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THE SILK ROADS: FROM THE IMPERIAL DINASTIES TO THE WORLD
EMPIRE.

(LAS RUTAS DE LA SEDA: DE LAS DINASTIAS IMPERIALES AL IMPERIO
MUNDIAL)

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RESUMEN EN LENGUA ESPAÑOLA.

Es conocido que el crecimiento experimentado por China en las últimas décadas, especialmente a partir de los años 70, es una consecuencia del aperturismo económico y comercial que el país decidió implementar. Sin embargo, esto no es algo nuevo para el país: desde el siglo I A.C., China ha sabido beneficiarse e incluso ha llegado a depender su supervivencia de las rutas comerciales entre Occidente y Oriente. Todo este conjunto de rutas comerciales tenía el nombre de Ruta de la Seda, donde principalmente se intercambiaba el material que tanto valor tenía para Occidente y que solo se manufacturaba en China, la seda. Estas rutas comerciales otorgaban tales beneficios a los integrantes de la misma que se mantuvo durante más de quince siglos con unos lazos comerciales continuos entre diversas civilizaciones. La ruta sufrió a lo largo de su prolongada vida de diferentes periodos de esplendor o decadencia, pero no llegó a desaparecer hasta el siglo XV, cuando China decidió aislarse completamente del exterior y otras rutas comerciales aparecieron.

La ruta tuvo tanta importancia que cualquier impacto histórico o político en uno de los socios comerciales tenía un gran impacto en el resto de los imperios que formaban parte de ella. Por ejemplo, si la dinastía china que gobernara en ese momento veía como las invasiones de otros imperios vecinos menoscaba su poder, y por tanto entraba en decadencia, el comercio de los bienes se veía inmediatamente perjudicado, afectando negativamente las finanzas del resto de países. Lo mismo pasaba cuando la situación de los imperios era buena. Cuando un gobernante o emperador gozaba de una estabilidad y poder económico, la ruta en su conjunto se beneficiaba de esto. Hoy en día estas situaciones se producen constantemente debido a la interconexión de los mercados, lo que nos demuestra que la historia no deja de ser algo cíclico.

Esta gran importancia histórica y relevancia en el comercio internacional ha hecho que numerosos países busquen emplear el nombre “Ruta de la Seda” en numerosos proyectos relacionados con la construcción de carreteras y conexión de países. Este fue el caso de Japón, quien a finales de la década de los noventa describió su política financiera y económica en Asia Central como “la Diplomacia de la Ruta de la Seda”.

El proyecto estrella que lleva el nombre de “Ruta de la Seda” y que promete revolucionar el comercio internacional y la economía de un gran número de países es el denominado comúnmente como “la Nueva Ruta de la Seda” y cuyo nombre oficial es *Yi dai yi lu*, u OBOR por sus siglas en inglés (*One Belt, One Road*).

El proyecto se presentó en el 2013 por el presidente chino Xi Jinping en una visita oficial a Kazajistán. En este anuncio el presidente dijo que “con el objetivo de forjar lazos económicos y de cooperación más estrechos (...), debemos adoptar medidas innovadoras y aunar esfuerzos para construir un cinturón económico alrededor de la Ruta de la Seda”. A pesar de que ese primer anuncio revolucionó el panorama internacional, un mes más tarde se comunicó también lo que sería la segunda parte del proyecto: La Ruta Marítima de la Seda del S.XXI.

Estas dos iniciativas forman parte del objetivo del gobierno chino para instaurarse como una potencia económica, política y diplomática para todos sus países vecinos y, en última instancia, para el resto del planeta.

Este proyecto intenta aunar dos de las ideas más importantes para el desarrollo de los países de la zona centro asiática. Por un lado, está la idea de ser una manera de interconectar las regiones entre Europa occidental y China, al igual que lo hacía la Ruta de la Seda original; y por el otro, el carácter marítimo de la ruta busca resaltar el rol que las rutas comerciales tuvieron para el crecimiento de algunas ciudades de China Oriental.

Por tanto, el proyecto es un conjunto de inversiones, principalmente del gobierno chino, necesarias para crear una red de infraestructuras que garanticen el crecimiento económico de la región. Es por esto por lo que la participación y colaboración de los países, organizaciones e instituciones será de vital importancia para la creación de los lazos comerciales y económicos de los integrantes del proyecto.

Las diferentes rutas terrestres y marítimas (inicialmente están planteados seis corredores terrestres y uno marítimo) conectarán Europa Oriental, Asia y África, aunque en los últimos años algunos países de Europa Occidental y Latinoamérica se han interesado mucho por el proyecto. Con esta ruta comercial no solo se prevé reducir los aranceles y

poner los medios físicos necesarios para abaratar el comercio, también quiere facilitar los flujos de personas e información entre los países.

Dentro de los objetivos comunicados en diferentes ocasiones por las instituciones y organismos que se encargan del desarrollo del proyecto se encuentran una gran cantidad de ellos que atienden a intereses generales de todos los países involucrados. Algunos de estos pueden ser el afán por lograr una prosperidad económica en las zonas menos desarrolladas del continente asiático, con especial interés en las zonas occidentales de China, quienes durante las últimas décadas han visto como la zona oriental y sur experimentaba un crecimiento más elevado; o el de mejorar las relaciones diplomáticas para alcanzar un mejor grado de integración con el resto de los países de la región.

Además de los intereses generales, al ser un proyecto desarrollado por China y financiado principalmente con dinero público, está claro que hay una serie de objetivos que atienden completamente a los intereses nacionales. Este tipo de objetivos no se recogen en ningún pliego sobre el proyecto, ni en ninguna de las referencias que se han hecho sobre el mismo en diferentes discursos. Entre estos intereses nacionales que se pretenden cumplir se encuentra el de dar salida a una sobrecapacidad productiva y manufacturera que se ha alcanzado a lo largo de los años. Teniendo en cuenta que el mercado doméstico no es capaz de asumir esta producción, es necesario que el mercado internacional lo absorba y, después de la crisis sufrida por los países que eran sus principales compradores, algunos de estos socios comerciales no eran capaces.

Como se ha indicado anteriormente, el proyecto está programado en seis corredores económicos terrestres y uno marítimo. Los corredores terrestres están formados por:

- El Nuevo Corredor Económico del Puente Terrestre Euroasiático que conectará zonas del centro y oeste de China con Europa.
- El Corredor Económico China-Rusia-Mongolia que expandirá las rutas terrestres ya existentes entre los estados y reducirá trámites fronterizos.

- El Corredor Económico Asia Central y Occidental- China que conectará las zonas más deprimidas de China con el resto de Asia central y oriente medio.
- El Corredor Económico de la Península Indochina y China que permitirá a China mejorar su imagen en esta región y obtener aliados en la zona.
- El Corredor Económico China-Pakistán, lugar donde China ha buscado tradicionalmente ampliar su poder financiero y militar.
- El Corredor Económico Bangladesh, China, India y Myanmar (BCIM) que será la más compleja de las rutas.

Por último, se encuentra la Ruta Marítima de la Seda del S.XXI que conectará el mar mediterráneo oriental hasta el Mar de China.

Para hacer frente a este megaproyecto es necesario una gran cantidad de inversiones, elemento fundamental para la viabilidad del proyecto. Para poder hacer frente a tal cantidad de inversiones, es imprescindible que el proyecto cuente con la participación económica de diferentes agentes y países de la región.

Por esto la financiación de OBOR se puede dividir en tres partes. En primer lugar, podemos hablar de las instituciones internacionales que financian el proyecto. Dentro de las instituciones que financian el proyecto cabe destacar el papel que tiene el Banco Asiático de Inversión en Infraestructura (AIIB), quien lleva financiando diferentes proyectos en el continente euroasiático.

Por otro lado, se encuentran diferentes bancos de desarrollo como el *New Development Bank*, el *Silk Road Gold Fund* o el Banco Euroasiático de Desarrollo, lo que permite que se puedan financiar numerosos proyectos de manera simultánea. En segundo lugar, se encuentra la financiación china, que representa la mayor parte de la financiación del proyecto. El gobierno chino ha puesto a disposición del proyecto una extensa red de bancos que financian el proyecto mediante concesiones de créditos a empresas de titularidad pública. Este es hoy en día uno de los principales puntos débiles del proyecto, ya que el país está asumiendo un elevado riesgo al ser el principal financiador del

proyecto, afectando negativamente a sus arcas públicas y creando una situación de malestar entre la población china, quien no está totalmente convencida de la viabilidad económica de algunos proyectos.

Por último, podemos encontrar la financiación de particulares. Este es la parte más pequeña en la financiación del proyecto y es una de las áreas es las que más se está esforzando el gobierno chino para cambiar. Este tipo de financiación se está realizando principalmente a través de valores de deuda en diferentes divisas. Los valores más empleados son los conocidos como “Bonos Verdes”, que buscan desarrollar áreas en desuso y que tengan algún vínculo con la sostenibilidad, siendo muchas de ellas algunas de las que el OBOR busca dinamizar.

A pesar del gran interés por parte de todos los integrantes del proyecto y por la comunidad internacional en general, el proyecto se ha visto afectado por la reciente crisis sanitaria. Es cierto que algunos de los países que habían obtenido créditos para la financiación de proyectos relacionados con OBOR están solicitando destinar ese dinero para hacer frente al inesperado gasto sanitario. Otros están comunicando a China que no serán capaces de hacer frente al pago de la deuda, por lo que les solicita la condonación de la misma o el retraso de los pagos. Esto hace que China tenga que tomar decisiones complicadas y que están muy vinculadas por el proyecto. Algunos expertos dicen que toda esta situación afectará negativamente al OBOR, ya que gran parte de los fondos destinados para la construcción de infraestructuras serán invertidos en otros aspectos de las economías en el corto-medio plazo. Por otro lado, hay personas que dicen que China sabrá aprovechar la situación y que el proyecto saldrá más fortalecido de esta. Parece ser que es el camino que el gigante asiático ha decidido seguir, llevando a cabo lo que se está denominado como “la estrategia de las mascarillas”, y que consiste básicamente en ofrecer ayuda en estos momentos tan complicados para algunos países para que luego les sea complicado rechazar las solicitudes chinas.

Todavía es pronto para conocer cual será el impacto real del virus en el proyecto, sin embargo, podemos estar seguros de que todos los esfuerzos que ha realizado China en los últimos años para sacar adelante el OBOR no serán en vano, y el proyecto seguirá siendo uno de los principales objetivos del gobierno chino y su principal herramienta para conseguir llegar al primer puesto mundial.

Table of contents:

1. ABSTRACT.....	8
2. INTRODUCTION	10
2.1. INTRODUCTION	10
3. OBJECTIVES AND METHODOLOGY.....	13
4. THE HISTORIC SILK ROAD	15
4.1. FIRST CENTURY B.C.: THE BEGINNING OF THE ROAD	15
4.2. FROM THE 3RD TO THE 7TH CENTURY A.D.: THE DECLINE OF THE SILK ROAD	20
4.3. FROM THE 7TH TO THE 10TH CENTURY A.D.: RECOVERY OF ACTIVITY ON THE ROUTE 23	
4.4. FROM THE 10TH TO THE 15TH CENTURY: THE END OF THE SILK ROAD	26
5. CHINA, FROM YESTERDAY TO TODAY.....	31
5.1. DEVELOPMENT OF THE CHINESE ECONOMY: FROM MAO TO THE PRESENT.	31
5.2. DEVELOPMENT OF CHINA’S INTERNATIONAL TRADE.....	35
6. THE NEW SILK ROAD	37
6.1. PRESENTATION AND DEFINITION	37
6.2. THE DEVELOPMENT OF THE PROJECT: OBJECTIVES AND CORRIDORS	40
6.2.1. Objectives of the project.....	41
6.2.2. Planned corridors on the New Silk Road.....	45
6.3. PROJECT FINANCING.....	48
6.3.1. International Institutions	49
6.3.2. Chinese financing.....	51
6.3.3. Private financing.	53
6.4. PROJECT CONTROVERSY.	54
7. IMPACT OF COVID-19 ON THE PROJECT.....	56
8. CONCLUSIONS.....	59
9. BIBLIOGRAPHY.....	62
10. ANNEXES	70

Tables and figures index:

Figure 4.4.1: territory that managed to occupy the Mongolian empire in 1294.....	28
Figure 6.2.2.1: OBOR Project Land and Sea Routes.	46
Figure 6.3.2.1: Percentage composition of the Silk Road Fund	52

1. ABSTRACT

El nuevo proyecto impulsado por el gobierno chino se ha posicionado como el camino a seguir por China para aumentar su influencia política y consolidarse como la primera potencia mundial. Este proyecto busca incrementar el comercio y el potencial económico de la región, así como alcanzar mayores niveles de riqueza y bienestar en aquellos países que formen parte de la Nueva Ruta de la Seda. Con este objetivo en mente, ya son más de 60 países junto con China que han realizado una docena de proyectos que canalizarán la mayor parte de las inversiones, principalmente en infraestructuras, y que servirán de conductor entre Europa, África y Asia, así como los puntos marítimos asociados.

