

# *Economic Factors That Underline China's Diplomatic Pursuits in the World*

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**Abstract:** This article explores the relationship between China's economic development and its growing diplomatic influence across the world. The research dives into how economic imperatives impact China's international relations by analysing important economic factors behind its foreign policy, concentrating on critical sectors such as trade, investment, and infrastructure development efforts such as the Belt and Road Initiative (BRI). The paper analyses China's diplomatic use of economic power, focusing on its approach to bilateral and multilateral interactions, notably in Southeast Asia. This research presents light on the strategic convergence of China's economic aims with its diplomatic outreach, emphasising its impact for global geopolitics through a combination of quantitative data and qualitative analysis. The research also considers key global powers' reactions to China's expanding global influence, providing a holistic assessment of current international relations dynamics.

**Keywords:** Belt and Road Initiative, Global Influence, Multilateral Interactions

## 1. Introduction

The practice of diplomacy dates modern human civilization. Regular communication between many actors (individuals, groups, and nations) is essential for global stability. Diplomacy serves several functions, such as conflict avoidance and improved international relations. Its main purpose is to push forward a certain course of action. That's why the world would be in a constant state of violence if diplomacy didn't exist [1]: it's the only way to solve many of the world's problems and keep them from escalating. The ability of certain countries to live side by side peacefully is a result of diplomacy. China is utilizing its growing economic power to gain increased influence on international affairs. The growth of its economy has been a primary factor in the country's quest for global dominance, and it has been put to good use in advancing the country's diplomatic goals. It has been leveraging its growing financial power to further the economic interests of both itself and the countries with whom it maintains diplomatic connections. Its thriving economy has allowed it to engage in mutually beneficial trade and investment relationships with countries throughout the world. Various economic

considerations have influenced China's foreign policy decisions, such as the decision to establish diplomatic ties with certain nations. The Belt and Road Initiative (BRI) is an important part of China's foreign strategy. By investing in the infrastructure of BRI member states, China has been able to increase its economic and geopolitical will on a worldwide scale. Because of this, not only have the economic prospects of these nations improved, but they have also established tighter diplomatic connections with China.

China's foreign policy has been significantly influenced by its diplomatic ties to ASEAN nations and by its attempts to create a peaceful external environment in the area. China has made strengthening economic and diplomatic relations with ASEAN nations a top priority in its foreign policy. The nation attempts to foster regional stability and security via foreign policy have been essential to the country's pursuit of economic development and growth. This essay shall discuss these economic factors extensively while examining how they have shaped China's foreign policy and its diplomatic ties with certain nations

## **2. Implementation of the Belt and Road Initiative (BRI)**

President Xi Jinping of China unveiled the massive Belt and Road Initiative (BRI) in 2013. The BRI is an endeavor to improve and establish new commercial channels and investment opportunities that involves over 60 economies throughout Europe, Asia, the Middle East, and Africa. China lends heavily and invests in nations taking part in the BRI to finance its infrastructure projects [2]. China's diplomatic ties have been strengthened with numerous nations thanks to this programme, especially in Asia and Africa. The country has utilised the BRI to advance its interests and increase its sphere of influence in several regions.

The BRI seeks to establish a system of infrastructure and transport linkages across Asia, Europe, and Africa to make transporting commodities between regions simpler and more cost-effective. With better access to other nations, exports and imports may expand into previously untapped areas. If the BRI is successful in developing the Gwadar port in Pakistan, for instance, commerce between Pakistan, China, and other nations in the area might expand dramatically. By connecting the western part of China to the Arabian Sea, the port will cut down on transportation costs and open up more business prospects. Many other industries like as construction, power generation, and manufacturing, are open to investment in BRI nations. Chinese funding of BRI projects in these nations might lead to the development of new industries and the creation of new employment, so fostering economic growth. Investment prospects for Chinese firms have arisen owing to the BRI's development of the Sihanoukville Special Economic Zone in Cambodia, which might lead to the creation of thousands of employment in the nation [3].

