
A CHINESE BUSINESS: THE BELT AND ROAD INITIATIVE

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Abstract

Most of the Asian economies are integrated into regional manufacturing networks and are connected themselves through financial and trade flows, with China often at the center. China's Belt and Road Initiative, also known as the "Silk Economic Belt" and the "21st - Century Maritime Silk Road", is rooted in the ancient Silk Road and constitutes one of the biggest projects in the world history. The paper attempts to present this Chinese initiative and to briefly analyze its key dimensions. The methodology is based on a quantitative research method. The information was gathered through desk research. Multiple secondary data that were collected from a significant literature review were analyzed and synthesized. The paper demonstrates that the BRI represents a multidimensional initiative and, therefore, should be analyzed in a holistic way. Also, it shows that the Chinese initiative has benefited the world in developing infrastructure and promoting regional and global cooperation among the countries along the Belt and Road Initiative.

Keywords

Belt and Road Initiative, China, business, Silk Road, Xi Jinping.

JEL Classification

F00, F15, O53.

Introduction

After the fall of the European communist regimes the globalization process spread very rapidly all over the world. The exponential increase in cross-border production, trade, and investment has led to a deeper integration of the national economies. In this respect, the world's overall level of global connectedness, which measures the depth and the breadth of countries' integration with the rest of the world, attained its peak level in 2017 (Altman et al., 2019).

The free movement of goods, capital, information, and people has profoundly changed the way the world economy and businesses function. The Fourth Industrial Revolution is continuously transforming today's societies, political and economic systems, and businesses through numerous technological advances such as the Internet of Things, artificial intelligence and big data. The digital technologies have significantly reduced the costs (e.g., transport and logistics costs, cross-border payments) and led to the expansion of trade and businesses around the world (World Trade Organization, 2018). The mixture of four key transformations- waves of technological disruption, ecological imperatives, multipolar

international relations, social discontents- has given birth to a new phase of globalization, Globalization 4.0, that is shaped by a plethora of phenomena and events such as Brexit, massive immigration, terrorism, and China's Belt and Road Initiative (BRI) (World Economic Forum, 2019).

In spite of the fact that the People's Republic of China (PRC) occupied the 39th place out of 42 countries according to the globalization index for 2016 (Weiß et al., 2018), it has remained the global factory and the world's biggest exporter, and became the world's largest market for several products such as automobiles and smartphones (Autor et al., 2016; Lund et al., 2019). Most of the Asian economies are integrated into regional manufacturing networks and are connected themselves through financial and trade flows, with China often at the center (United Nations, 2019). In this respect, China's BRI, also known as the "Silk Economic Belt" and the "21st -Century Maritime Silk Road", is rooted in the ancient Silk Road and constitutes one of the biggest projects in the world history. It has been gradually implemented since 2013 and linked more than 150 nations and international organizations (Tweed, 2019).

As Asia is going to keep its status as the main engine of the world economic growth, the BRI will continue to promote the economic integration of many countries from Europe, Asia and Africa (Laudicina et al., 2019). Since its emergence researchers worldwide have tried to answer several questions related to this initiative such as:

- What does the BRI mean in today's global economy?
- What is the role played by China's BRI in the world economy?

The paper attempts to present China's BRI and to briefly analyze its key dimensions. The paper is organized as follows. The second section of the paper illustrates the literature review. The third section discusses the research methodology. The results of the research are displayed in the fourth section of the paper. The paper ends with conclusions.

