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INTERNATIONALIZATION
IN EMERGING MARKETS

China's Belt and Road Initiative

Changing the Rules of Globalization

Edited by
Wenxian Zhang, Ilan Alon, Christoph Lattemann



Palgrave Studies of Internationalization in Emerging Markets

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From Wenxian Zhang: To Karen, Michelle, and Nathan
From Ilan: To Anna, Kareen, Maya, and Noa
From Christoph Lattemann: To Zize, Florian, and Linnea

Foreword

The Deep-Level Substance of the Belt and Road Initiative

This is a timely book about the Belt and Road Initiative (BRI) by a diverse team of experts across geopolitical, economic, and organizational management domains. From such varied perspectives and with multiple analytical lenses, the current BRI profiles have been broadly delineated, and future directions of development broadly projected. This book is thus both informative and instructive for researchers, policymakers, and practitioners on BRI at a general level.

However, just as reflected by Alon, Zhang, and Lattemann in their introduction to the book in Chap. 1, “consensus has not been reached about what BRI is, how it may affect others, and how it may evolve” (2018: 12), but a major impact of BRI on the world is generally assumed to be inter-regional cooperation, inclusive participation, and a new era of globalization.

For the purpose of elucidating the multilevel nature of BRI, we propose a three-level framework of analysis: surface, middle, and deep. While most researchers, policymakers, and practitioners have recognized the features of BRI at both surface and middle levels, we argue that the

deep-level substance of BRI as a global ecosystem for long-term symbiosis has not yet been adequately articulated.

First, at the surface level BRI has been perceived by most Chinese researchers, policymakers, and practitioners as a China-centered effort to help China solve the problem of overcapacity in its infrastructure and manufacturing sectors by expanding export to potential markets in the less-developed regions of Central Asia, Middle East, South Asia, Southeast Asia, and Africa. Such a view is widely shared in both China and those less-developed regions, but is rarely held in Europe and the USA, where a different perspective is generally adopted.

Second, at the middle level, most European and American researchers, policymakers, and practitioners tend to believe that BRI is an inevitable course for China—still an emerging power—as it rises on the global scale in the new era. From this perspective, BRI is the “natural” or inevitable by-product of China’s fast-growing wealth and power and its increasing influence over the rest of the world. Framing BRI as a China-centered effort, this view is analyzed by Schortgen and Lairson in their respective chapters concerning China’s new leadership role in the global economy and the need for new institutional rules and structures. However, by capturing only part of BRI (arguably the less critical aspect), this perspective is far from complete and thus seriously biased.

Third, at the deep level, it is our strong belief and central argument that BRI represents a joint effort involving multiple parties, especially the three major ones: (1) China, (2) Europe, and (3) all the countries in between. Even though China initiated it, BRI is by no means China-centered, but rather is a multiparty cooperative platform for long-term inter-regional symbiosis. This can and should be the deep-level and long-term vision for BRI. It is no accident that BRI starts in China, but finishes in Europe, not only historically but also currently and into the future. It is worth noting that this deep-level view has never been clearly articulated before, neither by China nor anywhere else.

Strategically speaking, we can envision a three-stage pattern of BRI evolution to capture the *deep-level substance of BRI as a global ecosystem for long-term symbiosis*. At the first stage, BRI starts with a strategic cooperation between China and Europe, as the two ends of BRI. With help from

Europe, China can upgrade and transform itself from a middle-level manufacturing base into a world-class, top-level manufacturing power. In other words, China can leverage Europe, often via the merger and acquisition (M&A) of so-called *hidden champions* in Europe (especially in Germany, Northern Italy, and the Nordic region via a novel mode of post-M&A integration, which we call invisible touch integration in terms of there being little integration in governance structure on the surface, but accelerated integration in the domains of business function and cultural alignment behind the scenes), to uplift Chinese industries and firms and successfully implement China's supply-sided reforms in the special context of China's *new normal*. This is the first leverage, or *seesaw*, of our envisioned deep-level substance of BRI. From this perspective, it is clear that BRI is by no means China-centered; rather, it is inter-regional partnerships that matter most.

At the second stage, BRI can continue the strategic cooperation between China and Europe as the two strategic ends and expand it to the regions between, including Central Asia, the Middle East, South Asia, Southeast Asia, and Africa. Here BRI will take the form of establishing diverse industrial parks and other forms of three-party cooperation between China, Europe, and local partners. This is the second leverage, or *seesaw*, of our envisioned deep-level substance of BRI. Again, from this perspective, it is clear that BRI is by no means China-centered; rather, it is the inter-regional partnerships that matter most.