El proyecto One Belt, One Road (OBOR) se compone de numerosas inversiones en diferentes sectores económicos lo que hace que la necesidad de financiación sea continua y de una gran magnitud. Por ello numerosas instituciones financieras ofrecen una financiación ventajosa para la realización de estos proyectos, principalmente lideradas por China a través de entidades gubernamentales, lo que puede afianzar el crecimiento del país o acabar con su fortaleza financiera, con gran cantidad de divisas pero que es extremadamente dependiente del comercio internacional ya que su mercado interno no está del todo desarrollado. Todo esto con la sombra de la reciente pandemia que todavía está por ver cómo afectará al proyecto.

Palabras clave: One belt, One Road (OBOR), gobierno chino, potencial económico, financiación, infraestructuras.

The new project promoted by the Chinese government has positioned itself as the way forward for China to increase its political influence and consolidate itself as the world's leading power. This project seeks to increase trade and the economic potential of the region, as well as to achieve greater levels of wealth and well-being in those countries that are part of the New Silk Road. With this objective in mind, there are already more than 60 countries together with China that have carried out a dozen projects that will channel most of the investments, mainly in infrastructure, and that will serve as a driver between Europe, Africa and Asia, as well as the associated maritime points.

The One Belt, One Road (OBOR) project is made up of numerous investments in different economic sectors, which makes the need for financing continuous and of great magnitude.

Therefore, many financial institutions offer advantageous financing for the realization of these projects, mainly led by China through government entities, which can strengthen the growth of the country or end its financial strength, with a large amount of foreign exchange but is extremely dependent on international trade as its domestic market is not fully developed. All this with the shadow of the recent pandemic that has yet to be seen how it will affect the project.

Keywords: One belt, One Road (OBOR), Chinese government, economic potential, financing, infrastructure.

2. INTRODUCTION

2.1. INTRODUCTION

In recent years we have witnessed the great growth that China has experienced as an economic, commercial, military and demographic power. However, this fact is not something that happened overnight, but it has been a hard process undertaken by China who has sometimes called these years the century of humiliation. To highlight this great leap forward that China has taken, one only has to look at the fact that the country's Gross Domestic Product in 1995 was still inferior to that of Spain, even though the population was 25 times greater.

Several studies claim that the economic and social policies implemented by the Chinese Government, such as the one-child policy or the special economic zones, have enabled China to reach the top of the world leadership and to achieve unprecedented levels of welfare for its population. Despite this, the Chinese authorities consider that the first place belongs to them and therefore they are eager to reach it in the short term, setting their sights on 2049, the year in which the 100th anniversary of the creation of the People's Republic of China is commemorated.

With this in mind, how does China intend to achieve this first place? Can China achieve this unilaterally, or does it need sustainable growth from the rest of the world to sustain its own economy?

To achieve this first place, the Xi Jinping government has considered, since 2013, that the best way is a regional macro project in which China has a great importance: The One Belt One Road Initiative.

This project, also called OBOR or BRI, is composed of a series of investments in different sectors and countries that seek to promote sustainable growth in the regions that are part of it, all based on international trade. The idea of this great project comes from the ancestral Silk Road, one of the first processes of international trade in history and that both economically and culturally benefit the countries that bet on it. As it happened with

the ancestral route, the New Silk Road requires the participation of a great number of countries and cultures, there are more than 60 countries that seek to benefit from it and to contribute to the development of this project that will allow them and China to grow.

With the New Silk Road, the Chinese government seeks to strengthen its indispensable position in the economic and commercial sphere, paying special attention to three aspects. The first of these is to strengthen its position as the world's leading exporter, a position that has been of great importance in China's economic growth in recent years. Although China currently has an overproduction in some sectors such as steel and aluminum, and that the country is devoting a lot of effort to encourage domestic consumption to move away from the image they have acquired as "factory of the world" and to avoid the so-called Middle Income Trap¹, the Chinese are aware of the great importance of foreign trade in its economy, seeking mainly to be more efficient in this area to compete also in quality and value added with other major exporters such as Germany, Japan or South Korea.

Closely related to the above is China's investment efforts in foreign countries, which are currently being channeled through OBOR. China knows that the country's export capacity will only reach its peak when its regional partners reach consumption levels that demand Chinese manufactured products. For this reason, both China and its corporations have proposed to collaborate with other countries to promote the investments they need in infrastructure, energy, industrial parks, etc., with the aim of making trade benefit from all of this, favoring imports of Chinese products and exports of goods and services.

Finally, China is committed to compensate the huge lack of infrastructure and funds for development in some regions of Southeast Asia, Central Asia or Africa. For this reason, in recent years, the Chinese government itself, as well as some of the related entities, has granted credits on notably favorable conditions to its allies and commercial partners, which are being invested in projects linked to the New Silk Road. In order to grant this large amount of funds, the Chinese government has developed different consortiums of

¹ **Middle Income Trap:** Term coined in 2006 by the World Bank and which refers to the phenomenon whereby developing economies, despite having experienced high growth rates over a long and continuous period of time, are not able to achieve levels of development and welfare typical of developed economies, remaining stagnant at average income levels.

financial entities such as the AIIB or the Silk Road Fund, all of them linked to OBOR project. This is an example of China's great commitment to openness and multilateralism, at a time when large nations, especially the United States, are betting on protectionism. In the same way, the New Silk Road allows China to strengthen its alliances with Europe, Africa or Latin America; to improve its global geopolitical position; and to release the large amount of international currency, which in the long run will result in great benefits for the Chinese public coffers.

The new situation caused by the Covid-19 has disrupted all the plans related to the project that were planned for this year. It is clear that the economic situation of many of the countries that are linked to the project is not the most favorable, so they are already beginning to divert part of the funds allocated to these infrastructures to other aspects of their economy such as healthcare. This places China in a complicated situation, on one hand, because it is the one that has granted very advantageous financing to these countries with the objective of investing in the infrastructures linked to OBOR, and on the other hand, because it is seeing its objective delayed in time. In addition, the pandemic has also affected their economy, which is making decision-making more complicated for the government because if it forgives the debt to these countries, it is possible that Chinese citizens consider that the money is being wasted and that they are more focused on the project than on the welfare of their citizens.

The different decisions that China will take in the next few days will be decisive for the future of the project. Some experts say that the crisis will help China to achieve a dominant position thanks to the help it is currently giving to the most affected countries, putting them in a future situation in which it will be difficult for them to deny China collaboration. On the other hand, there are other experts who say that this has negatively affected the project because it has come to a dry halt, returning thousands of employees to their country of origin and bringing the construction of infrastructures and commercial agreements to a standstill. It is too early to know what the impact of the pandemic has been on the project, what is clear is that the project is one of the main objectives for China and that after all the effort they have made they are not going to abandon it now.

3. OBJECTIVES AND METHODOLOGY

This work tries to know which is the role that China represents in the Silk Road, as well as the short, medium and long term objectives that are intended to be reached with the different projects, especially those planned in Western Asia and the countries bordering the Asian giant, all of this respecting the different geopolitical and economic interests that come into play regarding investment and international trade. This might make multilateralism one of the main requirements in all aspects of the project, which shows the great importance and weight that international trade still has around the world, becoming a determining factor in establishing bilateral relations with other countries, as is the case for the European Union or China since this has been the reason why they have grown in the way they have over the last few years.

The aim of this work is to find out what the fundamental idea behind the New Silk Road project is, since it will be one of the projects that will bring about a revolution in international trade in the medium to long term. To this end, it has been researched the historical Silk Road due to the great importance it had for the countries through which it passed, and which was one of the main international trade corridors for centuries. The idea was to find out how the historical route relates to the new project and whether the concept is the same but adapted to the new times.

In addition, due to the magnitude of the project, it is of vital importance to know how the project will be financed and the risks involved. The openness and multilateralism in projects of this caliber becomes of vital importance, so it has been wanted to know which are the different institutions, both public and private, that are behind the financing.

Moreover, research has been carried out on the impact that the coronavirus could possibly have on the project and the different currents of opinion that this has generated. On the one hand, it has been suggested that the coronavirus will affect the project negatively, forcing China to delay the completion of the project. This idea is based on the economic problems that the country will suffer due to unforeseen health expenditure and the discomfort of its citizens if the money is invested outside the borders. On the other hand,

there is a current that thinks that China will benefit from this new situation and will serve to strengthen the project.

The work combines aspects of a research nature with which it is intended to carry out an informative analysis of how the project is shaped and the intentionality behind it. Several sources have been used to carry out this analysis, and since the project is made up of a large number of individual projects with little time history, finding academic books on the subject has been one of the main difficulties encountered.

In spite of this, the great importance of OBOR in international trade has encouraged different experts and research centers to carry out studies of great interest on the project and the impact it will have on China and its partners. Several of these sources have contributed to this work. In addition, the project has aroused great interest in the academic and financial community, leading prestigious organizations such as the Financial Times or The Economist to publish extensive articles and reports describing and detailing the project.

Furthermore, as this is a mainly institutional project with the help of numerous organizations such as the AIIB, financial institutions such as the Silk Road Fund, or government agencies; this work has used sheets and reports published on their information portals and available to the public. It has also been very useful the different official announcements and statements made by the leaders of the linked governments, as it has been the case of Xi Jinping, since the objectives and interests of this project are usually briefly stated in these speeches, as well as everything that is obvious and important for the project.

The work has been divided into four interrelated parts. First, a brief historical analysis of the primeval Silk Road and the impact it had on the Chinese economy and society, as well as the different countries that benefited from it. This historical analysis is divided by centuries according to the periods of splendor or decline of the route, making reference in each of them which factors precipitated that period in one way or another. The work continues with a synthesis of the political and economic trajectory of China in the last five decades, which enables us to know the starting point that has made a country progress in such a way that it has been able to undertake a project of this magnitude. The third part

of the work consists of a description of the project and the different corridors it will be composed of, seeking to clarify what the reasoning has been for implementing the different routes and what the financing of the project will be, as well as the problems it faces. Finally, the work ends with a brief analysis of the impact that the coronavirus may have on the Silk Road, based on the assumption that it is early to see the first signs of how the pandemic has affected. In this last part, the two currents that the experts are proposing, and which are the reasons why they have been developed are presented.

4. THE HISTORIC SILK ROAD

The Silk Road is one of the most durable and important commercial routes of all times. Nevertheless, the term “Silk Road” was not used until the end of the 19th century when the German geographer Ferdinand Freiherr von Ritschthofen named it that way because of the most precious material that was conveyed by it: the silk.

Commerce between china and other communities date back to the time of the Shand dynasty (1766 B.C. – 1122 B.C.) and increased during the reign of Zhou dynasty (1122 B.C. – 249 B.C.). When talking about the silk commerce, it is known that the trade of this material existed back in the fifth century B.C. and it had arrived in Greece, becoming the most wanted material among the upper class. The first mention about silk was made by the Greek historian Ctesis, who used the word “seres” (in Greek it means “place of silk” or “of silk”) to refer to China.

Despite the knowledge that occident had of this material, it was not until the beginning of Han dynasty (206 B.C. – 220 A.D.) that this material became important in international trade.

4.1. FIRST CENTURY B.C.: THE BEGINNING OF THE ROAD

In order to know the official beginning of the road we have to go back to the first century B.C. when, faced with the growth of the Mongolian empire and the threat it posed to the Chinese empire, the Chinese emperor Wu of the Han dynasty sent an embassy, with the General Zhang Qian in charge, to learn about the customs of the Ferghana Valley

kingdoms, who were also suffering from the continuous invasion of the Mongolian empire. These kingdoms possessed one of the good that Chinese lacked the most: fast and agile horses, much more suitable for battle than the Chinese's, which were used for agriculture.

Thirteen years later, in the year 125 B.C., General Zhang Qian returned to the capital of the Chinese empire without having achieved any agreement, but with a great deal of information out these peoples. The *Hou Hanhsu, Book of the later Han* by Fan Ye tells the impressions of Emperor Wu about the news he received:

The Son of Heaven², hearing all this, reasoned: Ferghana, Bactria and Parthia are great countries, full of strange things, with a population living in established homes and with occupations identical to those of the Chinese people, but which have weak armies and give an exorbitant value to Chinese products (...) To the west Tianzhu (India) communicates with Da Qin (Rome). Beautiful things from Da Qin can be found there, such as fine cotton fabrics, excellent wool carpets, perfumes of all kinds, sugar loaves, pepper, ginger and black salt (Fan Ye, chapter 1, 445)

The great interest of the Chinese empire to obtain those goods scribed by Zhang Quan, and the horses with which they could face the Mongols, led the Emperor Wu to order further approaches to these kingdoms. Thus, in the year 119 B.C., Zhang Qian returned with a great number of people and a cargo of gold and silver coins, as well as silk, with the intention of stablishing a commercial route with these kingdoms.

Years later, and after the establishment of this trade route, security could not be guaranteed and trade between this to regions could not be consolidated so China began a great invasion. It was not until 102 B.C. when China conquered a great part of these lands, guaranteeing the horses of the steppes and introducing other products such as grapes, lucerne, nuts, pomegranates, cucumbers or carrots.

² In ancient China the Emperor was considered The Son of Heaven.

This is the beginning of what is known as the "Silk Road", however, China was already trading with different peoples long before that, so the creation of a trade route was not going to stop there.

Silk was an unknown material for a large part of the Asian population as it was initially reserved for the imperial court, hence it was of great value. There is a legend that says that the origin of silk goes back to one of the most important mythological figures in Chinese culture: the emperor Huang-di, known as the Yellow Emperor³. The legend says that it was one of his concubines, Lei-tsu, who was captivated by the touch of a cocoon in which a worm had gotten into and wanted to make a dress with that material. Despite this legend, the manufacture of silk was a secret for many years due to the great commercial value that this material had acquired, and it was even forbidden to reveal it under penalty of death.