Literature review

The China's BRI has captured the attention of researchers, policymakers, academics and entrepreneurs all over the world since 2013. This is why the BRI has become a subject of interest in the literature from recent years. The BRI has been defined from different point of views as follows:

- "a systematic project, which should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the Belt and Road" and "a way for win-win cooperation that promotes common development and prosperity and a road towards peace and friendship by enhancing mutual understanding and trust, and strengthening all-round exchanges" (National Development and Reform Commission, 2015, p. 1).
- "a reflection of China's emergence as a major economic power, a driver of global economic growth and a catalyst of regional economic integration" (Liu & Dunford, 2016, p. 327).
- "an important measure in enabling China to implement all-round opening up, and a major platform for promoting mutual benefit in the current era" (Xi, 2017a, p. 546).
- "a meta-discourse on the Silk Road and a new manifestation of China's soft power, of its "peaceful" and "multilateral" rise" and "a response to China's domestic economic woes, serving to postpone the decisive moment when Chinese production will need to be transitioned from a low-cost model ("Made in China") to a value-added production model ("Created by China")" (Laruelle, 2018, p. x).
- "a key policy initiative of the PRC" that "spans more than 70 countries and represents a major driver of future investment in global infrastructure, trade and economic development" (KPMG, 2018a, p. 2).

- “an essential element of China’s further economic reform process itself... linked to the economic reforms of the Third Plenum of the 18th Party Congress, which focused on market allocation of resources with discussions indicating the senior leadership’s thinking” (Yu, 2018, p. 226).
- “a vehicle to open markets, expand export overcapacities, generate employment, reduce regional inequalities, promote political stability and security through development as well as prosperity and to restore Chinese spheres of influence in the Eurasian landmass and beyond” (Umbach, 2019, p. 1).
- “is essentially a business proposition and it does not carry with it a dose of ‘extraneous’ conditions, such as those relating to macroeconomic imbalances or governance, and nor does it imply the creation of an alliance” (Baltensperger & Dadush, 2019, p. 3).

In spite of the fact that there is no universal definition of the BRI some of its main characteristics can be identified. First, China’s BRI deepens economic globalization, contributes to sustainable development across countries and regions, and represents a trigger for economic progress across the world (United Nations Development Programme, 2017). Second, the initiative promotes mutual benefit, prosperity, peace, and friendship in the numerous countries and regions across Europe, Asia and Africa (Fig. no. 1).

China’s Belt and Road Initiative

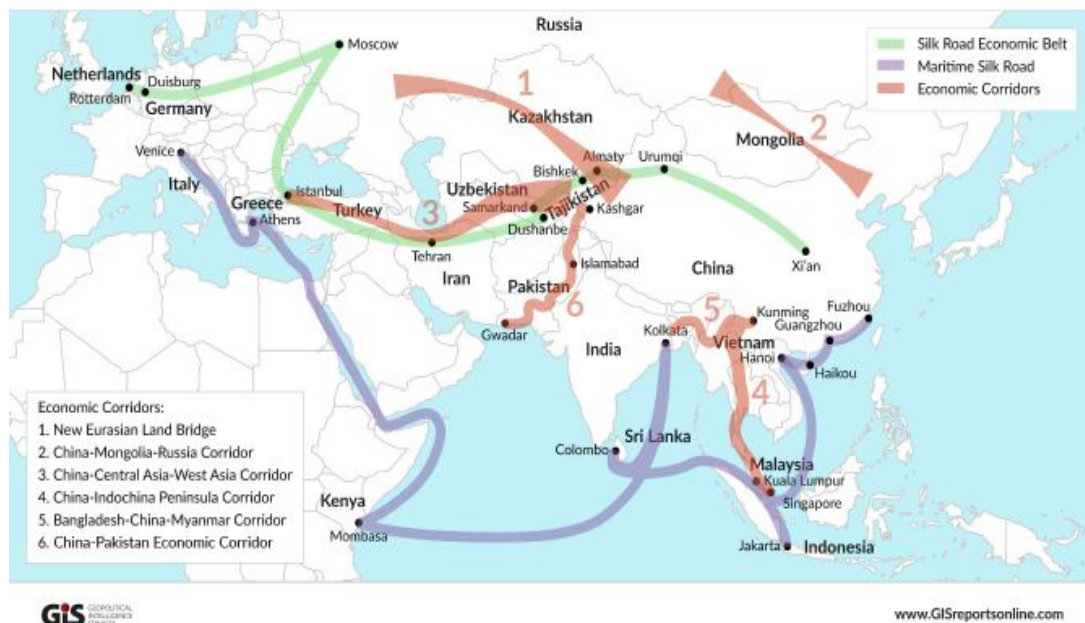


Fig. no. 1 China’s BRI: The Economic Corridors

Source: Chaudhuri, P. P., 2019. Opinion: India nudges China toward Belt and Road changes, *Geopolitical Intelligence Services*, 04.01.2019. <https://www.gisreportsonline.com/opinion-india-nudges-china-toward-belt-and-road-changes,politics,2762.html#modal>.