Developing nations who lack the capacity to undertake infrastructure development projects on their own have benefited greatly from the BRI's funding of these projects. As a result of China's readiness to lend money, many developing nations have been able to build much-needed infrastructure without taking on excessive debt. In addition to expanding China's geopolitical prominence, the BRI's strategy of providing finance for infrastructure projects has given the country greater access to valuable natural resources and important positions. China's geopolitical objectives have been advanced by the country's rising economic dominance in these areas, which has enabled it to create deeper diplomatic connections with these nations. Through strengthening connections with these nations, China has been able to exert greater influence in international organizations and influence global decision-making in its favor [4]. China stands to win politically and economically from the BRI. The expansion of China's export markets, the increasing prominence of the Renminbi (RMB) as an international currency, and the reduction of trade frictions like tariffs and transportation costs are only a few examples that have been acknowledged in official policy communiqués.

Transport delays and costs may also be reduced by investing in and connecting to other nations' hard infrastructure. By developing a "soft infrastructure" with trading partners, more products may be exchanged with fewer restrictions. Bond sales to finance these infrastructure projects will help spread the RMB's popularity across the world's financial centers. In particular, the western provinces of China with the lowest per capita income stand to benefit from the establishment of overland commercial linkages with Central Asia.

The BRI has the potential to reorient much of the global economy towards China if it is carried out effectively. China's economic clout in Eurasia will grow as the region's governments become more economically reliant on China via increased trade, investment, and connectivity. This might give China a stronger hand in influencing regional economic standards. China might acquire political influence via the BRI. Capitalizing on the absence of excellent governance and solid rule of law in certain Central and South Asian nations, Beijing may be able to influence partner country policies to accord with its own goals.

By accepting Chinese investment, a country may feel obligated to hire Chinese firms to oversee its infrastructure, giving Beijing a measure of control over vital services. From Beijing's perspective, investing in strategic locations like Gwadar to expand China's logistics system for vital natural resources like oil and gas may help reduce the nation's dependence on trade routes like the Strait of Malacca, through which China currently imports a significant amount of its oil and gas. Likewise, our international partners should see tangible gains. If their infrastructure requirements are met, these nations will be able to sell their goods to foreign markets more quickly, which might lead to the creation of new employment and sustained economic growth [4]. The World Bank and other organizations that might provide funding for infrastructure projects sometimes attach strings to their loans, such as requiring borrower countries to implement anti-corruption policies or cap government expenditure below a specific threshold, both of which may be seen as intrusions on recipient countries' sovereignty. The history of Chinese investment shows that it is less likely to impose such criteria on host nations

### **3. China's Diplomatic Relations with Association of South East Asian Nations (ASEAN)**

China has made a concerted effort in recent years to develop diplomatic ties with the ASEAN member states. Politico-strategic and economic factors have both played a role in this shift. China has been able to counteract the Western countries' and other regional powers' influence in the area, gain access to new markets and resources, and extend its economic impact owing to its diplomatic connections with ASEAN. China's diplomacy with the ASEAN nations was established for primarily economic reasons, such as the desire to boost economic competitiveness, lessen reliance on Western markets, and guarantee access to natural resources.

China saw the ASEAN region as a promising market; therefore it worked to strengthen connections with the region's economies so it could benefit from its expansion. There was a substantial rise from the previous years to the expected total GDP of all ASEAN nations in 2022, which amounted to nearly 3.66 trillion U.S. dollars. In reality, the gross domestic product (GDP) of the ASEAN area has been growing at an astounding rate during the last several years. Even more attractive for China is the prospect of further rapid expansion in the ASEAN area over the next several years. China's exports to the expanding ASEAN market might benefit from closer economic connections between the two regions. More equipment, electronics, and consumer items made in China might be sent to the ASEAN region. The result would be an increase in China's GDP and the creation of employment in the country's export-oriented manufacturing sector. If China were to increase its trade and investment with the Association of Southeast Asian Nations (ASEAN), it would gain access to new markets for its goods and services. Chinese businesses aiming to expand into ASEAN may benefit greatly from the region's sizable and rising middle class. One major motivation for China's economic interest in

the ASEAN area is the potential for Chinese businesses to increase their market share and profitability by investing in the region and forming partnerships with local enterprises to produce goods and services tailored to ASEAN's specific demands.