At the third stage, BRI can finally expand its inter-regional cooperation beyond the traditional scope to the rest of the world, including Australia, New Zealand, North America, and Latin America. This is the third leverage, or "seesaw." Again, there is no doubt, from this perspective, that BRI is not China-centered. In particular, BRI bears a far-reaching political implication that G-3 (i.e., USA, China, and Europe), rather than G-2 (either USA and China; USA and Europe; or China and Europe), is the most stable and constructive geopolitical and geoeconomic ecosystem of global powers as both competitive and cooperative forces for long-term symbiosis.

Figure 1 summarizes and illustrates our three-stage pattern of the *deep-level substance of BRI as a global ecosystem for long-term symbiosis*.

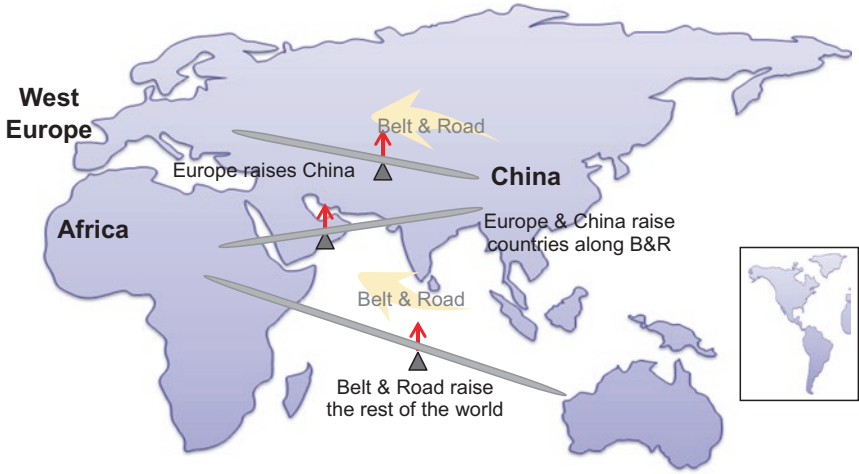


Fig. 1 The three stages of BRI as a global ecosystem for long-term symbiosis

The final point is that the notion of a “second home” approach is salient in the three-stage pattern of BRI applicable to all the firms involved. First, both Chinese and European businesses must firmly establish themselves in each other’s region as their second home with the status of local insider, rather than external intruder. Second, Chinese and European firms must establish themselves in the regions or countries along the BRI route in the same way. Third, all firms in the world in the future must firmly establish themselves in other regions in this manner. This is the *deep-level substance of BRI as a global ecosystem for long-term symbiosis*.

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Introduction

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Altogether, the aftermath of the 2008 global financial crisis, the WTO's Doha Development Round breakdown, the collapse of the Transatlantic Trade and Investment Partnership, and the Trans-Pacific Partnership, so-called Brexit, and Donald Trump's promise to protect and "Make America Great Again," mark a critical milestone for the global economy, trade, and the political order as determined by the United States over the past 70 years.

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Since 2001, China has been emerging in the world economy; and more recently with the BRI, China is expanding its government-sponsored “Going Global” development programs in size and in scope as part of the global “China Dream” objective. The BRI, with its “Silk Road Economic Belt” and “the Twenty-First-Century Maritime Silk Road,” is now the largest platform for international cooperation, reflecting the new approach of China’s development and diplomatic strategy.

The basic idea of the Belt and Road Initiative (BRI) is to consolidate and upgrade a dense network of bilateral Free Trade Agreements (FTA) into a multilateral arrangement, anchored by China’s gravitational pull and vast open market (see Chap. 5). The BRI focuses on using the “belt” to link China to Europe through Central Asia and Russia; to the Middle East through Central Asia; and to Southeast Asia, South Asia and the Indian Ocean. The “road,” meanwhile, aims to connect China with Europe through the South China Sea and the Indian Ocean; and with the South Pacific through the South China Sea. Covering 65 countries and reaching more than 60% of the global population, accounting for nearly a third of global GDP and global merchandise trade, and 75% of its known energy reserves, the BRI is the most ambitious example of global economic statecraft in the twenty-first century.