Third, the BRI helps China to expand its overseas investments and to boost its economic development, creates business opportunities for Chinese companies, strengthens the cooperation between Chinese and foreign companies, and facilitates the penetration of many foreign markets (KPMG, 2018b). Fourth, the BRI represents a major initiative of Xi Jinping, the general Secretary of the Chinese Communist Party and the President of China. Fifth, China’s BRI represents a multidimensional initiative (e.g., political, economic, trade, etc.).

Research methodology

In order to reach the aims of the paper, the authors used a quantitative research method. The information was gathered through desk research. Multiple secondary data that were collected from a significant literature review were analyzed and synthesized. The main sources were journals (e.g., Area Development and Policy, Asia Europe Journal), books and reports of international organizations (e.g., United Nations, World Trade Organization) from the fields of economics, international affairs, and business, and were found in electronic databases (e.g., Springer) and libraries (e.g., the Central University Library Carol I of Bucharest, the Romanian Academy Library).

Results and discussion

The BRI has already entered in its sixth year of existence. As the twenty-first century reimagining of the ancient Silk Road, China's BRI was mentioned for the first time in a speech given by the President of PRC Xi Jinping at Nazarbayev University from Astana (Kazakhstan), on 7 September 2013 (Xi, 2013). Today, more than 70 countries of the world are geographically located along the BRI (Baniya et al., 2019) but the initiative already involves 84 countries (rising from 65 countries in 2015) and 15 Chinese provinces (Umbach, 2019). In light of its global presence China's BRI has several key dimensions as follows:

- The political dimension. The Chinese initiative provides an important space for cooperation and mutual benefit among the countries along the BRI. There are five cooperation priorities (Table no. 1) and several multilateral cooperation mechanisms such as the Shanghai Cooperation Organization (SCO), ASEAN Plus China (10+1), Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), Asia Cooperation Dialogue (ACD), Conference on Interaction and Confidence-Building Measures in Asia (CICA), China-Arab States Cooperation Forum (CASCF) or the Bao Forum for Asia (National Development and Reform Commission, 2015).
- The economic dimension. The BRI encompasses six economic corridors: the New Eurasian Land Bridge (NELB) with four centers (Yekaterinburg, Krasnodar, Almaty, Astana), the China-Mongolia-Russia Economic Corridor (CMREC) with two centers (Novosibirsk and Irkutsk), the China-Central Asia-West Asia Economic Corridor (CCWAEC) with three centers (Tehran, Istanbul, Kabul), the China-Indochina Peninsular Economic Corridor (CICPEC) with five centers (Yangon, Kuala Lumpur, Bangkok, Hanoi, Singapore), the China-Pakistan Economic Corridor (CPEC) with four centers (Rawalpindi, Bahawalpur, Islamabad, Karachi), and the Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC) with three possible centers (Lhasa, Dhaka, Yangon) (Derruder et al., 2018). All these economic corridors are connecting the two pillars of China's BRI, namely the Silk Road Economic Belt and the Maritime Silk Road Initiative (Toma & Gradinaru, 2018). Huge investment projects have been and will be implemented in countries along these economic corridors such as the building of subway lines in Moscow (Russia), the construction of railway tunnels in Laos and of the Peljesac bridge in Croatia (Belt and Road Portal, 2019). China's investment in other BRI countries has surpassed US\$50 billion in the period 2014-2016 (Xi, 2017b).
- The financial dimension. In order to sustain the numerous projects of the Chinese initiative, different financial and banking institutions have been and will be established such as the Asian Infrastructure Investment Bank, the BRICS New Development Bank and the Silk Road Fund (National Development and Reform Commission, 2015). In this respect, the Asian Infrastructure Investment Bank already provided US\$1.7 billion of loans for 9 projects in BRI participating countries and the Silk Road Fund made US\$4 billion of investment in other projects in the period 2014-2016 (Xi, 2017b).

