

How Eurasian Integration of China's Belt & Road Initiative defends a Multipolar World Order

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Brief Biography

Prominent international and independent China Strategist. Over 40 years' experience in senior Hong Kong Government positions. Twice handed over to HK's current Chief Executive Carrie Lam as Director-General of Social Welfare and Director-General London. China Futures Fellow, Massachusetts Berkshire Publishing Group; Brain Trust Member, IMD Lausanne Evian Group; Gerson Lehrman Group Council Member; Thomas Reuters Expert; Senior Analyst with Wikistrat. Elected Member, Royal Society for Asian Affairs. Advisory Board Member, e-Centre, European Centre for e-Commerce and Internet Law. Think-tank Research Fellow, Beijing Normal University, Zhuhai Campus. Visiting Professor, London Metropolitan University Business School. Honorary President, China Hong Kong Economic and Trading International Association. Formerly Governing Council Member, King's College London; Advisory Board Member, China Policy Institute of Nottingham University; Visiting Professor, Sun Yat-sen University Business School (2005-10). In the 1980s, oversaw Hong Kong's industrial transmigration into Mainland China and helped launched Quality Campaign and Technology Centre. Invited by US government to month-long visit in 1990 to brief Fortune 50 CEOs personally, including one-on-one with Steve Forbes of Forbes Magazine, on China post-1989. In 2002, invited by Prince Andrew for a private briefing leading to HRH's first official visit to China as UK's Ambassador for Trade and Investment. Advised on cross-cultural management in Lenovo's take-over of IBM Computers. Invited as Editor-at-large for an international consultancy on China's energies. Regular contributor, commentator, and speaker on China at international conferences and interviewee on prominent international TV channels worldwide including BBC, Sky, CNN, ABC, Aljazeera, RT, TRT, Times Now, Chanel News Asia, CGTN, National Geographic, etc. Topics include trade, finance, economics, geopolitics, international relations, science and technology, sustainable industrial development, and green cities. Graduate qualifications from University of London, postgraduate qualifications from Cambridge University, PMD from the Harvard Business School, and solicitors' qualifying examination certificate from the Law Society, London. Included in UK's Who since 2002. Awarded Silver Bauhinia Star (SBS) in July 2005 Hong Kong Honors List.

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Abstract

In face of “America First” hegemony, China advances its Belt and Road Initiative (B&R) integrated with Russia’s Eurasian Economic Union in defense of a multipolar world order, which China has benefited from immensely during past decades. The B&R is designed as a key strategy to realize the China Dream of historic renaissance, purging the national demon of “century of humiliation” at the hands of foreign aggressors. The B&R is reinforced by China’s multifaceted footprints in Western Europe, Central Asia, Middle East, Africa, South America, and the Arctic. This is happening as the world’s tectonic plates are shifting. Without forming a rigid geopolitical bloc reminiscent of the Cold War, China and Russia, as “continental powers”, are forming a marriage of convenience to rival a loose coalition of US-led Western “maritime powers”. In this “Game of Thrones”, the broader developing world, representing the “Rise of the Rest”, is playing an important part. Rising from being laggards, it now accounts for 60% of the world economy and is becoming a key contributor to global growth. As the largest developing country (in terms of per capita GDP and other measures), China is practitioner par excellence in cementing an intertwined, interconnected, inter-dependent, and digitized global production and value chain, encompassing many developed and developing countries. The world can no longer be easily bifurcated as the United States would like in order to isolate, exclude and contain a rising China, now firmly branded as America’s overarching strategic rival. On the other hand, notwithstanding its rising clout, China struggles with worsening perceptions of its economic and geopolitical ambitions. The B&R faces accusations of a “debt trap” and a “road” leading only to China. Perceived authoritarianism and lack of tolerance for dissent continue to tarnish China’s global image. An all-out American “China Scare” is raging across the aisle on Capitol Hill, pushing back against China in trade, technology, military, and ideology, encompassing Xinjiang, Taiwan and Hong Kong. Geopolitically, many countries do not wish to choose side and increasingly adopt a hedging strategy. At the same time, the Trump administration has withdrawn from the Paris Agreement on Climate Change, torn apart a hard-won multilateral nuclear deal with Iran, and begun to abrogate commitments in multilateral institutions including the United States and the World Trade Organization. How China and the rest of the world navigate these turbulent waters will affect the stability and shape of a multilateral world order for decades to come.