The Parthian people were another of the great eastern empires of the first century BC and one with whom China had great commercial alliances, extending the silk route into their territories. It is known that one of the first political acts to start this route with the Parthian Empire was carried out by Emperor Wu in 115 BC, when he sent diplomatic silk gifts to the Parthian Empire. Of these first embassies it is said:

When the first embassy was sent to the Anxi (Parthia) of Zhong Guo, the king of Anxi ordered that they be received by twenty thousand knights (...) Having passed through several cities, they were received at court with all the honors. After returning the Han embassy, the Anxi sent an embassy to meet and glimpse all the greatness of the Celestial Empire. They brought countless gifts such as large bird eggs and jugglers from Liajan (Fan Ye, chapter 1, 445)

By that time, the Chinese already knew their neighbors very well and wanted to increase ties with them. Also, in the Hou Hanshu it is said: *"More embassies were sent to Anxi, Yancai (Karashar), Lijian (Roman Empire, Syria), Tiaozhi (Chaldea) and Tianzhu (India). As a rule, no more than ten missions were made each year, and at least five or six"* (Fan Ye, chapter 1, 445).

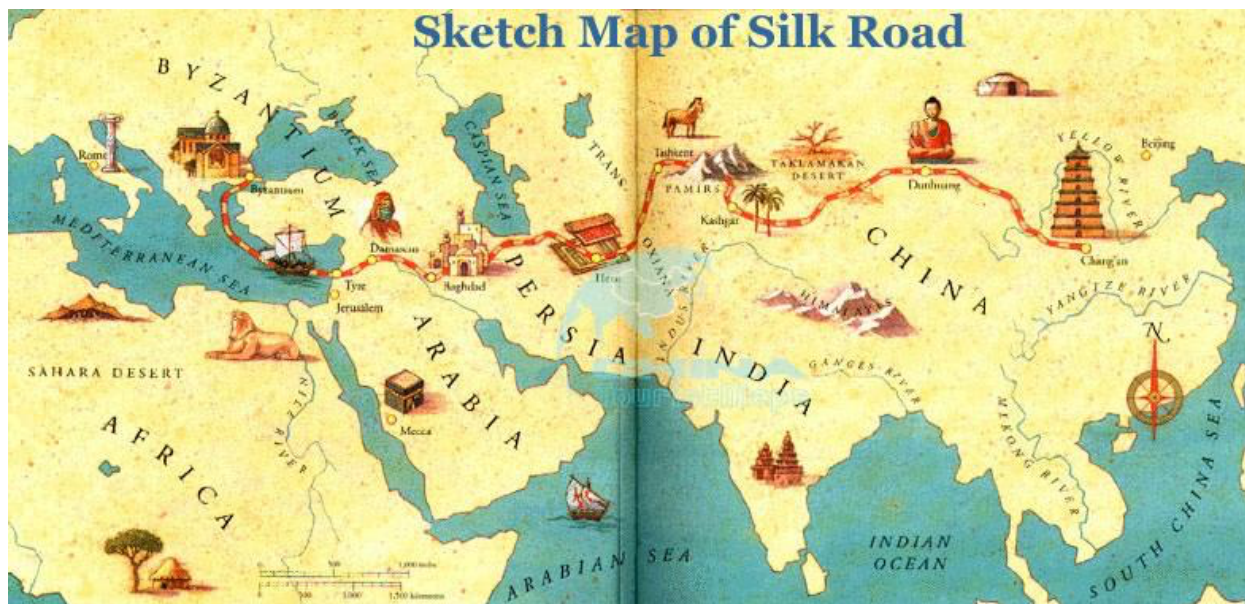
³ Emperor of the Chinese tradition considered one of the five mythological emperors that preceded the first Chinese dynasty, the Xia dynasty. His reign is considered to have lasted from 2698 B.C. to 2598 B.C.

The Parthian Empire had a great importance in the development of the "Silk Road" and, aware that their geographical situation gave them an advantage, they convinced Emperor Wu that the territories beyond Babylon were dangerous. This allowed them to control the goods in their different territories and to charge a series of taxes for them. This deception is reflected in the *Book of the Lastest Han* by Fan Ye where it can be read:

The sea is enormously extensive, and to make the return trip (to Alexandria) three months are needed with favorable wind, and if the wind is weak, even two years (...) that is why those who followed that course take provisions for three years. In addition, along the way one feels an increasingly violent nostalgia, and it is not uncommon for death to occur because of it. (Fan Ye, chapter 1, 445).

That information was transmitted by the Parthians to Ga Ying, an explorer sent by the Chinese emperor to Rome. The reality is that the journey to Alexandria took much less time than indicated.

Figure 4.1.1.: Sketch Map of Silk Road.



Source: *Historias de nuestra historia*. <https://hdnh.es/en-pocas-palabras-la-ruta-de-la-seda-2/>

Moreover, in 53 B.C., when the Roman Empire was set to conquer Parthia, it discovered this material which was then so widely traded in its territories.

This apogee of silk in the territories of the Roman Empire was reflected in some literary works such as *Tebaida* by Estacio or *De beneficiis* by Seneca. In these literary works the luxuries of the Romans of good position were described as it is the case of the reproach of the Roman historian Suetonius to Caligula:

His clothes, his shoes and in general all his garments were not of Roman, of citizen, not even of man. He was often seen in public wearing a short-cloaked bracelet adorned with stripes and covered with embroidery and precious stones; at other times he was seen wearing silks and sleeved tunics. (Suetonio “Los Doce Césares”. Calígula, LII, 2002).

The Romans appreciated this new material they had discovered, mainly because of its delicate texture compared to other materials such as linen or wool. The fact that the production of this material was a secret made its importation from China mandatory, specifically from the city of Chang'an⁴.

Years later, in 31 BC, the Roman Empire conquered Egypt. This new territory gave them access to the Red Sea and therefore to the spice trade route, which was part of the Silk Roads.

This commercial route was made up of different roads that communicated different strategic points, a total of 6,500 km of roads that facilitated trade. In addition, the trade route was not limited to land-based trade. Different coastal cities extended the scope of trade by sea. Some of the early ports that were part of this road network were Ur, Lagash, Umma, Larsa or Uruk.

At this time there were a large number of commercial posts (emporia) strategically placed to encourage trade, distribution and storage of goods.

Although silk was one of the most appreciated materials transported by this route, many other materials were also transported and traded. Among them, textiles, spices, grain, vegetables and fruit, animals, tools and even religious objects stand out. In addition, the fact that it was a route that connected so many empires with so many different cultures

⁴ Chang'an, the ancient capital of China, which in its heyday reached a population of two million at the site of today's Xi'an.

made the cities where the commercial posts were located richer from that cultural mix, in addition to the economic enrichment.

Proof of this is that the Buddhist religion, now the majority religion in China, entered the empire thanks to this network of roads. It was during the Han dynasty that Buddhism began to gain popularity. It is said that a Han emperor around 68 A.D. had a dream of a great golden figure. Wanting to know more about that figure he sent an explorer to Central Asia to investigate this religion.

Thanks to the existence of this great number of trade routes, and the political stability of the time, between the first century B.C. and the third century A.D. there was a great increase in international trade and cultural exchange between five great empires: the Roman Empire, the Parthian Empire, the Kushan Empire⁵, the Xiongnu and the Chinese Empire, which was ruled by the Han dynasty.

Moreover, there is evidence that these empires were interested in maintaining these good trade relations. For example, there is evidence that in 20 B.C. an Indian embassy visited Rome or that during the rule of Emperor Antoninus Pius (138 - 161 A.D.) a Roman ambassador visited China.

However, from the third century A.D. these trade relations began to deteriorate, mainly due to changes in the socio-political landscape of the Silk Road.

4.2. FROM THE 3RD TO THE 7TH CENTURY A.D.: THE DECLINE OF THE SILK ROAD

The 4th century AD was the beginning of a period in which the Silk Road lost a great importance in international trade.

⁵ A group of former citizens of the Chinese empire who were displaced by the Xiongnu in the second century BC. They were settled in northern India and, at their height, dominated the territory that today stretches from Tajikistan to the Caspian Sea and from what is now Afghanistan to the Ganges River Valley.

The division of the Roman Empire⁶ was one of the main triggers of this situation. Due to the weakening and the great political changes that these two new empires suffered, the trade with China and the rest of the peoples that were distributed along the Silk Road was resented.

Finally, the Western Roman Empire fell in 476, partly due to the pressures exerted by the Germanic peoples, which greatly affected trade along the route. In contrast, the Western Roman Empire continued its consolidation as the Byzantine Empire, experiencing its greatest splendor during the reign of Justinian (527-565).

The Roman Empire was not the only one that underwent great changes during these years. The Parthian Empire, on the other hand, was conquered by Sassanid Persia in the year 226. This new empire had a very strong expansive policy, reaching the Kushan empire⁷, which was already in full decline, making another of China's main trading partners disappear.

Furthermore, a new dynasty had also appeared in India that was becoming more and more consolidated; the Gupta dynasty.

And finally, China was not at its best politically either. This period is known as the time of the Three Kingdoms and the Six Dynasties. This period lasted from 221 to 581 and began with the fall of the Han dynasty, which had put great efforts into the Silk Road.

At that time, three clans that were at odds with each other proclaimed their own kingdom in the territories where they were settled: The Wu kingdom settled in the southeast, the Wei dynasty in the northern territory and the Shu state in the southwest.

A few years later, between 265 and 316, the Jin dynasty achieved a period of political stability. However, this political stability was not enough to positively affect trade along the route. The fall of this dynasty was followed by a few years of numerous struggles

⁶ In 395 A.D. with the death of Emperor Theodosius, the Roman Empire was divided into two: The Western and Eastern Empires, each controlled by one of his sons.

⁷ The Kusana dynasty had been overthrown by a vassal named Kidara, creating the kingdom of the Kidarites. This new kingdom continued until in the 5th century different waves of Huns destroyed it.

between courtly factions, with more than twenty different states being counted in this period.

This whole international scenario, which was concentrated between the third and seventh centuries, did not happen at the same time, which made the situation unstable for a long period of time in much of the Silk Road route. All this was finally reflected in the decline of trade and communications.

In spite of all these factors against it, trade along the Silk Road had a great weight in the economy of the different states along which it ran. Moreover, the empires of the West continued to demand products from the East, mainly silk and other luxury materials, so the route did not disappear.

On top of this situation of widespread political instability along the Silk Road empires, another situation greatly damaged China's position in international trade.

During these centuries, the process of silk production began to be known in other territories. The first place where silk manufacture began was Jotan, a small city located in one of the oases of the Taklamakan desert during 420-440. It is said that the knowledge of silk manufacture was obtained thanks to a clear strategy of espionage, when the prince asked for the hand of a Chinese princess. This story is recorded in the *Tang Su* (History of the Tang Dynasty), in which it appears that the princess, in order to continue wearing her clothes, was forced to remove worm eggs from her country, which she hid in her hat.

Years later, between 550 and 555, the Byzantine Empire began to manufacture this fabric. As recorded in texts by Procopius of Caesarea and Thiophane of Byzantium on the Far East, Emperor Justinian ordered two monks to travel the route of the Caucasus to bring the worm eggs hidden in hollow sticks. However, it is believed that the worms that arrived in the Byzantine Empire had little to do with silkworms.

4.3. FROM THE 7TH TO THE 10TH CENTURY A.D.: RECOVERY OF ACTIVITY ON THE ROUTE

From the 7th century A.D. the political situation changed again, achieving a period of stability in the main regions along the Silk Road.

In China, during this period, the Tang dynasty was already established, one of the most important for culture and art in China. It was during the rule of this dynasty (618-907) that the printing of blocks was developed, which allowed a diffusion of culture and literary works on a large scale and, moreover, Buddhism was established as the official religion.

This dynasty brought about an important revival of the Silk Road, which benefited the empire economically and culturally. It was the Emperor Li Shimin (626-649) who practically emptied the coffers of the empire with the aim of rebuilding and renewing the Silk Road. This great economic contribution allowed the route to be more extensive, which made economic and cultural exchanges between China and the rest of the countries easier. This led the country to experience great economic and cultural growth, as mentioned above. In addition, along this improved commercial route cities were born that became great metropolises and centers of international trade such as Wuwei, Zhangye or Shandan, the latter being confused with the capital Chang'an (current Xi'an) by an Arab writer due to the opulence of these cities and the large population that lived there. However, the capital of the Tang Dynasty was immensely larger. The area now occupied by today's Xi'an (10,097 km²) is only one eighth of what the capital was in that period.

All this economic prosperity, in part thanks to the tolerance and open-mindedness of the Tang Dynasty, led to this period being considered the golden age of the Chinese Empire. There are some economic data that demonstrate this growth.

Table 4.3.1.: Comparison of the GDP of the main empires of the time.

	China	Western Europe
GDP	26.550 GK\$	10.165 GK\$
GDP p/c	450 GK\$	400 GK\$
Population	59 mil.	25, 4 Mil.

Source: MADDISON, Angus. *The World Economy: A Millennial Perspective*. Development Centre Studies OECD (Organization for Economic Cooperation and Development), 2001. Table 1-8a (p. 42), Table B-18 (p. 261) y Table B-21 (p. 264).

