

**Understanding the Global Shift
China's Development and The Belt and Road Initiative**

Fabio Massimo Parenti¹

Associate Professor (ASN)

Economic and Political Geography

The Italian International Institute Lorenzo de' Medici

e-mail: fabiomassimos@gmail.com

Received 09 February 2018; accepted 18 May 2018; published online 25 June 2018

Abstract

Some scholars have been clearly depicting a process of global shift in the redistribution of economic and political power. In this paper, I start from some key figures to show the extent of changes in trade flows geography and their direct relation with the new weight and role of China. However, in order to understand correctly the China's ascent, it is necessary to provide also a brief overview of the fundamental components of its developmental path and its approach to global affairs, both of them embedded in China's medium and long-term objectives. Finally, a case study on the Belt and Road Initiative, its geopolitical and economic meaning, will help to explain better the intertwined relations between Chinese domestic and foreign policies, as well as its peculiarities and international impact.

Key words: Global Shift; China's Developmental Path; Belt and Road Initiative; Trade; Geopolitics

JEL Classification: F50; F550; O10; O20

Tectonic Movements and the China's Development

We should be conscious that the international system is currently undergoing a process of huge changes, which I call "tectonic movements" for they intensity and structural nature. Two examples. In 1995, the global quota of Europe-Asia goods traffic was 27% and the transpacific one was 53%; after 20 years, these numbers are respectively 42% and 44%. Secondly, in 2001 the Mediterranean macro region absorbed 34% of the traffic coming through Suez, in 2016 the quota increased to

¹ Fabio Massimo Parenti, Ph.D., is Associate Professor (ASN) in Economic and Political Geography at the Italian International Institute Lorenzo de' Medici, Florence and Rome. He collaborates with the China Foreign Affairs University, Beijing, Southern New Hampshire University, Manchester, and ITESM, Mexico City. He is member of EURISPES, Laboratorio BRICS, and Researcher of Central China Economic Region Research Institute (CCERRI), Zhengzhou. He teaches the following courses: Global Financial Markets, China's Development and the Global Shift, Globalization and Social Change, War and Media.

56% (Fardella and Prodi 2017). A clear and structural rebalancing in the global economic geography has already materialized. Equally, we can find interesting figures also in the field of the energy and financial sectors (see, for example, Parenti 2010, 2018).

All these changes are embedded in the development process of China, not accidentally displayed in the last 40 years. In this period, the Chinese GDP increased on average by 10% annually and the urban and rural per capita income increased by 100% (Geraci 2018). The level of consumptions is also increasing and is going to surpass the US, in spite of China still record high level of savings (IMF 2017). Understanding these outcomes, and their international impact, require shedding light over the fundamentals traits of China's developmental path. The planning process, in particular, brought about the recent socioeconomic and technological transformations of the country, and contextually the strategies of gradual, but constant, internationalization of entire regions and extensive urban networks.

Few key words are at the stake to understand the peculiarities of Chinese contemporary experience: hybridization, experimentation, adaptation, gradualism, medium and long-term territorial planning. These policies' approach translated in numerous controls on capital flows, conservation of heavy industries, maintenance of a significant part of the productive sector in the hands of the State, reforms to stimulate more competition, downsize of State monopolies, drastically decreasing commercial barriers and favoring private and collective initiatives. All of this, for reducing poverty and improving life conditions (Arrighi 2007, Jacques 2012, and Bell 2005). China continues to combine policies and economic traditions drawing inspiration from the fundamental principles of its Confucian and socialist traditions (Parenti 2018).

Recent Opening Up to Complete Modernization

Coming to recent days, it is clear that China is focusing more on quality than quantity, it is increasing the size of its domestic market and is going to reduce financial restrictions on foreigners. These trends, defined by the 13th Five-Year program (2016-2020), represent another manifestation of the continuous reforms that have characterized China's development (National People's Congress of China, 2016).