Key Words

Multipolar, Continental powers, Global value chains, Belt and Road, America First, Asian Century

Whys and wherefores of America’s “China Scare”

During the Cold War with the former Soviet Union, the Nixon Administration saw fit to woo Maoist China to the American camp. Thereafter, the collapse of the Soviet Union ushered in an era of unchallenged American global hegemony. American military, economic, financial, technological, cultural and institutional powers, not to mention the dollar, reigned supreme. Many developing countries became “democratized” following the so-called *Washington Consensus* (1) of liberal and free-market socioeconomic policies. Few disputed the arrival of a

unipolar world order built by the United States. This sentiment was exemplified by Francis Fukuyama's epic tome – "*The End of History*". (2)

American and other Western multinationals opened up many parts of the world linking them into global production and value chains facilitated by such institutions as the World Trade Organization (WTO). China was admitted as a Member in the hope that by opening-up further, it would help expand globalization and become a "responsible stake-holder" of the extant world order, in a way, more like "us".

The global financial crisis of 2007-8 exposed the irresponsibility of untrammelled liberal financial policies, while eminent scholars like Nobel Laureate Joseph Stiglitz laid bare "*Globalization and its Discontents*" (3). Less developed nations blindly followed the *Washington Consensus* with disastrous results. Domestic industries failed to develop when stifled by foreign competition. Multinationals took resource-rich, poverty-stricken countries to the cleaners, leaving them with ecological degradation. Some pharmaceutical conglomerates surreptitiously cut corners with people's well-being in host countries, as dramatized in such Hollywood movies as "*The Constant Gardener*" (4).

Russia's President Putin never forgets how the former Soviet Union fell apart by following the so-called "*Harvard Formula*" of hastened economic liberalization (*perestroika*) and political reform (*glasnost*), all within 500 days.

Meanwhile, after joining the World Trade Organization, China has been developing by leaps and bounds, benefiting hugely from world-wide production and value chains, of which China has entrenched herself as a global hub. Across the world, shopping malls and department stores are replete with a vast array of competitively-priced "Made in China", Western-branded, products including those of very high-quality. Most of the world's trade converges towards China's ports and business centers. China is now home to seven of the world's top ten container ports, including Hong Kong (occupying the 1st, 3rd, 4th, 5th, 7th 8th and 9th positions). (5)

China has become the world's largest manufacturer, trader, exporter, and the world's second largest economy. While barely a few decades back, China was one of the poorest countries, in January 2020, China's per capita Gross Domestic Product (GDP) exceeded US\$10,000 for the first time, according to China's National Bureau of Statistics. (6)

President Xi Jinping champions a “*China Dream*” (7) of national renaissance expressed in terms of the “*Two Centenary Goals*” (8). However, rather than being viewed as a stakeholder of an America-led world order, China’s resurgence is perceived to be challenging the established liberal world order defined by American leadership. China’s ambitious “*Made in China 2025*” (9) plan to lead in 21st century technologies including artificial intelligence, robotics and 5G, threatens to eat America’s lunch. Her assertive posture in the South China Sea, with sandbanks rapidly changed into fortified islands, threatens to turn it into a Chinese lake. Moreover, notwithstanding WTO membership, China is considered to be gaming the system with forced intellectual-property transfer, commercial espionage, and “rapacious” trading practices.