These data remain practically stable from 450 to 1000, while in Western Europe the GDP fell, mainly as a result of the fall of the Roman Empire and the model of subsistence agriculture that was implemented in the following years.

From the 8th century onwards the downfall of the Tang dynasty began, partly due to the constant Islamic invasions that ended between 906 and 907 with the fall of the dynasty.

In the region of India, the former Gupta empire had disappeared, however, the small kingdoms that succeeded it were able to maintain a certain stability in the region that allowed trade through the route.

The situation in the Middle East region also underwent great changes. One of the main ones was the birth and expansion of Islam, which reconfigured the territorial landscape, transforming religion, politics and ultimately society. It was during this period that the Persian Empire of Sassanid fell to the Muslims, which influenced the relations between the West and the East.

In addition, during this period Persia became the second largest producer of silk, maintaining the monopoly of trade along with China.

In the southern area of the Mediterranean, Islam continued its expansion, however, the northern part of the Byzantine Empire remained, despite having lost territory due to the invasions of Germanic peoples.

Finally, a new empire had emerged on the steps of southern Russia. This was the Khazar empire which, due to its geographical location and great strength, became a key player in the development of relations between the West and Central Asia.

Regarding the trade along the Silk Road, apart from the traditional luxury products, this period was marked by the development of the slave trade, although this trade was not very stable due to the continuous conflicts caused by the Islamic expansion.

During this period, one of the materials that revolutionized both the West and the East was invented in China. It was the ancient Eastern Han dynasty who, in their search for the elixir of immortality, came across a highly flammable material. This material is known today as gunpowder, however, at that time it was known as "The Medicine of Fire".

Years later it began to be used for the manufacture of flares and firearms, so it became one of the main products that were exchanged for the Silk Road, which again gave China a privileged position in international trade.

At the same time, this period, apart from the exchange of products, brought with it an important exchange of ideas, especially religious ones. Different religions arrived in China, such as Zoroastrianism⁸, Nestorianism⁹, Manichaeism¹⁰ and Islam. One of the main examples of the Muslim presence in China is the minaret of the Xi'an Mosque, built in 742 during the Tang Dynasty to satisfy the growing number of Muslim believers.

⁸ This religion is based on the teachings of Zoroaster who considers Ahura Mazda as the only god. In this religion it is considered that the human being should be able to choose the path to goodness for himself.

⁹ This religion is a heresy created by Nestorius who considered Christ to be two persons: one human and one divine. Furthermore, it questions the virginity of Mary. It was especially accepted by a group of people with a high cultural and economic level.

¹⁰ This religion bases its principles on the conflict between Good (light) and Evil (darkness). The soul of man was considered to belong to God while the body belonged to the devil.

4.4. FROM THE 10TH TO THE 15TH CENTURY: THE END OF THE SILK ROAD

These last centuries of the Silk Road have seen the greatest changes. Later, from the 15th century the Silk Route ceased to be active, despite the fact that other roads emerged to exchange very similar goods. However, the different fragmentations of these roads and their routes mean that they cannot be considered part of the Silk Route.

During these years the demographic situation in Europe had changed; the European population had increased considerably, and a new territorial organization had begun; people were leaving the rural areas for the big cities. In addition, religious feeling had increased and, therefore, the power of the Church as well. This led to the movement known as the Crusades whose aim was to gain both political and administrative control of some territories in the Holy Land such as Jerusalem, among others.

As far as trade is concerned, different European cities developed as commercial hubs, the case of European cities such as Florence, Genoa or Venice being particularly noteworthy, as they became European commercial capitals mainly thanks to the trade in spices and the recovery of the Mediterranean sea routes for the trade in some manufactured products, metals or wools.

In China there was a change of dynasty, giving way in 960 to the Song dynasty. This dynasty put an end to a period of political instability that had been generated by the fall of the Tang dynasty, a period that became known as the period of the Five Dynasties and Ten Kingdoms. This period lasted from 907 to 960 and came about because power began to be in the hands of the various regional military governors and not in the hands of the imperial government.

The period of the Song Dynasty's reign was a time of great changes and advances in China, whether technological, scientific or medical. One of the main advances that took place with this dynasty was the invention of paper money which facilitated trade between the inhabitants of the empire.

As for the Islamic world, it was the Seljuks¹¹ who took control of Islam in the East and began a strong policy of expansion. It was in the year 1071 when the Byzantine Empire lost a great influence in the Mediterranean by losing a battle against the Turks.

All these changes in the political landscape could be considered unstable, however, they were not enough to affect the trade on the route. This situation changed dramatically when Genghis Khan (1162-1227) appeared.

Genghis Khan was a Mongolian warrior who managed to unify the different Mongolian tribes of Northern Asia, founding the first Mongolian empire. This new Mongolian empire developed a very aggressive expansion policy, managing to conquer practically the whole of continental Asia. One of the main characteristics of this new empire was the great strength of its army, characterized by a cavalry with great discipline, speed and mobility.

With this new empire "The Yassa" was introduced: a code of laws that regulated the principle of this empire and was based on the Mongolian tradition, accepting reflections of its emperor Genghis Khan. These new laws recognized all people as equal, torture was allowed in order to control the population, or religious freedom was allowed, among others.

Regarding trade, this new empire valued in an extremely positive way the commercial relations with the neighboring countries, that is why, as long as the documentation was accredited, every commercial embassy was protected by the Mongolian army forces, favoring the arrival of European people to China and creating a good reputation on the route. This security that the great Khan managed to establish is reflected in *La pratica della mercatura* by Francesco Balducci Pegolotti in which he says:

The road you travel from Tana [Azov] to Cathay is perfectly safe, whether by day or by night, according to what the merchants say who have used it. Only if the merchant...should die upon the road, everything belonging to him will become the perquisite of the lord of the country in which he dies...And there is another danger: this is when the lord of the country dies, and before the new lord who is

¹¹ A people that spread through present-day Iran, Iraq and Anatolia.

to have the lordship is proclaimed; during such intervals there have sometimes been irregularities practised on the Franks and other foreigners... (Francesco Balducci Pegolotti, 1936).

Figure 4.4.1: territory that managed to occupy the Mongolian empire in 1294.



Source: <http://elpandahistoriador.blogspot.com/2015/04/imperio-mongol.html>

The great political stability that had been achieved in the territory and the security enjoyed by the merchants while travelling along the "Silk Road" even led to the opening of a third great route to the north, through the territories of present-day Russia.

Due to the large area occupied by the Mongolian Empire, a system of khanates was established, with a Khan of Kanés at the head.

At the death of Genghis Khan in 1227, the Mongol empire was divided into four khanates, one for each of his sons. Contrary to how it might appear, the death of the great Khan did not affect trade along the route. During the following years the Silk Road prospered under the name of "Pax Mongolica", a term that refers to the stability generated by the Mongolian Empire between the 12th and 14th centuries and that lasted until the end of the khanate system, matching the spread of the Black Death.

This wide contact between East and West stimulated trade as never before and many travelers moved from West to East. This is the case of the well-known Italian trader Marco Polo, who created one of the first images of the Eastern world from the European point of view thanks to his book *Book of Wonderful Things*.

Marco Polo began his journey to Asia in 1271 with his father and uncle. Marco Polo won the favor of the Kan Kublai, becoming his advisor and, years later, he became an emissary of the same Kan. This prompted him to start making different journeys throughout the Mongolian Empire.

In 1295 Marco Polo returned to Venice and, after one of the many battles between Venetians and Genoese, he was sentenced to prison. It is here that he begins to dictate his experiences to one of his companions and a first draft of his book. This book is based mainly on Marco Polo's various anecdotes and experiences, describing what he encountered during his travels.

One of the major uses of the Silk Road during the Mongolian reign was the postal system or "Yam" in Mongolian. This system consisted of the establishment of different stations that provided food, shelter and rested horses for the messengers of the Mongolian army. These messengers were equipped with a reconnaissance delivered by the Khan, which allowed them to access these services immediately and free of charge.

With this system, the Khan could quickly obtain information about what was happening in any part of the empire or how the different conquests of new territories were developing. Sometimes the messengers had to occupy distances of 200 to 300 kilometers a day due to the great extension of the territory and the speed with which the troops moved, so an efficient system was indispensable to establish a good military strategy supervised by the Kan in the capital.

When the Mongolian empire was dissolved, there was an economic and cultural fragmentation of the different territories that made up the Silk Road. In addition, Europe began to acquire levels of modernity that boosted trade while the East entered an economic recession because it could not compete in price with Western products.

In China, after the weakening of the Mongolian empire, a Buddhist monk began an uprising against the Mongolian dynasty that had control of the area. The trigger was a year of poor harvests and famine in the area. This led to one of the most brilliant periods in the history of China, which, however, did not affect the Silk Road trade in a positive way: the Ming Dynasty.

The Ming Dynasty established a strong centralized control from the capital Beijing. In addition, it re-established the original "purity" of China such as the tea ceremony or the manufacture of porcelain, as well as the teachings of Confucius.

The territories surrounding this new empire remained in the control of the Mongols so that land trade was impossible. This caused China to promote maritime trade, reaching the African coasts and establishing commercial relations with more than thirty territories.

However, in the imperial court a current that thought that trade was not essential managed to establish itself. This made China suppress any kind of maritime commercial expedition and, since land routes were not possible, China closed itself completely to foreign trade.

It was during the reign of the Ming Dynasty that China pushed for the construction of the Great Wall, shutting the empire down to any foreigners.

Despite this isolation from the outside world, this was a period of cultural growth and industrialization of China. During this year, agriculture was modernized, government control was perfected, and ceramics and Chinese literature flourished.

The growth of the Ottoman Empire was also a major setback for the Silk Road. When the Ottomans conquered Constantinople in 1453 the sea route was closed, as the West and the Ottomans were in continuous confrontation and, having control of the capital of the Byzantine Empire, they blocked access to the East. This caused trade between East and West to be reduced to a minimum, which made the situation worse.

Finally, the discovery of America by Christopher Columbus in 1492 also adversely affected the Silk Road. This political and economic instability in the East made Europe focus its efforts on discovering these new territories and the possibilities they offered.

From this moment on, different routes emerged among the different peoples in the Eurasian continent, however, none of them became as big or as influential as the Silk Route.

5. CHINA, FROM YESTERDAY TO TODAY

As noted above, since the second century B.C., both China and its governments have known the importance of the Silk Road for their economy, and even their survival (Mark, 2014).

This connection between two very different regions, East and West, had a great impact on them. It has been pointed out that any political or social impact on one of these territories directly affected the other and, ultimately, trade between them. An example of this is the impact of the fall of the Roman Empire or the change of dynasties in China.

Due to the impact that this route had on international trade for more than fifteen centuries and the growth experienced by the trading partners that participated in it, it has encouraged many countries before China to use its name as an attraction in international trade or to establish trade relations with countries around it. It was the Japanese who first used the term Silk Road in 1997 to describe their economic and development policy with Central Asia. The term used was "Silk Road Diplomacy" and focused on highlighting Japan's role as an investor in recent years on the Asian continent (Len, Tomohiko & Tetsuya, 2008).

5.1. DEVELOPMENT OF THE CHINESE ECONOMY: FROM MAO TO THE PRESENT.

In order to understand how China has managed to position itself as one of the world's major powers in a very short period of time, we must look at the policy changes that opened the country up to international trade.

During the first years of the People's Republic of China's government, great political, economic and social changes took place. Politically, a communist system was introduced that was very focused on the development of agriculture, mainly due to the victory of the Communist Party of China (CCP) in the Chinese Civil War, which was supported by farmers and ranchers.

The social and economic plan of the first government of the People's Republic of China and the subsequent governments were very similar: to mitigate the damage caused by World War II and the Chinese Civil War; to achieve equality in the economic income of all citizens; to industrialize in a short period of time the agriculture and livestock of the country; and to modernize the army. Although the objectives were the same, the differences in the way to achieve them caused a dispute within the party leaders, which would mark the subsequent years of China's history.

Some of the leaders of the Chinese Communist Party like Mao Zedong believed that achieving parity in the income of citizens was the most important of the goals, since it was the way to make the peasants who had supported them satisfied and to get communist ideas established. On the other hand, there were the leaders who considered that the industrialization of the country was the only way to improve the welfare of the citizens.

During the years of Mao's rule, the idea of equalizing incomes became the basis of Chinese communism and is taken into account nowadays by the Chinese Communist Party. However, these policies were not very positive from an economic point of view. Firstly, land was redistributed to the poorest peasants who, thanks to the internal stability achieved and the support of the Soviet Union, managed to bring the country to pre-war levels. State planning followed the Soviet model of five-year plans, which stipulated quotas and industrial and agrarian reforms, such as the expropriation of the country's industry and farms, which were then placed under a completely public-private or public regime. These first measures taken between 1953 and 1957 resulted in an increase in the production of goods in China, partly motivated by the Soviet Union's interest in boosting Chinese industry, which meant that other important areas such as agriculture had to be developed without incentives or specific plans. This has been stated by some experts and work like the one made by Kirby (1995).

Despite the fact that at first it seemed the opposite, the various five-year plans focused on promoting agricultural production with the aim of meeting the established industrial quotas generated an economic disaster for China. The so-called Great Leap Forward¹² resulted in one of the greatest dramas of the 20th century with estimates of up to 30 million deaths from famine (Dikotter, 2010).