On the efforts to upgrade the supply side structure, China's society can become an important ally of many countries, willing to move in a similar direction. Italy, for example, has a huge need to innovate beyond its traditional points of strength. Improving cooperation with China in sectors such as environmentally advanced

technologies, renewable energy sources, electrical cars or robotics, not to talk of creative arts cooperation, could open a “new landscape” of thousands of applications to new and traditional sectors.

China is investing a lot in improving the level of quality of its production systems and has unique scale economy opportunities. However, what are the main obstacles? Geopolitics and the related cultural milieu differences. In order to cooperate as peers and to establish real win-win cooperation, it is necessary to go beyond the logic of political blocs and the universalization of peculiar historical experiences, accepting China’s own way to development (Parenti 2018).

In spite of different national perspectives, the EU-China trade and investment exchange has been improving since China entered the WTO. Therefore, the new opening-up steps planned by Chinese authorities are particularly promising to Europe and the rest of the world. The same is valid for the new potential opportunities with respect to China’s relaxation of rules for foreign investment in its financial sector. This opening up set for June 30 – also as an incentive to lessen tariff disputes – is a sort of revolution.

According to Bloomberg, “much as World Trade Organization entry in 2001 revolutionized the manufacturing industry, opening the financial sector could transform how capital is allocated and wealth managed across China” and, I would add, across the world. In the last 10 years, China’s National Bureau of Statistics reported that Chinese bank savings reached 60 trillion yuan (\$9.4 trillion), just a part of the overall \$42 trillion of China’s financial sector. Only a little bit more co-participation of foreign financial firms in managing a part of these resources is a great opportunity for the other foreign countries’ firms. Because of the new opening up, Bloomberg Intelligence estimated, for example, that bank profits and life insurer’s premiums could increase 10 times in the next 12 years, and the foreign firms’ security market share could move from 1 percent to 5.4 percent (Scott and Dormido 2018). However, it is necessary to establish an open cultural and political playfield, recognizing and respecting all Chinese systems’ diversity, without judging them through our lens, our historical experience and our ideological prejudices, as is often the case.

Goals and Values in Chinese Global Approach

China’s miracle is fixed within his political-cultural milieu and his own system of macro-micro objectives. For example, the two centenary goals (2021 and 2049, respectively, a hundred years from the foundation of the communist party and the People’s Republic) imply the necessity to build a moderately prosperous socialist

society, through the advancement of the modernization process in all respects. In addition, in the 19th Congress, the party defined and remarked other two ambitious goals: building new forms of international relations, centered on win-win cooperation and mutual respect, and working hard to create a community of shared future for the humanity (Xi 2017a). These macro objectives find their execution at territorial level, namely, in the multiplicity of planning programs with different time-reference (one, five, ten years programs). At regional, national, but also international level. The “go west” and “go abroad” strategies, developed in the last 20 years are good examples. They are behind the launch, 5 years ago, of the Belt and Road Initiative (BRI), said the “New Silk Road”.

In the current global problems - wars, terrorism, climate change, economic turmoil - no country can manage alone, surely it cannot do it by withdrawing into its own isolation. At value and methodological level, the Chinese strategies of global projection are based on a series of principles. According to the last Congress document (2017a), they derive from the concept of mutual respect and dialogue between peers. This is the core of the alternative idea of globalization, clarified by President Xi in the now famous and historic speech held in Davos 2017. Mutual respect is the basis of the principles of non-interference, non-imposition, rejection of the use of force, win-win cooperation, and equality between countries. It is at the basis of a genuine process of democratization of international relations. Communication and dialogue between peers versus military confrontation, partnership versus alliances, mutual learning versus confrontation, in order to overcome the cold war mentality. Xi Jinping clearly stated that China “oppose acts that impose one’s will on others or interfere in the internal affairs of others as well as the practice of the strong bullying the weak”. Without mutual respect, this approach in the relations between states and civilizations cannot succeed.

The Belt and Road Initiative is an important and challenging proof for both China and the world community as a whole.