At home, President Xi’s apparent authoritarian tilt is at odds with cherished Western values. There is now a bipartisan “*China Scare*” reaching a crescendo, pushing back against China on all fronts. Not confined to a trade war, flashpoints extend to cutting-edge technologies like 5G (of which Huawei is the poster child), the South China Sea, Xingjian, Tibet, Taiwan and Hong Kong. Across the aisle on Capitol Hill, in the eyes of American hawks, China has become unspoken public-enemy No.1.

***America First* undermining multilateralism**

Notwithstanding dilution of its dominance, United States power elite, exemplified by President Trump, remains convinced of “*American exceptionalism*” (10). America’s historical trajectory and global power are derived from founding values and institutions. This renders the United States a “*City Upon a Hill*” (11), a beacon of hope for the world. President Trump thus feels righteously entitled to do whatever it takes to safeguard American interests and the liberal world order America has helped shape. A rapidly-rising China has now been firmly identified as America’s predominant rival and ideologically-different challenger that needs to be pushed back on all fronts.

Separately, “*America First*” imperatives have not shied from abandoning commitments originally designed to uphold global higher values and standards, such as the Paris Accord on Climate Change and the Trans-Pacific Partnership (TPP) on international trade. Even American allies are not exempt from these rigors. Long-established trade relations such as the North America Free Trade Agreement (NAFTA) are up-ended and possible trade sanctions are threatened against Germany and France.

There is also a perceptible American reluctance to honor past commitments in multilateral organizations like the United Nations (e.g. financial contribution) and the WTO (e.g. supplying trade dispute resolution judges). Moreover, there is greater readiness to ignore international norms. A hard-won multilateral 2015 Iran nuclear deal, the Joint Comprehensive Plan of Action (JCPOA), which involved a number of Western allies, has been unilaterally torn up. Recently, one of Iran's top generals was openly assassinated using military drone by order of President Trump.

With *America First* on the rampage, allies are cajoled to fall in line. However, while remaining dependent on American global power, many are unwilling or can ill-afford to take sides in a deeply inter-dependent and inter-connected world. More are hedging against American unpredictability. For example, Japan still harbors deep-seated anxiety about a rising China and is actively playing the role as a key member of the US-inspired anti-China Quadrilateral Security Dialogue (QUAD). Nevertheless, Japan's Prime Minister Abe is starting to mend fences with President Xi.

What is more, with heavy doses of *America First*, the world is beginning to wonder what American global leadership stands for.

Historical background of China's Belt and Road Initiative (B&R)

For nearly two millennia, up to the late 18th century, the Middle Kingdom, as the name implies, remained the center of the Eastern world. According to Professor Angus Maddison (now deceased), Emeritus Professor at the Faculty of Economics at the University of Groningen in The Netherlands (12), the Han Dynasty (206 B.C. to 220 A.D.) accounted for an estimated 26% of global GDP. This rose to high water marks of about 58% during the Tang Dynasty (618 to 907 A.D.), some 80% during the Song Dynasty (960 to 1270 A.D.), 30-35% during the Yuan Dynasty (1271- 1368 A.D.), 45-55% during the Ming Dynasty (1368 – 1644 A.D.) and about 35% during the heydays of the Qing Dynasty (1644- 1922).

Similar to other Asian powers, the Middle Kingdom's former status as a pre-eminent Eastern empire was largely by virtue of its status as a continental power, backed by land-based military might. Founding the Yuan Dynasty, by 1300 A.D., the Mongol Empire extended to large tracks of the Eurasian continent (13).

Overland, China's ancient trading Silk Road started in the early Han Dynasty with an imperial envoy Zhang Qian. From China's ancient capital of Chang On (now

Xi'an), its two Westward routes skirted the Taklamakan Desert to converge at Kashgar in Xinjiang. It connected Tashkent and Bukhara in Uzbekistan, where one branch split southward across Afghanistan to the Indian subcontinent. Another route went westward through Merv in Turkmenistan, embracing Baghdad in modern-day Iraq. It extended to Antioch (Turkey) and Tyre (Lebanon) and proceeded along the eastern Mediterranean coast, linking outward by sea with ancient Rome.