This humanitarian and economic catastrophe was not solved until two years later, and during this period China did not have any international support. The West was led by the United States and Europe, who supported the nationalist China of Taiwan. Third World countries were suspicious of Chinese Maoism, especially India. And, on the other hand, the Soviet Union was no longer a support because it had abused the profitable bilateral relationship with China, reaching its peak in the late 1960s when it made incursions into the Chinese border.

This international isolation and the economic and commercial weakness in which China found itself was one of the main reasons why it decided to open up to the non-communist world, starting with France in 1965.

The devastation caused by the Great Leap Forward and the impossibility of achieving a balance between agriculture and industry at the same time led Mao's government to change its strategy in 1962. From that moment onwards, full priority was given to the agricultural sector, making significant investments in technological improvements with the aim of increasing production, mainly of rice. In addition, taxes and quotas were reduced for the farmers, favoring self-sufficiency and reducing their workload. These new measures alleviated the economic situation, although they were not yet sufficient to achieve the expected economic take-off, based on the one experienced by the Soviet Union when similar measures were taken. The reason why this economic take-off was not achieved was mainly because of the situation of extreme poverty from which it started and the large population of China.

¹² **Great Leap Forward:** These were a series of economic policies that forced millions of peasants to move to community farms with the aim of modernizing and industrializing the agricultural sector very quickly.

However, when China began its diplomatic and commercial relations with the United States in 1972 and with the rest of the Western world in 1976 after the death of Mao and the move to a more moderate sector of the Communist Party, this long-awaited economic take-off took place. In addition, as Graham (2005) says, Maoism was considered economically a failure when seeing that other economies of the area considered as underdeveloped were considered as developing like the South Korean or were considered directly developed like the Japanese or Taiwanese.

For Tisdell (2008), Deng Xiaoping's new policies advocated "reforms and openness", which was brought to all levels of the economy. At the national level, incentives and capital were provided for technological advances, first in agriculture and secondly in the consumer goods industry. It began to be given according to the effort of each individual and not according to their basic needs, as it had been until now. This resulted in an economic liberalization and privatization in the 80s, which promoted the decentralization of production, putting an end to the state monopoly of enterprises and with the collectivization of agricultural means.

However, all these measures were not enough to boost the economy. For this reason, Deng Xiaoping put pressure on the party to establish provincial control. He also stressed the need to invest in R&D and education, and to open up China's economy to the world.

The new government aimed to boost the export manufacturing sector, as international trade (imports and exports) had already accounted for less than 9.3% each of the GDP by 1981 (Brender, 1992).

In order to attract foreign investment without negatively affecting the Chinese communist authority, four Special Economic Zones (SEZs) were opened in southern China, where low taxes and large labor force provided great opportunities for multinationals. As Yu & Tian (2011) say, five years later, due to the success achieved by these four zones, fourteen economic development zones were created in large cities such as Shanghai or Canton for commercial exchanges between Chinese and foreign companies.

All the foreign investments had the obligation to be in a joint venture format, with the objective on the part of the government to maintain control over economic liberalization

and to regulate the opening to capitalism in zones that, until now, had had no contact with that system, which is stated in a paper made by InterChina Consulting (2011). This measure continues to be applied today, except for some multinationals, as it considerably reduces the bureaucratic procedures that have to be gone through and facilitates the establishment of the company. These measures enabled China's GDP to double in just five years. As Yu & Tian (2011) state, this double-digit rate was to be maintained uninterruptedly throughout the 1990s and 2000.

5.2. DEVELOPMENT OF CHINA'S INTERNATIONAL TRADE

From a point of view more focused on international trade, the second half of the 20th century has brought about a great evolution both in the partners and in the aspects that give rise to exchanges. At the beginning of the century, and due to the great political and ideological affinity, the USSR was China's main trading partner, representing 50 percent of China's international trade, excluding the satellite countries of the Soviet Union. The main Chinese products exported in this period consisted basically of oil and coal, while imports consisted of industrial and weapons technology, the latter accounting for 25 percent of the total, information provided by the CIA (1956).

Over the years, relations between China and the USSR became more distant, leaving a large gap to be filled by Japan, which already had an important high-tech industry by the middle of the century. The trade balance between Japan and China was deficient for China, which exported 15 percent of its production while imports represented almost 30 percent. Among the main goods exported were fossil fuels, while imported goods were capital goods and automobiles. In addition to this bilateral trade, Japan has granted China hundreds of millions in official development assistance up to the 1990s. Many analysts like Silver (2018) consider that this aid was disguised war reparations and that it was mainly used for the reparation and development of infrastructure. The trade deficit mentioned above remains to this day, with \$180 billion and \$147 billion in imports and exports respectively in 2019, information shown in the World Bank Organization webpage (2019).

However, the most important case of China's trade boom was with the United States. In 1972, the diplomatic thaw between the two countries began and, in those years, the

volume of trade was practically insignificant: 4.7 million dollars in total. To this day, that figure has changed drastically, reaching 600 billion dollars, 80 percent of which is Chinese exports to the United States, the main cause of the trade conflict generated in recent years and which we will discuss later. Despite the fact that Chinese imports from the United States have been affected by the latest policies adopted by the Trump administration, the United States is still the main country to which China exports, surpassing by more than 200 billion dollars the second market, which is Hong Kong. This is also shown in the World Bank Organization webpage (2019).

Trade relations between China and the countries that comprise ASEAN (Association of Southeast Asian Nations) is a clear example of the benefits of free trade, in this case between developing countries such as Vietnam, which sometimes have strained trade relations with China. These trade relations began to be carried out after the 1970s, when bloc politics gave way to an openness to international trade with their most important allies in the region even today: Thailand, Malaysia, or Cambodia.

The "Good Neighbor" policy established by the Chinese politburo¹³ at the end of the Cold War greatly affected the countries of the region between the 1990s and 2000, years in which the 1997 financial crisis helped China position itself as an economic power in Asia. While some countries such as Thailand were forced to devalue their currencies, China acted as a barrier to prevent the effects of the crisis from worsening, giving it countless commercial and political benefits with its neighbors. This statement is defended by some authors like Shiao (2001).

Finally, trade relations between China and the European Union only materialized in 1975, years later than those between the United States and Japan. Nonetheless, in the since 2014 the European Union has been China's most important trading partner. Despite the fact that in the 1980s this bilateral relationship was considered by some experts like Robinson & Shambaugh (2006) as secondary to mutual interests, the truth is that no effort was spared by both parties to formalize this relationship. The first agreement took place in 1978 and was the Cooperation Agreement between China and the EEC. The formal aspects of this treaty were very limited and, since both parties considered that it was not sufficient to

¹³ **Politburo:** This is the name of the highest executive body of the communist political parties.

cover trade relations, the EEC and China renewed the agreement in 1985 with the signing of the Economic and Commercial Cooperation Treaty, which is still in force and we can see in some books like the one made by Griese (2006) or the agreement itself.

The first two decades of trade relations were complicated, as the European Union had to combine its investment interest in the region with the doubts generated by China regarding human rights or the future conditions of two territories that were European until the end of the 1990s: Hong Kong and Macao. However, according to Eglin (1997), as China's economy was growing, the European Union was more inclined to begin a strategic relationship, holding annual summits and supporting China's entry into the WTO. In spite of this, there is still criticism of China in trade matters for failing to comply with some of the obligations accepted when it entered the World Trade Organization. Some of these include tariff discrimination towards Europe in some sectors, the restriction or difficulty of access to some sectors, the lack of transparency, insufficient protection of intellectual property or state intervention in the economy in favor of its national companies.

Despite these disputes, China, together with the United States, is an essential foreign market for the European Union. China is the EU's largest source of imports, mainly of consumption goods, and is the second largest destination of European exports, mainly of industrial goods. The EU also leads the way in the provision of services in China, accounting for 20 percent of all European services worldwide. Furthermore, Sino-European relations have a great potential for growth, which favors international projects such as the New Silk Road.

6. THE NEW SILK ROAD

6.1. PRESENTATION AND DEFINITION

It was not until 2013 that Chinese President Xi Jinping mentioned the largest new infrastructure project of our century. It was during an official visit to Kazakhstan when, at Nazarbayev University, Xi Jinping gave a speech in which he detailed, among other things, "that in order to forge closer economic ties and cooperation and to boost a space

for development in the entire Eurasian region, we must take innovative measures and join forces to build an 'economic belt around the Silk Road'. As Amighini, Berkoksky, Magri & Yiwei (2015) say, it will start by working on individual areas in order to unite them in the future and eventually cover the whole region.

This was the first announcement of the new "Silk Road and Belt Initiative", but the news did not stop there. A month later, and taking many analysts on China by surprise, at the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Summit, the Chinese president announced the complementary project to the above-mentioned land route in Kazakhstan: The Maritime Silk Road of the 21st Century. The first announcement made by the president Xi Jinping to Indonesian Parliament (2013) was aimed at strengthening the efforts already made in China's expansion into Central Asia, which is a crucial region for the development of this initiative, while the second announcement wanted to satisfy the ASEAN member countries, for whom it is crucial to maintain their traditional role as privileged commercial enclaves along the maritime routes, and China guarantees that its project will maintain this position and even expand it if it can.

These two initiatives together are part of the Chinese government's plan to open up to the world and its neighbors as a global power economically, politically and diplomatically: The One Belt, One Road Initiative (OBOR).

This project has acquired international notoriety in a very short period of time, both in the media and in the academic world. However, as Summers (2015) points out, the concept of the New Silk Road does not fully reflect the meaning of this project instilled by the Chinese authorities, since priority is given to the physical element of establishing new routes and infrastructures over the commercial networks that will materialize, the latter being more important.

For Wilson (2017), *Yi dai yi lu*, OBOR in Mandarin Chinese, clearly expresses the two ideas referred to by Dr. Summers: on the one hand, the idea of regional connection, replicating the first silk route; and, on the other hand, the maritime component, pointing out the important role that maritime routes had in the development and splendor of East Chinese cities such as Canton, Shanghai or Tianjin. According to this expert, the New

Silk Road should convey the importance of this initiative for the whole world, not only for China, in addition to the large number of trade routes that will be promoted.

Therefore, as stated by Amighini, Berkosfky, Magri & Yiwei (2015), the New Silk Road is a set of investments that the Chinese government considers necessary to strengthen a network of infrastructures that will ensure the economic growth of Asia and in which the participation, both technical and economic, of different countries, organizations, financial entities and companies will favor the creation of economic and commercial ties between the members and, ultimately, a large Eurasian market will be established that will act as a guide for future free trade zones.

In 2015, the Ministry of Foreign Affairs, the Ministry of Trade and the National Development and Reform Commission (NDRC) presented what will be the roadmap for this new project. This report, called "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" (2015), clearly explains the objectives of this project and how the initiative will be implemented. One of the most important things in the report is that it announced what would be the land and sea corridors on which it would focus, which will be analyzed later.

The new routes should connect Asia, Europe and Africa, to a lesser extent; facilitating trade in all types of goods and services. Moreover, the aim of the route is not simply to reduce tariffs and build the infrastructure that will make trade easier and cheaper, it also aims to establish closer inter-state ties that will facilitate the flow of people and the exchange of information. Presumably, since this is an initiative on the part of the People's Republic of China, the planning is aimed at benefiting it, both nationally and internationally, which will be seen later in the work.

Due to the large scope of the project and the need for a large number of investments, the estimated time to complete the project is not known. However, as Li (2014) says, the estimated date for the first results is 2049, a date that commemorates the 100th anniversary of the communist victory in the Chinese Civil War and, therefore, the proclamation of the People's Republic of China by Mao Zedong.

This initiative has great potential for the world economy, with experts like De Jonge (2017) saying you have to go back to the Marshall Plan to find a project of a similar magnitude. On a macroeconomic level, this project will significantly affect 70 percent of the world's population. The Chinese government estimates that it will invest a capital of 300 billion US dollars, of which 100 billion will come from the national reserve. As Bondaz, Godement, Cohen, Kratz & Pantucci (2015) say, this does not take into account the leverage that this large investment will have on the private investment and lending sectors.

It is estimated that the value of China's trade will increase by about \$250 million in less than 10 years from the completion of infrastructure construction (pipelines, railways, roads, ports, etc.) in 40 countries.

6.2. THE DEVELOPMENT OF THE PROJECT: OBJECTIVES AND CORRIDORS

This macro-project involves a large number of Chinese government agencies because of the priority given to it by the Xi Jinping administration. Therefore, the supervision is carried out by the Deputy Prime Minister, Zhang Gaoli, the Ministry of Commerce and Foreign Affairs and by the CRC, which exercises the control function.

Currently, the project seeks to boost trade between the Asia-Pacific region and the developed markets of Europe, especially the western area. As some experts like Higgins (2018) say and we can see in the paperwork “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road” (2015), the route outlined seeks to incorporate a large number of countries whose markets are already established or countries with an interesting economic potential for China, such as Pakistan or Kazakhstan.

According to Chinese President Xi Jinping, the New Silk Road must meet the interests of all countries and all parties involved in the project and its implementation, requiring fluent and constructive communication between the parties to ensure its success. As we can see in “The State Council Information Office of the People’s Republic of China” (2018), to achieve this objective, China will make efforts to integrate development plans and

proposals in all countries along the proposed routes. This initiative is of such importance that it is sometimes being compared with other historical events in which the country opened up to the outside world, such as the creation of the SPAs and economic development zones during the time of Deng Xiaoping, or China's entry into the WTO in 2001.