BRI: Geopolitical Meaning and Soft Power

The international forum on BRI held in Beijing in May 2017 had a great international resonance and in a certain sense represented a celebration of the first successes achieved since 2013 (year of the initiative’s official launch). It can be asserted that this mega-project, with its contours in constant definition, is the most evident geo-economic-political manifestation of the pursuit of the two Congress macro-objectives mentioned above.

However, some countries argue that there is no clear agenda in the BRI, nor a guarantee of security. Beyond the most biased comments coming from the major competitors of China, in general these criticisms do not capture the genealogy and the sense of the BRI. There cannot be a defined agenda, because of the large number of countries involved (more than 60) and the geopolitical uncertainties and surprises. As always, China provides a proposal, called "initiative" and not strategy, and gradually refines it, experimenting, adapting, reaching compromises and persuading the parties involved regarding the benefits deriving from a greater interconnection (NDRC 2015). The BRI is therefore an intercontinental projection of integration and interconnection, aimed at peaceful coexistence among peoples, a sort of open text in which each participant should endeavor to offer its own contribution.

It is important to remember the deep roots of China's new influence, culturally and politically, in the current changes of the international order (Parenti 2018). The influence of Chinese thought and words on the international arena has been growing dramatically in recent years, in step with economic and diplomatic successes. In fact, "China in the new era" is also represented by a stronger international soft power - that is the power of ideas and strategies alternative to the status quo - exerted in the most authoritative seats of the established world order. This is occurring in economic and political forums such as Group of 20 nations, World Economic Forum, International Monetary Fund, World Bank, World Trade Organization and in other forums shaped by Chinese initiatives such as Asian Infrastructure Investment Bank, the New Development Bank and the Belt and Road initiative (Parenti 2017; Ramo 2004).

The new Chinese cultural power on the world scale is supported, legitimized and deeply rooted in the material manifestations of the BRI, which includes more than 100 organizations. The initiative is already a reality, in the process of being updated, and it is inclusive, cooperative and open to adaptation, being free from ideological and political discriminants. This reality is the opposite of the old and smaller Marshall Plan.

The current economic debate on China in Europe is on the Belt and Road Initiative. It could be criticised as an expansion of the recent explosion of China's national power. However, the willingness of acquiring a more important role in global trade and value chains could be traced back to around 20 years ago.

The Chinese strategies of the last 20 years have created the conditions for the BRI to be a realistic and attractive project. As said, I refer to the "go west" and "go abroad strategy". The first was deployed from the late 1990s to today, favoring the

development of internal China and boosting national interconnection and with neighboring countries; while the second, from 2000 up to now, has guaranteed support for Chinese investments abroad, operated by national champions (Parenti 2018). The BRI is, therefore, a consequence of the successes obtained in the past years at domestic level and many investments, which we could define today related to the BRI, actually took place before its official launch in 2013 (e.g., think about the Chongqing-Duisburg railway or Piraeus port). With the BRI, President Xi Jinping continues therefore what other leader generations have prepared for, promoting continuity within a constant process of reforms and innovation (Xi 2017a).

BRI and EU: Economic Trends and Strategies

In the current international context, the public and private actors of various state powers are before fundamental strategic choices, at least to the extent that they assume the actual unfolding of a transition from a unipolar to a multi-polar world. Here we examine an emblematic case: the meaning and the influence of the Belt and Road Initiative in the redefinition of the relations between Europe and Asia, and their impact on the international order. Europe and the Mediterranean basin may decide to preserve their geopolitical position, remaining under US-NATO prevalent influence, or look and act in favor of a new Eurasian integration. With a focus on China.

It should be remembered that in the last 15 years trade and investment between the China and Europe have grown steadily in both directions, especially since the years of the crisis. Machinery, transport, food and raw materials are the main products of the China-EU trade (almost doubling in six years, reaching 550 billion dollars). China has thus become the second largest European trading partner, while the EU is the first Chinese partner (Brugier 2017).

Although Europe is in a position of trade deficit with China, it is also true that it has recorded significant surpluses in both services and investment stocks. Looking at many years, it can also be noted that overall, European exports are constantly increasing and there is a tendency to rebalance their respective balance of payments.