A parallel maritime trading route opened in the first century A.D., linking Canton (Guangzhou), across the Strait of Malacca and Bay of Bengal through the Persian Gulf and the Red Sea to the Roman East Mediterranean.

The emergence of the Middle Kingdom's global sea power occurred during the Ming Dynasty. The exploits of Admiral Zheng extended the Kingdom's tributary power system through seven distant sea voyages (1405- 1433 A.D.), covering the bulk of South East Asia and as far as India, the Arabian Peninsula, and east Africa. These massive maritime expeditions were driven by the most advanced ocean-going ships and naval technologies in those days.

The first-voyage armada boasted 317 ships with 28,000 crewmen. A 4-decked "mother ship" *Baoshan* was estimated to measure between 440 to 538 feet long and 210 feet wide, with displacement of some 20-30,000 tons, roughly a third to half of a modern American aircraft carrier. Each of these "mother ships" had nine masts with individually-navigable square sails. The Yongle Emperor ordered 62 or 63 of such ships for Zheng He's first voyage. Another 48 were ordered in 1408, plus 41 more in 1419, along with 185 smaller ships throughout these expeditions. (14).

However, during the reign of Emperor Hongxi (1378 – 1425 A.D.), a palace plot hatched by opposing mandarins reduced the Middle Kingdom's maritime power ambitions into a mere historical flash in the pan. All ocean-going vessels were grounded or destroyed, along with related ship-making and navigational technologies and infrastructure. This ill-judged historical self-destruction was followed by centuries of naval-gazing self-aggrandizement, blind to the First Industrial Revolution which propelled the transcendence of global Western maritime powers, including Portugal, Spain, and Great Britain.

Century of Humiliation and the China Dream

China's world status rapidly declined towards the latter periods of the corrupt Qing Dynasty, leading to subsequent partition and spoils exacted by Western invaders along its eastern seaboard.

At the inauguration of Hong Kong's Chief Executive (Carrie Lam) on 1st July, 2017, to contrast how weak and backward the Motherland used to be, President Xi said, "*In the early 1840's, Britain sent an expeditionary force of a mere 10,000 troops to invade China and got its way in forcing the Qing government, which had 800,000-strong army, to pay reparations and cede the island of Hong Kong*". He did not elaborate on China's subsequent conquest by Japanese imperialists, followed by decades of civil war, internal strife, famine and abject poverty including the early years after the founding of the People's Republic of China in 1949.

The demon of "*Century of Humiliation*" remains deeply etched in the hearts and minds of generations of Chinese people. That's why, despite warts and all, the Communist Party's stewardship of China's remarkable rise in recent decades continues to enjoy extremely high popular support by international standards. According to an Edelman survey on public trust in government, China has the world's highest rating, at 88%, compared with 42% in Britain, and 40% in the United States (15)

Belt and Road Initiative (B&R)

Apart from realizing the China Dream, B&R is designed to cement China's key strength of *global connectivity*. The Initiative encompasses such areas as infrastructure, trade, finance, policy and people-to-people interaction. Other considerations include internationalization of the *Renminbi (RMB)*, the Chinese currency, better utilization of China's *excess production capacity*, and *redressing China's regional disparities*.

The B&R is expected to cover 126 countries, representing 65% of world population and more than 40% of global GDP. Potential investment is estimated at \$5 trillion. Not only is it many times larger than America's former Marshal Plan (some \$120 billion in today's money), it is totally dissimilar in scope, depth and modus operandi.