6.2.1. Objectives of the project.

Some of the objectives of this project have been announced by the Chinese government on different occasions. Among them, the following stand out:

- To generate economic prosperity in the less developed parts of the People's Republic of China, located mainly in the west of the country. For Ionela (2016), the western regions of the country have often been isolated from the policies carried out by the government in the eastern and central regions of China, such as the creation of Special Economic Zones or the Municipalities, which have monopolized most of the state investment and, as a consequence, the growth experienced in China in recent years. As published in “The Economist” (2015), this has happened mainly due to its low population density and, to a greater extent, to the conflicts and lack of ethnic homogeneity with the rest of the country. Therefore, due to China's interest in connecting with Russia, Central Asia, Europe and the Middle East, the western regions will benefit from being an obligatory transit point for goods and merchandise, as was already the case with the original Silk Road.
- To increase and improve connectivity and economic progress in all regions along the route through the exchange of goods, services, people and information. As Taplin (2017) says, this objective is of great importance to the government since the economic growth that China has experienced thanks to investments aimed at improving its productive fabric for exports seems to have reached its maximum, having stagnated and even retracted in recent years. This project aims to increase domestic demand, generate economic projects both within and outside its borders, and diversify foreign investment, with the aim of maintaining growth figures that will ensure the country's stability, according to “Financial Times” (2017).

- To achieve a greater degree of integration with neighboring countries, as well as to improve the country's diplomatic relations. For centuries, China has shared a manifest destiny for which it is the center of the world. For Marshall (2017) this concept of superiority arises mainly from two realities. The main one is purely geographical. Because of its large size, China has natural and human resources in greater quantity than any other country in the world. This is related to the great historical importance that the country has had, as a cradle of ruminations and object of abuse by less developed but more militarized neighbors, like Mongolia. According to Lewis (2015), all these factors have made China focus more on its internal action, neglecting its relations with the rest of the world. It is easy to understand that, taking into account that the only and most important commercial contacts during the 20th and 21st centuries were the maritime routes supported by the first Ming emperors and the Historic Silk Road, China uses both terms to reach new commercial and integration links with the rest of the countries, with the One Belt, One Road and the 21st Century Maritime Silk Road.

The New Silk Road seeks to serve as a free trade zone, improving customs cooperation between countries, and ensuring that tariffs are reduced or non-existent. This ambition is surprising since in the past there was a strong reluctance on the part of the Chinese government to give access to foreign investment in some sectors. However, as Yafei (2015) states, despite the fact that financial cooperation is essential to the project through the AIIB (Asian Infrastructure Investment Bank) and the Silk Road Fund, this project does not intend to act as an economic union like the EU, although it will seek to guarantee exchange rate stability, together with the IMF.

- To improve its current energy model with the aim of being more efficient, starting by diversifying energy sources and international suppliers. China, despite being the world's largest producer and consumer of electricity, continues to depend on imports of fossil fuels from the Middle East and Russia. In addition, the country continues to use coal as an energy source, which has a large negative environmental impact that the government wants to reverse. Therefore, for Esteban (2009), the New Silk Road, China wants to connect with Russia,

Kazakhstan and other countries with which it has good relations, such as Iran or Equatorial Guinea, to avoid creating a dependency on a single resource or supplier. According to the U.S. Energy Information Administration, Russia could supply 85 percent and 100 percent of China's demand for oil and gas, respectively. This will only be possible when projects connecting Siberia to China, called the Power of Siberia gas pipeline and the Eastern Siberia-Pacific Ocean (ESPO). According to some authors like Tata (2017) or Xin (2017).

This remodeling of the Chinese energy model would favor both Russia, which would cease to depend almost completely on the demand of the European Union, and China, which would be guaranteed an energy supply that is completely removed from the control that the United States exercises in some Middle Eastern countries.

- To standardize construction criteria throughout the region, focusing on sharing information and knowledge about techniques used in projects as different as deep-draught port construction or high-altitude tunneling. In addition, it seeks to exchange knowledge in leading sectors such as new materials, renewable energy or biotechnology.

In addition to these objectives, which seek a common benefit, the new project also develops a series of objectives to be met that benefit China in particular, despite the fact that they are not explicitly detailed in any type of official document, nor in the references made by the Chinese leaders of the project.

This new project is seen by the Chinese government as a way of providing an outlet for the large amount of production and manufacturing that the country has achieved over the last years. Due to the great industrialization of industrial and extractive sectors, excessive levels of production have been reached, which at first sight should positively affect the Chinese GDP as it materializes in exports at more competitive prices. However, the countries to which China traditionally exported have suffered more strongly from the impact of the economic crisis of 2008, which has caused an imbalance in the trade balance. Moreover, as a consequence of this economic crisis, many of the countries have taken protectionist measures, being notable the case of the United States, who abandoned

the Trans-Pacific Partnership Agreement (TPP) in 2017 as Ferreira (2017) says, or the recent trade war started by the country with the aim of reducing imports of Chinese goods.

Another of China's interests to be satisfied with this new project is to release the large foreign currency reserves that the country has been accumulating over the years. According to Wei (2016), China has traditionally offered its companies the possibility of converting foreign currency received in international trade into Yuan or Renminbi, with the aim of generating a foreign currency reserve to maintain stability in its economy, which would allow the People's Bank of China to maintain the currency artificially depreciated to encourage exports and foreign investment in the country.

Therefore, the New Silk Road seeks to create a channel to redirect Chinese investments abroad, and thereby be able to release the surplus of capital in the form of foreign currency. In addition, the project will generate a diversification of the foreign currencies that make up China's reserves, reducing the weight of the American dollar. Nowadays, most of China's reserves in foreign currency are made up of American government debt, which at first seems to be an effective weapon for China, since, if it wants to, it could start a campaign to sell these assets, which could negatively affect the American economy. However, the fact that the U.S. dollar is in the majority makes it unthinkable for the Chinese authorities to drastically dispose of these assets.

Finally, one of the main nationalist objectives to be achieved with this project is to increase the presence of Chinese products and services in a large number of markets, as the country is aware of its great dependence on exports to developed countries. For this reason, China is looking for emerging economies that, without taking into account the weight they currently have in the world economy, will allow it to make advantageous investments and lines of financing, which will strengthen its future commercial leadership. Moreover, according to Bulloch (2016), the opening of new markets will have a positive effect on technology and the specialization of the industry, which today exceeds the capacities of the Chinese domestic market.

In short, the objectives set by China in this new project, both those that initially affect all the countries that are part of the New Silk Road and those that particularly benefit China, are geared towards achieving the world hegemony of the People's Republic of China.

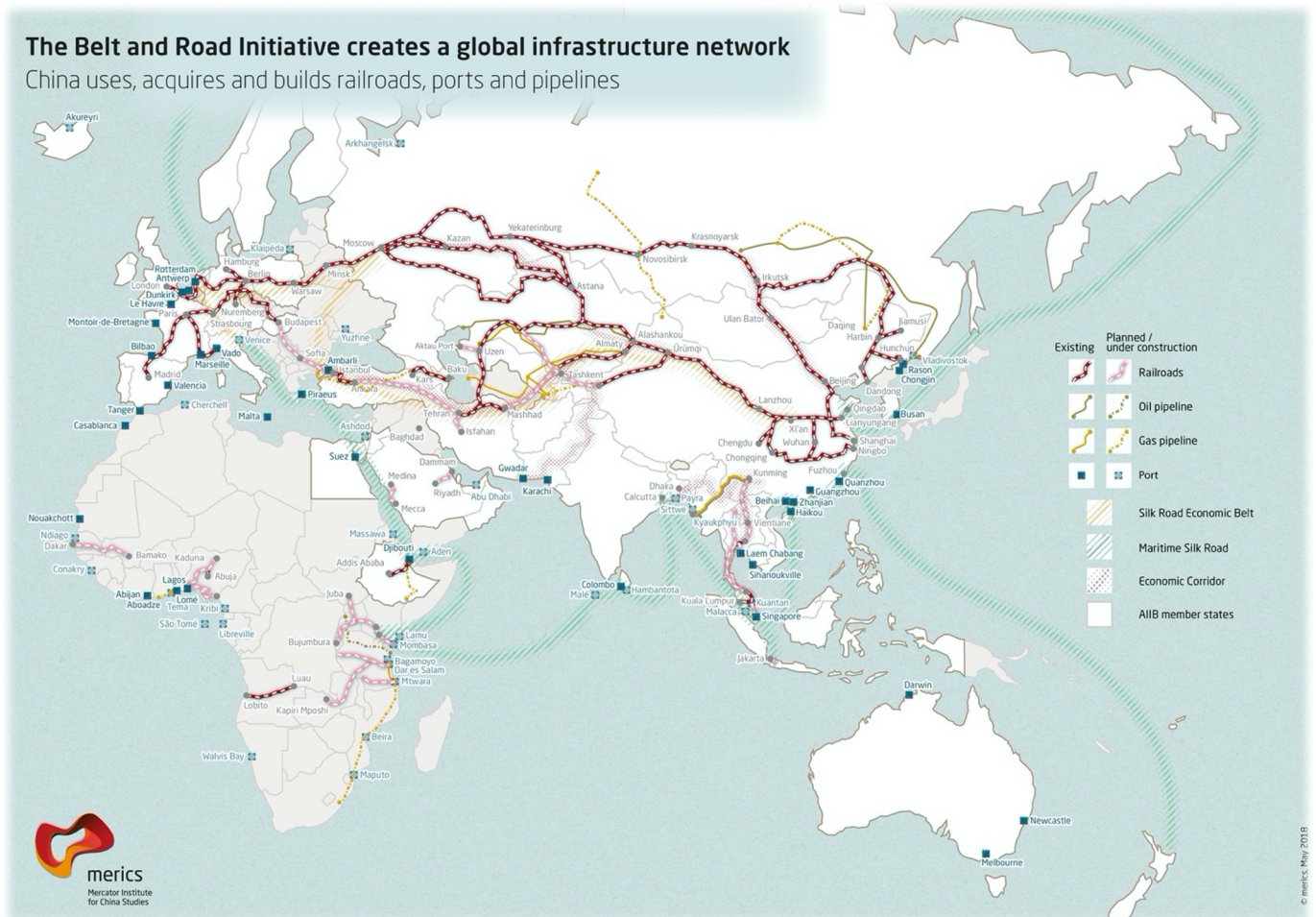
China is aware that this position will not be reached overnight, so its sights are set on 2049 and it is knowing how to take advantage of the power gaps that are leaving the European Union and the United States, the most recent one with the coronavirus crisis, which we will deal with later. And that is where the well-known trade war between the United States and China comes from, which is being talked about these days. Different American leaders were too confident that China would not rebel against a world order led by the United States, which had helped them out of their misery so much 40 years ago.

In this respect, according to Valero (2018), the European Union is in a difficult position. Europe shares a great many values and priorities with the United States, yet Trump's constant attacks on European imports make the EU look for other ways to strengthen international trade. China, knowing that having the favor of new countries strengthens its future dominant position, seeks to favor trade with the European Union by communicating that it will reduce tariffs on trade in goods needed by its citizens and companies.

6.2.2. Planned corridors on the New Silk Road.

Despite the fact that neither the number of corridors to be created nor the number of countries that will be involved in this new project have yet been determined, some experts and the plans already published show us that there will be 6 major land corridors, to which the intercontinental Maritime Silk Route of the 21st Century has to be added. These corridors can be seen in the world map in figure 6.2.2.1. and will be developed in this sub-section.

Figure 6.2.2.1: OBOR Project Land and Sea Routes.



Source: MERICS, “Mapping the Belt and Road initiative: this is where we stand”.
MERICS China Mapping.

- **New Eurasian Land Bridge Economic Corridor:** It is formed by a group of railway lines, most of them already existing, that connect the coastal area of China with Central Europe. The final destination of this route is Hamburg, Germany, but there are many branches that end in countries like Poland, France or Spain. This route offers investment and economic dynamism to western and central areas of China, the same ones that once drove the economic growth of the eastern part. One of the main features and one that offers great value is the system of "one declaration, one inspection, one destination" which simplifies the bureaucracy to a great extent and will make the goods that are shipped in China only have to go through one inspection until they reach their final destination, and vice versa, as Lim (2016) states.

- **China - Mongolia-Russia Economic Corridor:** This economic corridor follows the east side of the historic corridor that has existed since the first Silk Road. These three countries have committed themselves since 2014 to stimulate trade, which is why this corridor is essential. These three countries have committed to modernize and expand the different land routes already existing between the states, both roads and railways. In addition, they plan to reduce the bureaucracy required for trade, as well as tariffs. In 2015, the three countries produced a draft of the Mid-Term Roadmap for the Development of Trilateral Co-operation between China, Russia and Mongolia (2015).
- **China - Indochina Peninsula Economic Corridor:** This region has been one of China's main targets for expanding its financial and military power, having grown in recent years with ASEAN. This new project is a unique opportunity for China to increase its presence and improve the perception of this region. In this sense, for Summers (2016), OBOR aims to jointly plan and build transport networks and industrial parks; cooperate to obtain capital funds, especially in Singapore; and promote sustainable growth in all regions of the area, paying special attention to the development of the most vulnerable partners.
- **China - Pakistan Economic Corridor:** This is one of the most advanced phases of OBOR so far, mainly due to the fact that the relationship between these two countries has no rivalry within the rest of the OBOR countries. As Bhattacharjee (2015) states, it is remarkable the large amount of funds that have been allocated to this country, 46 trillion dollars, and that practically all investment modalities are carried out in this state: construction of roads, railways, airports and sea routes; industrial complexes; hydraulic or fossil fuel energy projects; etc.
- **Bangladesh - China - India - Myanmar Economic Corridor (BCIM):** It is one of the most complex routes foreseen in the project, mainly because of the tense relations between India and China, the economic and demographic fragility of the region of Bangladesh and former Burma, and the lack of physical access to the Indian Ocean by China. Despite this, for some authors like Anand (2014) and Deepak (2017), this route could become a great opportunity for China to achieve

greater integration between the members in matters as important as peace or the defense of the region.