If we focus on the implementation of the BRI, it is clear that there is still enormous potential for Chinese investments in Europe - and vice versa - which have become differentiated geographically and by sector (infrastructure, tourism, football, telephony, etc.). We have various types: specialized (for example, Huawei and Lenovo) and diversified (such as Fosun or Wanda), in research and development activities and in the organization of academic, scientific and cultural forums. There

is also complementarity between the Chinese and European national plans for connectivity and transport, as shown for example by the BRI-TENT comparison (Wang et al 2017).

From a Chinese point of view, investments in Europe are generally aimed at finding know-how and learning new management experiences.

China moves through macro-areas and single countries, as demonstrated by the Central Eastern Europe 16 + 1 regional cooperation plan, launched by the Chinese government since 2012, or the growing strategic focus on the Mediterranean (remember the figures about tectonic movements). In the first case, green field investments prevail, i.e. in new production activities (branches, new plants, etc.); while in the second case one of the main objective is to acquire strategic assets, in light of the privatization policies carried out in recent years.

Faced with this framework, it is important to ask some questions: how is it possible to guide and implement this worldwide initiative? Who and how managing the complex investments planned or already carried out? According to tradition, the Chinese authorities have decided to first develop the tools to support the new investment plans, giving rise to a multilateral institutional architecture that is structured and consolidated over time. For example, there are some state-owned banks, funds and investment institutions that work synergistically: the Silk Road Fund (SRF) is linked to the PBoC, the Export-Import Bank of China (EBC) and the China Development Bank (CDB) have developed subsidized credit schemes for the BRI and, together with the European Investment Bank (EIB), are some of the financial institutions behind the Asian Infrastructure Investment Bank (Wang et al. 2017). These banks will interact with other financial institutions, such as the BRICS New Development Bank, but also the World Bank.

BRI: Geopolitical Problems

Obviously the more the BRI develops and the greater the need for security, that is, of control systems able to protect the new interconnections (in this regard we already see developments in Algeria, Djibouti, Srilanka and Pakistan).

It is possible to assert that greater involvement in the BRI would enable Europe to: integrate insufficient resources at European level with the Chinese ones; increase exports to Asia; favor the development of the most backward regions; guarantee relationships of mutual benefit and therefore favorable to peaceful relations; and offer a complex, but promising, alternative to war.

There are still numerous unresolved conflicts in a wide space of destabilization that goes from the Indo-Pakistani border regions to Afghanistan, Iraq, Syria, Yemen, and Ukraine: I am talking of the so called "Rimland", composed of those spaces, maritime, coastal and continental, bordering the "Heartland" (heart of Eurasia) (Mackinder 1904; Spykman 1942; Nazemroaya 2012). In the majority of cases, internal contradictions and regional rivalries have been excessively fueled in the framework of the so-called "war on terrorism", favoring the military expansion of the US-NATO system and its attempt to counteract or slow down the emergence of a anti-hegemonic alliance system, centered on China, Russia and Iran (Parenti 2018). All this has increased the risks and problems in several strategic areas involved in the Belt and Road.

Two other historical cases hinder and slow down the full realization of the Chinese strategic vision: the tensions around North Korea and the Israeli-Palestinian conflict. In the first case, China has always favored international negotiations (the six-party group), managing to contain North Korean nuclear projects from time to time and always supporting the need to reopen lines of dialogue with the south of the peninsula. Recently - also thanks to the Chinese and Russian mediation - there have been important talks between the two Koreas, two years after the freezing of relations. Moreover, China seems to be pushing for what the most rational and feasible proposal is to resolve the North Korean question and the tensions with Japan, South Korea and the United States. Continuing the dialogue and working for denuclearization, through the application of the so-called "suspension for suspension", where the interruption of North Korean nuclear programs can only occur simultaneously with an interruption of the frequent joint military exercises of the US, South Korea and Japan.