The following map serves to illustrate the two-pronged global connectivity of the B&R: a maritime "*silk road*" through South East Asia, the Indian Ocean, the eastern shore of Africa, through the Mediterranean onto Venice, and an overland

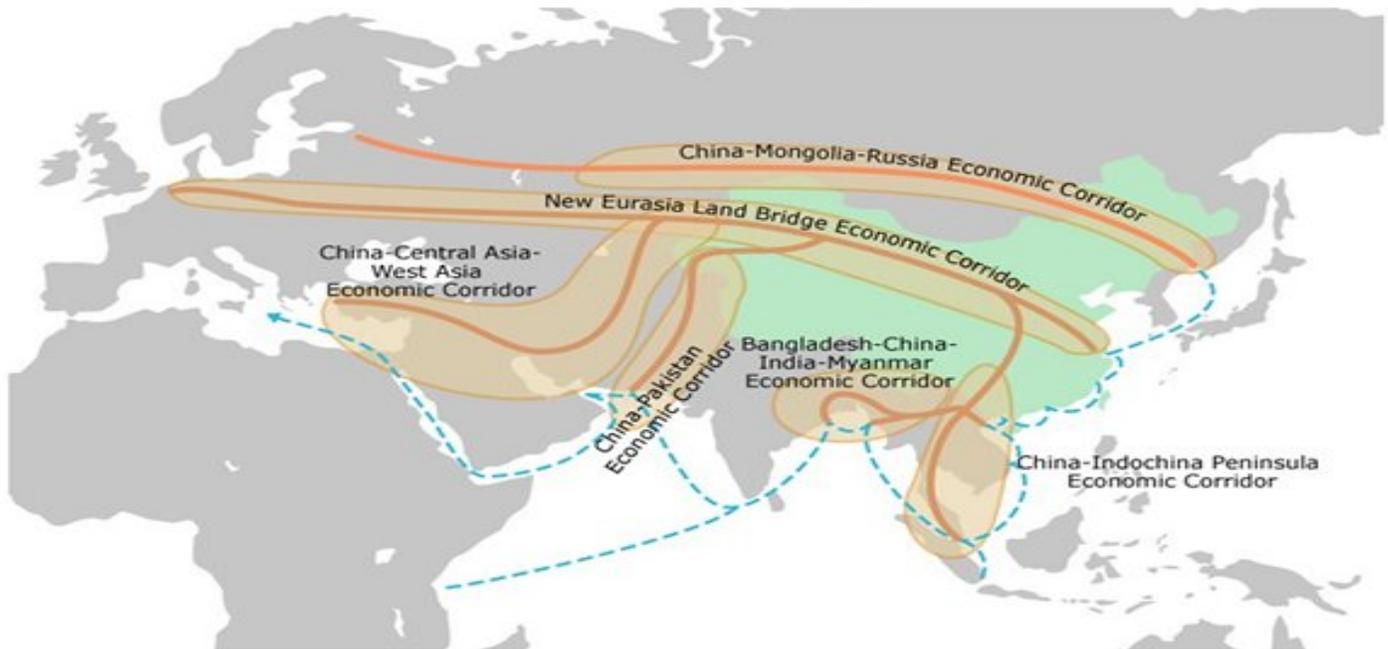
transcontinental “*economic belt*” from Venice to connect Europe, across Eurasia to terminate at China’s ancient capital of Xi’an, where the ancient Silk Road began.

The Belt and Road Initiative: Maritime Silk Road and Overland Economic Belt



Imbedded into the B&R are six transnational economic corridors as illustrated in the following map -

The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa



According to the McKinsey Global Institute (16), to keep pace with projected growth, the world needs \$3.3 trillion worth of economic infrastructure annually through 2030. B&R is thus a timely response.

Nowhere else illustrates the dire need for connecting transport infrastructure better than the land-locked, resource-rich, developing countries in **Central Asia**: Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan. (17) They stand to benefit hugely if they could more easily export their cornucopia of natural resources and other products with modern transport and other logistical infrastructure.

