflict, Competition or Cooperation?," *Asian Social Science* 16, no. 7 (December 2020): p. 1, <https://doi.org/10.5539/ass.v16n7p1>.

⁷⁰ Ibid.

Conclusion

China has experienced significant economic growth since the founding of the CCP. The nation has grown in influence in the global economy. Through the implementation of the BRI, China has created new ties with many nations. This allows influence in these places and an opportunity for increased economic development and access to trade partners. Additionally, the cultural influence is provided through soft power is observed in China's international relations. Opening to international trade has been an important part of growing China's own economy while creating ties to other nations.

China's power has been on the ascent through asymmetrical means and the technology transfer. It must be recognized that China plays the long game. Under the consolidated leadership of XI, the CCP is moving forward with its authoritarian policy. Through stealing intellectual property, asserting soft power, and gaining economic influence, China is working to gain power and hegemony on the international stage. This must be responded to by the U.S. with policies that mitigate the expansion of the BRI towards allied states and increasing restrictions on access to intellectual property. As the twenty-first century continues to unfold, the possibility of another cold war or a reshuffling of the balance of power will be determined through the continued actions and policy of the PRC and the actions and policy of the United States.

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