- **China - Central Asia - West Asia Economic Corridor:** This is one of OBOR's most anticipated projects because it focuses large-scale investments in places where historically there have been none. This route interconnects western China, which is lagging behind in terms of progress, with the Central Asian and Middle Eastern republics, following the original approach of the ancient Silk Road of passing through large regional commercial centers such as Xinjiang. In addition, this project will pass through countries that are now showing greater commitment to the project, such as Kazakhstan or Uzbekistan.
- **The Maritime Silk Route of the XXI Century:** This maritime route plans to cover non-stop from the Eastern Mediterranean Sea to the China Sea, aiming to acquire a great weight in the commercial traffic that develops in these waters. The project plans to make investments in the three continents (Europe, Africa and Asia), financing infrastructures, airport terminals, and commercial enclaves such as Colombo or Djibouti. In addition, according to van der Putten & Meijnders (2015), China plans to progressively increase its geopolitical influence, negatively affecting other commercial blocks such as the European Union or NAFTA.

In Annex 1 of this document it can be seen the more than 70 countries that will benefit from this new project and which economic corridor will be directly affected.

6.3. PROJECT FINANCING

A project of this magnitude requires a large amount of money to finance all the phases that comprise it. According to Devonshire-Ellis (2017), although it is impossible to know in advance the total cost of the proposed infrastructure, it was initially estimated that the total accumulated investment for 2020 will be about 8 trillion dollars.

Due to the fact that a large number of countries are involved in the project, it is necessary for them to participate in the capital investment for its development, including some large

countries that at first sight appear to be unconnected with the project, as well as a large amount of private capital.

In this section of the work, the different means used to finance the project, both from international institutions and from private capital, will be analyzed.

6.3.1. International Institutions

Since a large number of projects began to be implemented simultaneously almost at the same time as the project was announced, the need for additional foreign capital was immediate. To this end, the Chinese government announced the creation of a financial institution to provide the necessary funds for projects that would improve the lives of Asian countries, called the Asian Infrastructure Investment Bank (AIIB).

The AIIB triggered a lot of reactions, both positive and negative, in the international arena from the moment it was launched in 2013. On the one hand, both China and its allies argued that at least \$290 billion in infrastructure to improve connectivity was needed to sustain the region's economic growth, figures that would be unattainable if existing mechanisms were maintained.

On the other hand, naysayers pointed to the duplicity of having two large development and infrastructure institutions in Asia, in addition to the World Bank. According to Reynolds & Curran (2015), there was the ADB (Asian Development Bank), with more than 50 years of history and about USD 150 billion in subscribed capital, and which already had China as an important partner. However, both the United States and Japan, which had only 13 percent of shares each in the net capital, had veto power, which could interfere with China's decision making on this new project.

For a few years the constitution of the AIIB was paralyzed as China tried to seek OECD countries to be founding partners of the new institution, while the United States tried to influence diplomatically so that this would not happen. Finally, the United Kingdom decided to join the project, which, for Thomas & Hutzler (2015), led other major European powers to do so as well, including Spain.

In 2016, the bank was finally formed, with China as its main partner, with 30 percent of the total shares and a veto option. The system for determining the weight of each country takes into account nominal GDP and GDP per capita with a ratio of 60/40 percent, respectively.

Since 2016 the AIIB has been financing infrastructure projects on the Euro-Asian continent, such as the construction of roads between Georgia and Pakistan. To make these investments, the AIIB has relied on contributions from its members and the know-how of how other development banks work, which is why the incorporation of countries such as the United Kingdom or France was so important.

As Harada (2017) says, in the first year of operation, the AIIB has financed projects in more than 7 countries, exceeding 1,700 million dollars in investments, which is 500 million more than initially projected.

The large number of banking institutions that contribute to the development of the New Silk Road allows the financing of several projects simultaneously, causing misgivings among the different creditors to see who will obtain the project of greater economic viability. Among the banks that contribute, the following stand out:

- The New Development Bank (NDB). This institution was founded in 2015 by the five BRICS countries and is based in Shanghai. Each of the members controls 20 percent of the funds, whose capital is 50 billion dollars. In 2019, the NDB financed 15 projects, with a total amount of 4.7 billion dollars, some of them such as the construction of roads or hydroelectric power plants in Russia and China, which are within the plans of the New Silk Road.
- The Silk Road Gold Fund. This sovereign fund has contributions from more than 60 countries that are mainly destined to the extraction of precious minerals. It is based in Xi'an, one of the cities that is expected to benefit most from the new route. The objective of this fund is that the extraction of the minerals will be paid by different states, also sharing the benefits obtained from the disposal of the extracted metals.

- The Eurasian Development Bank (EDB) This institution was formed by Russia and Kazakhstan in 2006. The main projects it finances are energy and road construction projects in the six CIS partner countries, having granted funds of more than \$9 billion since its inception.

6.3.2. Chinese financing

Not surprisingly and according to Wang (2017), most of the projects being developed, as well as the more expensive ones, are financed directly by Chinese state investment funds. For Hsu (2015), the Chinese capital has decided that national and regional banks, with the state as the largest shareholder in most cases, should have as a priority the financing of projects involving the One Belt One Road Initiative, mainly through the granting of credits to state enterprises and other regional governments. These decisions by the Chinese government involve a large number of companies, some of them truly large, such as the Industrial and Commercial Bank of China (ICBC), the largest public company in the world with the largest market capitalization; or the Bank of China.

Most of the funding comes from the Chinese banking system, which is far more than the funding provided by multilateral institutions. Furthermore, the majority of these investments are being made in territories in Central Asia, Southeast Asia or Pakistan, when normally the investments are not made outside Chinese territory. Moreover, the usual rule of requiring collateral in the form of assets in Chinese territory has also been eliminated in cases that are linked to the New Silk Road.

This is the proof that certifies the great commitment acquired by the Chinese administration with the new project. Today, the amount of money that China has lent to countries linked to the project is about \$350 billion, half of which is to countries that are considered to be high-risk. The reason why these loans have been granted by Chinese entities has been because in most cases the credit rating of these countries is practically non-existent, being the risks unbearable for the banks in case it was a free market system, according to Hsu (2015).

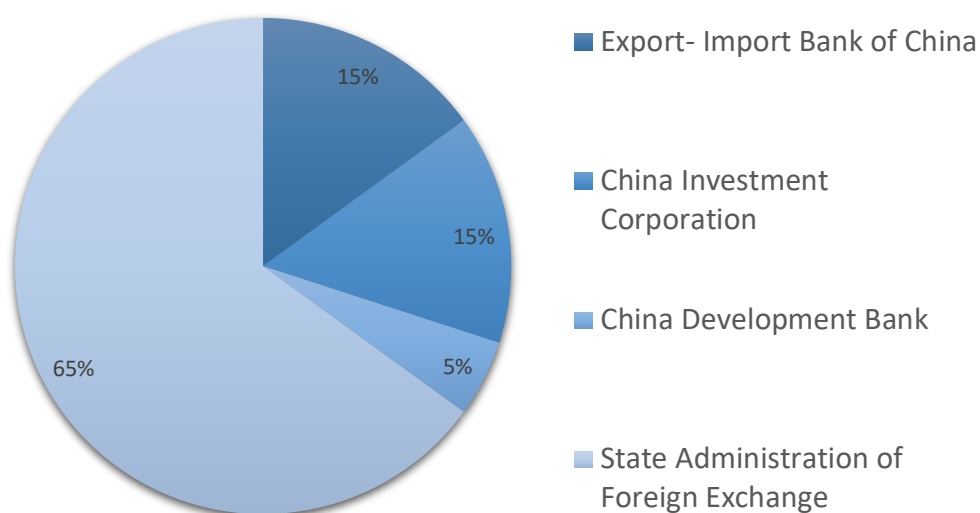
Another major player in financing the project is the Silk Road Fund, a medium and long-term public investment fund, whose objective is to finance the OBOR government's

strategy while ensuring that the return on investment is reasonable for the interests of the country.

This fund has a capital of 40 billion dollars and 100 billion RMB, however, only 10 billion dollars has been subscribed. The credit activity of this fund is greater than that of other creditors, having lent some 6 billion dollars to date. There are four main entities that make up the Silk Road Fund:

- The State Administration of Foreign Exchange has the largest contribution (65%), with 6.5 billion dollars coming from Chinese foreign exchange reserves.
- The China Investment Corporation has a contribution of 1.5 billion dollars (15%). It is an investment fund that channels the operations of purchase and sale of financial assets.
- The Chinese Development Bank has a nominal contribution of \$500 million (5%).
- Export-Import Bank of China is the most important entity due to the priority that trade has in granting funds. The capital contributed is 1.5 billion dollars (15%).

Figure 6.3.2.1: Percentage composition of the Silk Road Fund



Source: Silk Road Fund, <http://www.silkroadfund.com.cn/enweb/23775/23767/index.html>, Own elaboration.

Although the Export-Import Bank of China and the China Development Bank do not have the visibility of the AIIB, they are the largest contributors of funds to OBOR because, being under the control of the Chinese government, they have the same priority mission of OBOR and the impact it has on the future of the country. The first one is in charge of the implementation of the grants and loans, which gives it a very important role in selecting which countries and areas to allocate the funds to, bearing in mind that the funds must return benefits to the country. The second one performs similar functions, although more focused on the national territory.

The importance of these entities is vital, and the figures show it. The Export-Import Bank of China has granted financing to more than 1,800 projects related to OBOR, with a value of more than 149 billion dollars.

6.3.3. Private financing.

This is probably one of the main weaknesses of the project. From the beginning, OBOR has encountered difficulties in attracting private investment. To lessen this problem, both the Chinese government and the different banking entities are in the process of increasing international awareness of the potential of investments in this mega-project.

The government has considered that the easiest way to increase the interest of large private investment funds is to offer the market different debt securities in different currencies, depending on the segment of the investing market to which it is targeting. One of the best known are the so-called "Green Bonds". These debt securities are tax-free and are issued by local governments to develop disused areas and sustainable initiatives. Another of the most used bonds are those specific to the construction of large-scale infrastructures in the long term, according to Devonshire-Ellis (2017).

In addition to these, there are numerous examples of bonds issued by different Chinese public institutions. Some of them are:

- The Central Bank of the People's Republic of China frequently issues some OBOR-linked debt securities with a one-year maturity. These bills give an

average interest rate higher than the average interest rate of Chinese sovereign bills, which increased the demand for these securities.

- The China Construction Bank has been issuing bonds in high demand to the market since 2015. This is mainly due to the attractive conditions of the bonds, with interest in the form of coupons in some cases amounting to 4.2 percent, and with virtually no risk of default. This has led some experts like Kynge (2015) to consider them almost as safe as sovereign securities.
- The Chinese Agricultural Bank was in charge of marketing the previously mentioned "Green Bonds", aimed at projects focused on sustainable development.

6.4. PROJECT CONTROVERSY.

There is great concern regarding the lack of confidence in the project's economic viability, with the respective risk this would pose to the Chinese treasury and the countries that are supporting the project. In case the project does not yield benefits once it is concluded, there is a great possibility that all the capital invested by Chinese entities will leave them with large overdrafts and losses, which would directly affect the government since it is behind practically all these institutions.

As mentioned above, the Chinese government has been financing everything related to the project with public money from the beginning. This has made it possible for large Chinese companies to compete more aggressively in international auctions and markets, however, there are some experts like Gilchrist (2017) or Yu (2017) who have warned that this can bring with it risks and problems, one of them is economic unsustainability.

China has a great deal of experience in lending money and bilateral aid to countries that have not been able to pay it back completely, as is the case with Sri Lanka which, in order to pay off part of the huge debt it had acquired with China in recent years, gave it a strategic port for a period of 99 years. Many experts consider that these situations can be repeated in more strategic partners that are receiving loans from China to develop their projects. Some of these countries are on the African continent where, according to a report by the China-Africa Research Initiative (CARI), the country has granted loans worth 152

billion dollars between 2000 and 2018. Furthermore, according to the World Bank, 17% of the continent's debt is Chinese, a figure that may be much higher since a large part of the loans granted are not known to the World Bank or the International Monetary Fund.

Another major problem in raising funds is the opacity of the Chinese financial system. Interest rates in China are not freely determined by the market, which creates large differences between loans granted by Chinese banks and those given by traditional banks, which are governed by a market interest rate. This means that China is constantly violating the WTO rules for free competition, and this leads to cases of corruption such as those experienced in recent years.