In the second case - Palestine - China does not move a millimeter from the idea of the recognition of Palestinian independence and sovereignty, working for the UNs solution of the two states and the restoration of the 1967 borders.

In the face of this framework on Chinese foreign policy, approaches, strategies, proposals and political-economic practices, the National Endowment for Democracy of the United States has coined the term "sharp" power to discredit China and other competitors. This term has become very popular in the West. Furthermore, if we look at the public opinion and the European authorities, we have seen that there are divergent perspectives about the new Chinese influence in relation to the Belt and Road.

The reorganization of international relations, according to a cooperative and beneficial approach for all parties, will require a greater commitment on the part of the international community with a high sense of responsibility. World peace is at stake.

References

Arrighi, Giovanni (2007). *Adam Smith in Beijing. Lineages of the XXI century*. London: Verso.

Bell, Daniel (2015). *The China Model. Political Meritocracy and the Limits of Democracy*. Princeton University.

Brugier, Camille M. (2017). "The EU's trade strategy towards China: lessons for an effective turn". *Asia Europe Journal*, 15: 199-212.

Fardella, Enrico and Giorgio Prodi (2017). "The Belt and Road Initiative Impact on Europe: An Italian Perspective". *China & World Economy*: Vol. 25, No. 5, pp. 125-138.

Geraci, Michele (2018). "I cinque pilastri del successo economico cinese" <http://michelegeraci.com/it/2018/05/07/i-cinque-pilastri-del-successo-economico-cinese/> Accessed 6 June 2018.

IMF, database, <http://www.imf.org/en/Data>. Accessed 6 June 2018.

Mackinder Halford (1904). "The Geographical Pivot of History". *The Geographical Journal*, 23(4), pp. 421-437.

National People's Congress of China (2016). *13th National Five-Year Plan*. <http://www.npc.gov.cn/npc/zgrdzz/site1/20160429/0021861abd66188d449902.pdf> accessed June 6 2018.

Nazemroaya, Mahdi Darius (2012). *The Globalization of NATO*. Atlanta, Clarity Press.

NDRC (National Development and Reform Commission), Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization. March 2015. *Vision and actions on jointly building Belt and Road*.

Parenti, Fabio Massimo (2017). *Il socialismo prospero. Saggi sulla via cinese*. Milano: Novaeuropa.

Parenti, Fabio Massimo (2018). "The international financial system and its evolution". In Parenti FM and U Rosati (edited by), *Geofinance and geopolitics*. Milano: Egea, chapter 1.

Parenti, Fabio Massimo (2018). "Geopolitical dynamics". In Parenti FM (edited by), *Geofinance and geopolitics*. Milano: Egea, chapter 6.

Ramo, Joshua Cooper (2004). "The Beijing Consensus: notes on the new physics of Chinese power". *The Foreign Policy Center*. <http://fpc.org.uk/fsblob/244.pdf>

Scott, Malcom and Dormido, Hannah (2018). "China' about to give global finance the chance of a lifetime" <https://www.bloomberg.com/news/articles/2018-05-06/> Accessed 6 June 2018.

Spykman, Nicholas John. (1942). *America's Strategy in World Politics: The United States and the Balance of Power*. New York, Harcourt, Brace and Company.

Xi Jinping (2014). *The governance of China*. Beijing: Foreign Language Press.

Xi Jinping (2017a). *Report at 19th CPC National Congress*. http://www.xinhuanet.com/english/special/2017-11/03/c_136725942.htm Accessed 6 June 2018.

Xi Jinping (2017b). "President Speech to Davos" <https://www.weforum.org/agenda/2017/01/full-text-of-xi-jinping-keynote-at-the-world-economic-forum> Accessed June 6 2018.

Xieshu Wang, Joel Ruet, Xavier Richet (2017). One Belt One Road and the reconfiguration of China-EU relations, ISPI REPORT CHINA 2017, *Belt and Road: A game changer*, chapter 2, 2017. <https://hal.archives-ouvertes.fr/hal-01499020/document>. Accessed 6 June 2018.