China relies heavily on trade with the Association of Southeast Asian Nations (ASEAN) because of the region's proximity, population, and economic growth. China's role as ASEAN's top commercial partner increased dramatically in 2009. Trade between China and ASEAN nations has grown quickly over the last several decades. Since 2009, China has continued to be ASEAN's main commercial partner. Since the coming into effect of the ASEAN-China Trade in Goods Agreement in 2005, trade between ASEAN and China has almost quadrupled, from USD 235.5bn in 2005 to USD 507.9bn in 2019 (18% of ASEANs total). There was an average annual growth rate of 10.4% for ASEAN exports to China and 12.5% for ASEAN imports from China between 2010 and 2019. A total of \$731.8 billion was exchanged between China and ASEAN in 2020, or 14.7% of China's total foreign trade [5]. China and the Association of Southeast Asian Nations (ASEAN) have grown their economic connections through a variety of means in recent years. Trade and investment between China and ASEAN have been aided by the 2010 signing of the China-ASEAN Free Trade Area (CAFTA). To far, CAFTA has resulted in the elimination of tariffs on more than 90% of all products traded between China and ASEAN, and both parties are actively seeking to further liberalize trade and investment.

China has signed bilateral free trade agreements with other ASEAN nations, such as Singapore, Thailand, and Malaysia in addition to CAFTA. China's economic connections with these nations have been strengthened through these accords, which has led to an increase in trade and investment.

China's Belt and Road Initiative (BRI) has helped boost trade with the Association of Southeast Asian Nations (ASEAN). The BRI intends to build infrastructure including roads, trains, and ports to ease commerce and travel between China and other regions, especially ASEAN. Projects like the China-Laos railway and the Jakarta-Bandung high-speed train in Indonesia have been made possible thanks to funding from the BRI, which is comprised of nations in the Association of Southeast Asian Nations. These efforts have led to a rise in China-ASEAN trade and investment.

China's economic growth over the last three decades has been fueled in large part by the country's need for raw materials including oil, natural gas, minerals, and food. China, the world's greatest user of energy and raw materials, has a vested interest in protecting its access to these commodities.

Natural resources such as petroleum, natural gas, coal, metals, minerals, and agricultural goods including rice, rubber, and palm oil abound in ASEAN member states. The industrialization and economic development of China rely heavily on these materials. China now has easier access to these resources because to its increased trade and investment links with the ASEAN nations. China has made significant investments in the infrastructure, energy, and mining sectors of ASEAN nations in order to obtain access to these resources. To make it easier to import raw materials and export finished goods, China has negotiated various trade agreements with ASEAN nations. In order to get access to coal, nickel, and other minerals, China, for instance, has invested extensively in Indonesia's mining industry. Oil and gas exploration in nations like Myanmar and Cambodia has benefited from Chinese investment. China also buys a lot of rubber and palm oil from ASEAN nations and other agricultural goods

#### **4. China Striving to Build a Peaceful External Environment in the Region**

China has known for a long time that a stable international setting is crucial to its economic growth. China's economic growth depends on its capacity to tap into international markets, woo foreign investment, and acquire necessary resources and modern technology. However, this is only feasible if the external world is peaceful and secure. China's foreign policy has been proactive and pragmatic in order to achieve this goal of fostering international stability, collaboration, and peace. This has

included international diplomacy to address global concerns, more economic integration with other nations, and greater connections with neighboring countries.

In 2014, during a state visit to Fiji, President Jinping met with the heads of state from the 8 Pacific Island nations that have diplomatic relations with China. At that summit, Xi and his Pacific Island colleagues declared their intention to upgrade China's ties with eight Pacific Island nations to a "strategic partnership." The significance of Xi's trip to the Pacific Islands region cannot be overstated, as it represents China's rising influence in the area and its far-reaching effects on the developing regional order. China's growing economic power and shifting diplomatic and economic priorities are reflected in the country's regional interests. Some observers have highlighted, rather accurately, that China's growing influence in the area opens up promising new avenues for economic growth. Equally noteworthy have been its diplomatic efforts inside the area. In example, reports indicate that Beijing sends more diplomats to the area than any other nation, despite only having official diplomatic links with eight of the fourteen Pacific Island governments. In addition, high-profile, top-level trips have been a hallmark of China's active diplomatic involvement in recent years. The China-Pacific Island Countries Economic Development and Cooperation Forum (CPICEDCF) were announced during a visit to Fiji by Chinese Premier Jiabao in 2006.

China has also made diplomatic measures to ease tensions with its neighbors and resolve security concerns. China has been talking to its neighbors about maritime disputes in the South China Sea and other problems to encourage peaceful conflict resolution and to develop confidence. China is still dedicated to talking to the nations involved in the South China Sea conflict to find a peaceful settlement [6].