This whole system of credits granted under extremely advantageous conditions causes upheavals on the international and national scene. Some Chinese people question whether their money is being wasted abroad since, despite China's growing wealth, most households have incomes less than a quarter of those in developed countries.

This system of advantageous credits is inseparably linked to the OBOR project, both the land and maritime routes, and allows the country to increase its strategic influence. However, because of the above-mentioned increase in Chinese credits in some countries, Western countries are becoming concerned about the situation as their influence is being reduced.

In the international arena, Donald Trump called China's lending strategy "debt trap diplomacy" by lending poor countries more money than they could afford and, by demanding an asset in that country as collateral, they are seeking to expand their military and economic footprint. He also warned that this situation could become a spiral from which it is impossible to get out.

Other countries such as Australia or New Zealand are also reacting to China's rise in power in some Indian island countries, where they are increasing aid to prevent it.

7. IMPACT OF COVID-19 ON THE PROJECT

Certainly, the pandemic declared by the World Health Organization in March of this year has upset all plans throughout the world, changing also the power structure of the planet and resulting in terrible economic consequences. Nothing will be the same after the pandemic and the New Silk Road has also been affected, although it will still be a priority for China.

As of early January 2020, more than 2,900 OBOR-related projects worth \$3.87 trillion had been planned or were underway worldwide. However, as the virus spread and borders began to close, this progress was stalled by several important OBOR events. Some of these large projects are located in poorer regions such as Pakistan, Cambodia, Myanmar or Malaysia, and may consider medical assistance a priority over the development of infrastructure projects. In some countries such as Bangladesh, the transport minister has announced that a billion-dollar bridge project was in danger; or in Nigeria where the construction of a major railway route has already been halted, are some examples.

These economies may seek to reorganize their debt to China in order to cope with all this unplanned spending on virus management. In fact, some countries, such as Pakistan, Sri Lanka and Kyrgyzstan, have even asked for the cancellation of debts that are due this year.

This has put the Chinese government in a difficult position to manage, as forgiving the debt could cause great unrest among the population. In addition, the country's image is damaged by the management and information it has given about the virus so a wrong decision could cause great havoc to its global interests.

In the financial sphere, China has granted more credits than the World Bank or the International Monetary Fund, which may be a good thing. However, the covid-19 crisis has created a tension that is difficult to manage. As published in “The New York Times” (2019), most of the countries that have been granted loans cannot assume the payments of the debt, which can be really high like in Djibouti where the debt with China is higher

than 80 percent of its annual production; or in Ethiopia where it is 20 percent of the annual production of the country.

In fact, the coronavirus has also affected China very negatively. For the first time since the Mao era, the economy has retracted, which may result in a delay in project development in order to focus on short-term domestic demands, reducing the expected attention over the next 12 to 24 months. This can translate into lower investments in smaller and less important project markets, where the opportunities to connect these investments to global supply are more limited. Therefore, there may be a short-term decline in OBOR-related activity from countries in Central Asia, Africa or Eastern Europe to South East Asia.

In addition, the crisis has made many countries realize how dependent their supply chains are on China, which could lead to a re-examination of industrial and commercial strategies and could result in a disconnection. The virus has unleashed a process of de-globalization that will force all states and institutions to re-examine the economic foundations on which they are based. The clearest example is in the lack of masks and sanitary material that practically all the countries of the world have experienced once they were no longer exported from China.

All this can result in an openness in project financing options, which would help reduce and spread financial risks and promote higher levels of transparency. Even before the pandemic, private funding was increasingly becoming more important in the financing of OBOR projects and all of this could be driving this trend. Some of China's neighbors like Singapore could play a much more important role in financing the project since they have the technology and financial system to do so.

China's image has also been very negatively affected by the pandemic. Many blame the country for the consequences of the pandemic for its usual opacity and for not having been a reliable partner in the international community. However, China is applying well the meaning of "crisis" character in Mandarin: opportunity and danger, sending medical aid to other countries. In recent days we have seen how he has sent tons of medical equipment to countries like Greece, Italy, France and Spain. All this "diplomacy of the masks" is a political strategy of the country to be able to wash away the bad image

harvested by the management of the virus and will make it difficult in the future for the countries it has helped today to resist its demands in the future. According to Jean-Pierre Cabestan, professor of politics at Hong Kong Baptist University, "China is trying to clean up its image by providing equipment and assistance to Europe and other countries in need or ill-prepared to deal with the epidemic. It does so to improve its image and isolate the U.S., and also to try to get as much information as possible about the virus, since some medical teams are using undercover army doctors to win the international race for the vaccine. But this competition will convince more people around the world that China is only interested in political power and in weakening the West in general and the US in particular".

The medical sector can be the future of the project after the pandemic, thus avoiding its weakening. The founder and CEO of SRA (Silk Road Associates) noted that "China's success in using AI and other technologies to identify and monitor virus carriers may also have application throughout BRI, especially in those countries, such as India and Thailand, that are currently developing smart cities and where China's technology companies are already heavily engaged.

China's medical technology sector has seen its use soar in recent days, making it possible for these applications to be exported to OBOR countries with a poorer health system, thus avoiding investment in "hard infrastructure".

It is clear that the pandemic has shaken up all the plans and projects planned in OBOR. Some experts say that, even if it has been resented, the New Silk Road will go ahead without much change and will be one of the country's tools to achieve global hegemony, while others say it will have to adapt to new times and will put China in a difficult situation. It is too early to know the impact that the pandemic has had on the project, however, what is known is that China is not willing to back down in the battle for the first place and, after all the efforts put on OBOR initiative, it will continue to be one of its priorities.

8. CONCLUSIONS

- It is a fact that the interest shown by emerging and developing countries in jointly carrying out the OBOR project is one of the main milestones in favor of the multilateralism that has brought so much growth to some countries. This project is being compared with the Marshall Plan, which was primarily responsible for the reconstruction and development of Western Europe after World War II, and which allowed the United States to become the main investor, financier and exporter for five decades.
- This seems to have changed in recent years and makes it clear that history is cyclical. The United States is increasingly focused on isolationist and protectionist policies, while China is determined to boost its economy, as well as the economy of its partner countries through free trade, as long as it does not harm national interests. This new course would seem impossible if we analyze the history of the country, which for decades has opted for isolation.
- The project, taking into account the investment that will be made in numerous sectors and countries, as well as the complex financing systems, is the great bet of the Asian giant to become the world leader, but to do so with a constructive globalization that also benefits the rest of the international actors and not only a few developed countries.
- As can be seen throughout this paper, all the regions and countries involved in the project are doing so to benefit from the investment opportunities that the project brings with it, as well as to align themselves with their neighbors and with China itself in the need to maintain and promote the economic and commercial development at an international level that has been achieved in recent years, China being the first country interested in this due to the benefits it has brought in recent years.
- It is understandable that some countries such as Russia, which is economically dependent on its fossil fuels and which suffers serious sanctions imposed mainly by the United States; regions of Africa, the Middle East and Central Asia, whose main sources of income are exports of raw materials and energy resources ; or European

countries which are highly dependent on energy but which export goods with a high added value; consider that the New Silk Road project can encourage these exchanges thanks to the investments in infrastructure made, and that this is why they have decided to be part of it, thus protecting their own interests in an increasingly competitive and unstable world.

- It is almost impossible to know what the future will be in geopolitical affairs, however, the work done on the OBOR project allows us to conclude that it will become a vertebral space between Asia, Africa and Europe due to the large investments and initiatives; something that aims to evolve in a responsible globalization, despite the high financial risks. This has caused that regions that initially were not included in the project such as Japan, Western Europe or Latin America have shown great public interest and even joined the project, seeking both to receive and to contribute funds for OBOR project.
- Being China the main promoter of the project, the country hopes that in countries where the project has not been very successful the situation will improve, increasing its international agenda and the determination of the Chinese Government to improve the quality of life of its population. This means that the project has components that encourage sustainable growth, in addition to its main facet of investment in strategic sectors.
- Currently there is a great dependence on the commitment of the Chinese Administration to promote the project and its financing, this lack of variety in financing being one of its main weaknesses. It does not benefit the risk profile of this project that the main weight of the financing comes from the government's interest, even though the large amounts of political capital and prestige have made the consolidation achieved comparable only to Mao Zedong's greatest period of splendor.
- Efforts to diversify the financial institutions supporting the project have so far proved rather unsuccessful, as they have focused on seeking it within multilateral institutional financing, which has proved insufficient for the project's capital needs. If the financing of these entities continues to come from consortia and individuals, any unforeseen problems may result in terrible economic consequences for the project.

The recent situation generated by the Covid-19 could be one of these unforeseen events, although it is still early to know its impact. There are already experts who are convinced that the virus will paralyze the project in the immediate future, delaying the government's plans, while others claim that the government will benefit from the crisis by gaining support and allies.

- Whatever the ultimate impact of covid-19 on the global economy, OBOR projection will remain a major concern for the Chinese government. It is clear that the Chinese government will have to focus its efforts on the downturn in the economy and the efforts made by the health sector. The decisions made now by the Chinese government are of vital importance to the project. If they decide to maintain the original idea of the project, it is possible that it will be paralyzed by the pandemic. However, if they feel that the project can be adapted and become a way of boosting support between countries to deal with the crisis, it is possible that it will emerge strengthened from this situation. It seems that the last one is the strategy that the government is following, although it is still early to know what the result will be.

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10. ANNEXES

Annex 1: OBOR participating economies and economic corridors.

Economy	Economic Corridor	Economy	Economic Corridor
1 People's Republic of China	-	37 Singapore	China - Indochina Peninsula
2 Bangladesh	Bangladesh - China - India - Myanmar	38 Thailand	China - Indochina Peninsula
3 Bhutan	Bangladesh - China - India - Myanmar	39 Timor-Leste	China - Indochina Peninsula
4 India	Bangladesh - China - India - Myanmar	40 Viet Nam	China - Indochina Peninsula
5 Myanmar	Bangladesh - China - India - Myanmar	41 Belarus	China - Mongolia - Russia
6 Nepal	Bangladesh - China - India - Myanmar	42 Estonia	China - Mongolia - Russia
7 Sri Lanka	Bangladesh - China - India - Myanmar	43 Latvia	China - Mongolia - Russia
8 Albania	China - Central Asia - West Asia	44 Lithuania	China - Mongolia - Russia
9 Armenia	China - Central Asia - West Asia	45 Mongolia	China - Mongolia - Russia
10 Azerbaijan	China - Central Asia - West Asia	46 Russian Federation	China - Mongolia - Russia
11 Bosnia and Herzegovina	China - Central Asia - West Asia	47 Afghanistan	China - Pakistan
12 Bulgaria	China - Central Asia - West Asia	48 Pakistan	China - Pakistan
13 Croatia	China - Central Asia - West Asia	49 Bahrain	China - Pakistan
14 Georgia	China - Central Asia - West Asia	50 Kuwait	China - Pakistan
15 Islam Republic of Iran	China - Central Asia - West Asia	52 Oman	China - Pakistan
16 Iraq	China - Central Asia - West Asia	52 Qatar	China - Pakistan
17 Israel	China - Central Asia - West Asia	53 Saudi Arabia	China - Pakistan
18 Jordan	China - Central Asia - West Asia	54 United Arab Emirates	China - Pakistan
19 Kyrgyzstan	China - Central Asia - West Asia	55 Yemen	China - Pakistan
20 Lebanon	China - Central Asia - West Asia	56 Czech Republic	New Eurasian Land Bridge
21 Former Yugoslav Republic of Macedonia	China - Central Asia - West Asia	57 Hungary	New Eurasian Land Bridge
22 Republic of Moldova	China - Central Asia - West Asia	58 Slovak Republic	New Eurasian Land Bridge

23	Montenegro	China - Central Asia - West Asia	59	Slovenia	New Eurasian Land Bridge
24	Palestinian Authority or West Bank and Gaza Strip	China - Central Asia - West Asia	60	Poland	New Eurasian Land Bridge
25	Romania	China - Central Asia - West Asia	61	Kazakhstan	New Eurasian Land Bridge
26	Serbia	China - Central Asia - West Asia	62	Ukraine	New Eurasian Land Bridge
27	Syrian Arab Republic	China - Central Asia - West Asia	63	Egypt	21st - Century Maritime Silk Road
28	Takijistan	China - Central Asia - West Asia	64	Ethiopia	21st - Century Maritime Silk Road
29	Turkey	China - Central Asia - West Asia	65	Indonesia	21st - Century Maritime Silk Road
30	Turkmenistan	China - Central Asia - West Asia	66	Kenya	21st - Century Maritime Silk Road
31	Uzberkistan	China - Central Asia - West Asia	67	Maldives	21st - Century Maritime Silk Road
32	Brunei Darussalam	China - Indochina Peninsula	68	Marocco	21st - Century Maritime Silk Road
33	Cambodia	China - Indochina Peninsula	69	New Zealand	21st - Century Maritime Silk Road
34	Lao People's Democratic Republic	China - Indochina Peninsula	70	Panama	21st - Century Maritime Silk Road
35	Malaysia	China - Indochina Peninsula	71	Korea	21st - Century Maritime Silk Road
36	Philippines	China - Indochina Peninsula	72	South Africa	21st - Century Maritime Silk Road

Source: OECD research from multiple sources, including: HKTDC, MERICS, Belt and Road Center, Foreign Policy, The Diplomat, Silk Routes, State Council Information Office of the People's Republic of China, WWF Hong Kong (China).