- The trade dimensions. The total trade between China and other countries along the BRI exceeded US\$3 trillion, and the Chinese companies set up 56 economic cooperation zones in over 20 countries in the period 2014-2016 (Xi, 2017b). Most of the trade gains stem from a higher integration of BRI participating countries in various regional and global value chains (Baniya et al., 2019).

Table no. 1. Cooperation priorities of China's BRI

No.	Cooperation priority
1	Policy coordination: promoting intergovernmental cooperation, building a multi-level intergovernmental macro policy exchange and communication mechanism, expanding shared interests, enhancing mutual political trust, and reaching new cooperation consensus, etc.
2	Facilities connectivity: improving the connectivity of the infrastructure construction plans and technical standard systems among the countries along the BRI, jointly pushing forward the construction of international trunk passageways, creating an infrastructure network connecting all sub-regions in Asia, and between Asia, Europe and Africa step by step, promoting green and low-carbon infrastructure construction and operation management, etc.
3	Unimpeded trade: improving investment and trade facilitation, removing investment and trade barriers for the creation of a sound business environment within the region and in all related countries, enhancing customs cooperation, expanding trading areas, improving trade structure, expanding mutual investment area, improving the division of labor and distribution of industrial chains, etc.
4	Financial integration: deepening financial cooperation; making more efforts in building a currency stability system, investment and financing system and credit information system in Asia; strengthening financial regulation cooperation, establishing an efficient regulation coordination mechanism in the region, etc.
5	People-to-people bonds: promoting extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services, so as to win public support for deepening bilateral and multilateral cooperation; enhancing cooperation in and expanding the scale of tourism, strengthening cooperation with neighboring countries on epidemic information sharing, increasing cooperation in science and technology, etc.

Source: National Development and Reform Commission, 2015. *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*. Issued by the National Development and Reform Commission (NDRC), Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, 28.03.2015. http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

Therefore, the multidimensional approach of BRI expresses the need to analyze this topic of interest in a holistic way. First, it reveals that the Chinese initiative leads to the so-called “inclusive globalization”, a new paradigm that builds new platforms for relations among many countries of the world and promotes their cooperation and mutual benefits. Second, China's BRI is seen as a potentially important tool to help achieve the Sustainable Development Goals as it focuses on building infrastructure capacity and increasing connectivity with global impact (Renwick et al., 2018). Third, the BRI shows China's growing political and economic influence worldwide and its aspiration to become the biggest economic power of the world. In search for the global economic supremacy China has made huge efforts to reduce the gap between this Asian superpower and the United States of America such as the rapid development of its banking system and the

internationalization of its currency, renminbi (Toma et al., 2017). This is why the BRI demonstrates once again China's desire to reshape not only Eurasia but the global order (Rolland, 2017).

Conclusions

Since the launching of China's BRI a plethora of researches has emerged and developed in recent years. The political and economic ascendancy of China, one of today's main global actor, cannot be denied.

The importance of the paper is given by its theoretical contributions. First, it provides a better understanding of China's BRI by presenting different approaches related to this subject of increasing interest all over the world. Second, the paper demonstrates that the BRI represents a multidimensional initiative and, therefore, should be analyzed in a holistic way. Third, it shows that the Chinese initiative has benefited the world in developing infrastructure and promoting regional and global cooperation among the countries along the BRI. Fourth, the paper asserts that the BRI cannot be separated from China's desire to achieve the status of the biggest world economic power.

Further researches might expand the analysis by taking into account other dimensions of China's BRI.

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