The Chinese government originally proposed and has continuously pursued the approach of "shelving disputes and pursuing common development." The following are the three pillars of its constant stance on the South China Sea issue: Freedom of flight and maritime navigation should be protected and peace and stability ought to be maintained [7]. Disputes should be settled peacefully through negotiations and consultation, and managed through regulations, standards, and operating mechanisms. These are the bedrock principles and solemn promises that China has made about the dispute in the South China Sea. In general, the South China Sea area has been peaceful for decades, and the related issues have been managed. As a result of its impressive economic progress, Southeast Asia has become an attractive partner for nations and regions around the globe. This is a huge help to the world community and the economic goals of China and its neighbor's. China, the country with the most coastlines on the South China Sea, and a nation committed to peaceful development, considers the region's stability and security to be of paramount importance. For this reason, China will never use military force unless it is first provoked with force. China is confident and committed to its policy of pursuing a peaceful solution through bilateral dialogue and consultation notwithstanding the detrimental effect of elements both within and beyond the region.

In addition to being an active member of the WTO, IMF, World Bank, and Paris Climate Agreement, China has also been an active participant in other international economic organizations. When it comes to these institutions, China has mostly kept its word, doing what it can to bolster them and pushing for change so that they better represent the needs of developing nations [8]. China is committed to multilateralism and wants to foster a more balanced and fair global economic order, which is reflected in its active engagement in international economic organizations. China, as a key participant in the international economy, understands it must participate in these organizations and push for reforms to better represent the needs of all nations, especially those in need. It has always been open to working with these institutions and is dedicated to conversation and negotiation. Because of this, China has been able to advocate for the interests of developing nations while also helping to shape the policies and practices of these organizations.

## 5. Conclusion

China's choice to establish diplomatic ties with certain nations has been heavily influenced by the country's economic interests. By strengthening its economic relations with these nations, China has gained access to natural resources, expanded its trade and investment prospects, and entered new markets for its goods. All of them have contributed to China's rising economic power and worldwide influence. China's economic influence internationally has been greatly boosted by the BRI. China's political and economic clout in the area has been bolstered by its investments in the infrastructure of participating nations. It has been able to increase its economic and political influence in the world by gaining access to previously inaccessible natural resources and important places due to the BRI. The BRI has greatly benefited the economies of the member nations via greater commerce, investment, and job possibilities. The economic interests of both sides have motivated China's interaction with ASEAN nations. Significant amounts of commerce and investment are conducted between China and the ASEAN nations. China's China-ASEAN Free Trade Area (CAFTA) and Belt and Road Initiative (BRI) are two examples of its efforts to strengthen economic connections with ASEAN nations. China is working to position itself as a vital partner in the region, and its economic links to the area have led to warmer diplomatic relationships. Last but not least, economic factors have motivated China's attempts to foster regional stability. For China's economy to flourish, the surrounding area must be secure and wealthy. The Shanghai Cooperation Organization (SCO) and the ASEAN Regional Forum (ARF) are two examples of China's efforts to foster peace in the area. The climate for business collaboration and investment in the area has improved thanks to these initiatives.

China is committed to bolstering international solidarity and collaboration in its role as the world's largest developing country and a permanent member of the United Nations Security Council. China's historical role as a global peacemaker will likely influence its foreign policy in the future. It has been an active participant in the global movement for disarmament, nonproliferation, and weapons control. More UN peacekeepers come from China than any other full member of the council, and also provides the second-highest amount of money to the UN and its peacekeeping missions overall. China is the only nation whose constitution explicitly states that it would "keep to a path of peaceful development," and it is also the only one of the five nuclear-armed states that has pledged not to use nuclear weapons first. China's efforts to ensure global strategic stability are, thus, crucial. President Xi has proposed the Global Security Initiative to address a number of global security concerns. In his speech, he urged the international community to work towards "common, comprehensive, cooperative, and sustainable security," to listen to and resolve the legitimate security concerns of all member states, to maintain the objectives and values of the United Nations Charter, and to protect the sovereignty and territorial integrity of all nations. All nations are concerned about resolving issues peacefully via communication and consultation, as well as maintaining security in both traditional and non-traditional sectors. By proposing this plan, he has added China's perspective to the effort to address the global security threat and reduce the peace gap confronting mankind.

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