The BRI is essentially a new global architecture designed by China to frame its new role as a leading world power. It is also a massive project involving the funding and construction of an infrastructure system of roads, railways, oil and natural gas pipelines, fiber-optic and communication systems, ports, and airports. But the BRI is far more comprehensive since it covers cooperation in all aspects, from policy dialog to trade, from financial cooperation to people-to-people exchange. The costs of the BRI, an estimated US\$800 billion, will mainly be funded by China and supported by the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB).

By May 2017, 22 countries had signed the BRI Memorandum of Understanding, and 29 heads of state attended the first BRI forum in Beijing. Most of the attendees were from small developing states in Asia, such as ASEAN and Central Asian countries. This gives early signs of China emerging as a great power. Because BRI threatened the Western political framework, the major great powers—in contrast to the smaller and poorer countries—rejected or objected to the BRI, including the United

States, the EU, Japan, India, and Australia (see Chap. 10). Their common primary concern is about the BRI's strategic role and the political purpose of infrastructure building. Also raised are economic concerns about debt and financial risk, and environmental and social concerns.

This book is among the first to examine the BRI, or One Belt, One Road (OBOR, for consistency and to reflect the latest name change by the Chinese government, we will use BRI as the main term throughout), in a systematic, multiperspective, and politically and ideologically unbiased way. Authors from East and West present the most prominent facets of the BRI through geopolitical, economic, business, legal, and social lenses. Over 30 scholars with roots in five continents—Asia, America, Africa, Europe, and Oceania—analyze the BRI and provide insights to its past, present, and future, and its impact on the world economy, regions, and specific countries along the BRI.

This gives a comprehensive overview for practitioners, academics, and politicians on BRI in terms of: (1) major fields of interest; (2) purposefully selected countries; and (3) effects and their causes. This book can also be used as a multiperspective China-developed countries and China-developing countries case study for teaching in the field of geopolitics, business, economics—in particular on FTAs, foreign direct investments, and culture. Following this logic, the book is organized into four broad sections: Part I—Contextual Overview of the Belt and Road Initiative; Part II—Regional and Geopolitical Perspectives; Part III—International Trade, Foreign Direct Investment, and BRI; and Part IV—Financial, Legal, and Cultural Perspectives on the BRI.

1 Part I: Contextual Overview of the Belt and Road Initiative

Chapters 2 and 3 are by political scientists and experts in international relations and provide the geopolitical context for this study. Francis Schortgen from University of Mount Union (USA) discusses how BRI marks a new era of Chinese economic global leadership. This leadership was created to some extent by a power vacuum left by Washington's withdrawal from the TPP in 2017. Xi Jinping's defense of economic globalization at every major international event marks a new doctrine in a Chinese desire

to rise peacefully and powerfully. Francis Shortgen concludes that the BRI is nothing less than a new global economic order with China at the helm, reflective of an underlying repositioning of great power relations.

Dovetailing with Shortgen's research is Thomas Lairson's chapter, which examines the interdependence of structural power in China's relations. Thomas D. Lairson—a political scientist with both Jindhal Global University (India) and Rollins College (USA)—develops a framework of deep interdependence and structural power as a primary feature of the strategic environment affecting the design and eventual outcome of the Chinese BRI project. Deep interdependence is a result of the liberal global system established by the United States and is posited to create both opportunities and constraints on China, including the formulation of goals, the design of the BRI, and its ultimate success or failure. Lairson suggests that China needs to develop a nuanced and accommodative set of policies and actions relating to mutual gains, governance through accommodative rules and institutions, and management of internal and inter-state conflicts within the region. He compares the BRI to the post-World War II order of the Marshall Plan. Together with the AIIB, China has the potential to reorganize the Asian security apparatus and its relationship to India, Vietnam, Japan and the United States. Lairson asserts that the BRI project will succeed or fail in creating structural power for China based on its ability to operate within a system of deep interdependence and structural power.

Both Shortgen and Lairson provide a big picture analysis of global and regional geopolitical forces based on the BRI that have the potential to change the world for years to come. The third chapter focuses on China's most important relationship, and perhaps the most influential one for the entire world. The China–United States relationship has been dubbed the G-2, and is seen by some as the cornerstone for the G-7. Xiaohua Yang, Don Lewis, and Steve Roddy from the University of San Francisco (USA), and Diana Moise from the Public International Law Advisory Group (UK) analyze the BRI in relation to the United States in Chap. 4, which examines US business connectivity with China's BRI and provides insights into global cooperation between the world's two largest economies in the emerging digital age. Informed by resource-based and institutional-based views, the analysis shows how potential US connectivity to the