These land-locked countries are core members of the **Shanghai Cooperation Organization (SCO)** (18), a Eurasian political, economic, and security alliance founded by China and Russia. It now includes India and Pakistan as Members, while Afghanistan, Belarus, Iran and Mongolia are admitted as Observer States. Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka and Turkey are granted Dialogue Partner status while ASEAN, CIS (Commonwealth of Independent States), Turkmenistan and the United Nations are accorded rights of Guest Attendance. Many of these countries host the B&R. As the SCO excludes Western powers per se, its growing influence in the Eurasian region represents a dynamic power center in a multipolar world.

Another B&R objective is to break free from the United States' containment strategy, exemplified by Obama Administration's "*Pivot to Asia*", which purported to move 60% of America's naval assets to the region. The bulk of China's economic lifeblood of goods, oil and raw materials passes through the Malacca Strait (outside Singapore), which is controlled by the US Seventh Fleet. Much of China's oil is transported from the Middle East through the Strait of Hormuz outside Iran. These strategic "*choke points*" are beyond China's control. B&R creates alternative, safer supply routes and economic linkages in the form of sea ports, gas-and-oil pipelines, and trade and investment flows running through friendlier countries. It's **China's "pivot to the West"**.

China's **Middle East** influence is well-timed. With discovery and extraction of abundant domestic shale gas and oil resources, the United States is now a net energy exporter. Its relations with the Middle East (save Israel) including Saudi Arabia have become less paramount. Additionally, major Arab oil producing countries are alive to global trends towards renewable energies and sustainable development. They are attempting to diversify their economies for the sake of

long-term economic viability. As the world's largest energy customer, the biggest trader and a massive investor in foreign assets, China, with its B&R connectivity, is an alluring Middle East partner.

The Middle East dimension of the B&R is reinforced at the eighth Ministerial Meeting of the China-Arab States Cooperation Forum (CASCF) in July, 2018, bringing together foreign ministers of 22 Arab League member states. A “China-Arab League” of strategic partnership in comprehensive cooperation and common development was announced. Also introduced was a plan for Chinese-developed industrial parks in Oman, Saudi Arabia, Egypt and the UAE, connecting with regional ports in Djibouti, the UAE and Egypt. The plan uses the term “*Two Wheels*” to refer to cooperation in oil-and-gas and low-carbon energy, and the term “*Two Wings*” for enhanced cooperation in science-and-technology as well as finance. (19)

Major headwinds against the Belt and Road

From initial indifference, the United States is now pushing back against the B&R, which is seen as part of “*The Hundred-Year Marathon – China’s Secret Strategy to Replace America as The Global Superpower*” (20).

At a November 2018 Asia-Pacific Economic Cooperation (APEC) meeting, Vice President Mike Pence referred to B&R as a “constricting belt” and a “one-way road”. The Washington-based Petersen Institute for International Economics reported that the United States is branding B&R loans as “predatory lending” creating a “debt trap”, and that the it may veto any IMF rescue for B&R borrowers.

On 5 October 2018, a Better Utilization of Investments Leading to Development (BUILD) Act was passed in Congress. A U.S. International Development Finance Corporation (“USDFC”) is established, combining the US Overseas Private Investment Corporation (OPIC) and USAID’s Development Credit Authority. With \$200 million in program funds, the US initiative is designed to bring better-managed, private-sector-led funding to the developing world.

On “*debt trap*” accusations, the Washington-based Centre for Global Development headed by Larry Summers has found only 8 out of 68 B&R borrowers to be debt-distressed. During the period 2000-17, there were 1,000 Chinese loans in Africa totalling \$143 billion. According to Deborah Brautigam, a renowned African expert with John Hopkins University, China’s lending in Sub-Sahara Africa is miniscule compared with private and other official sources excluding China,

particularly from Western lenders. According to Boston University's Global Development Policy Centre, Chinese loans to Latin America and the Caribbean since 2005 revealed no evidence of "predatory lending".

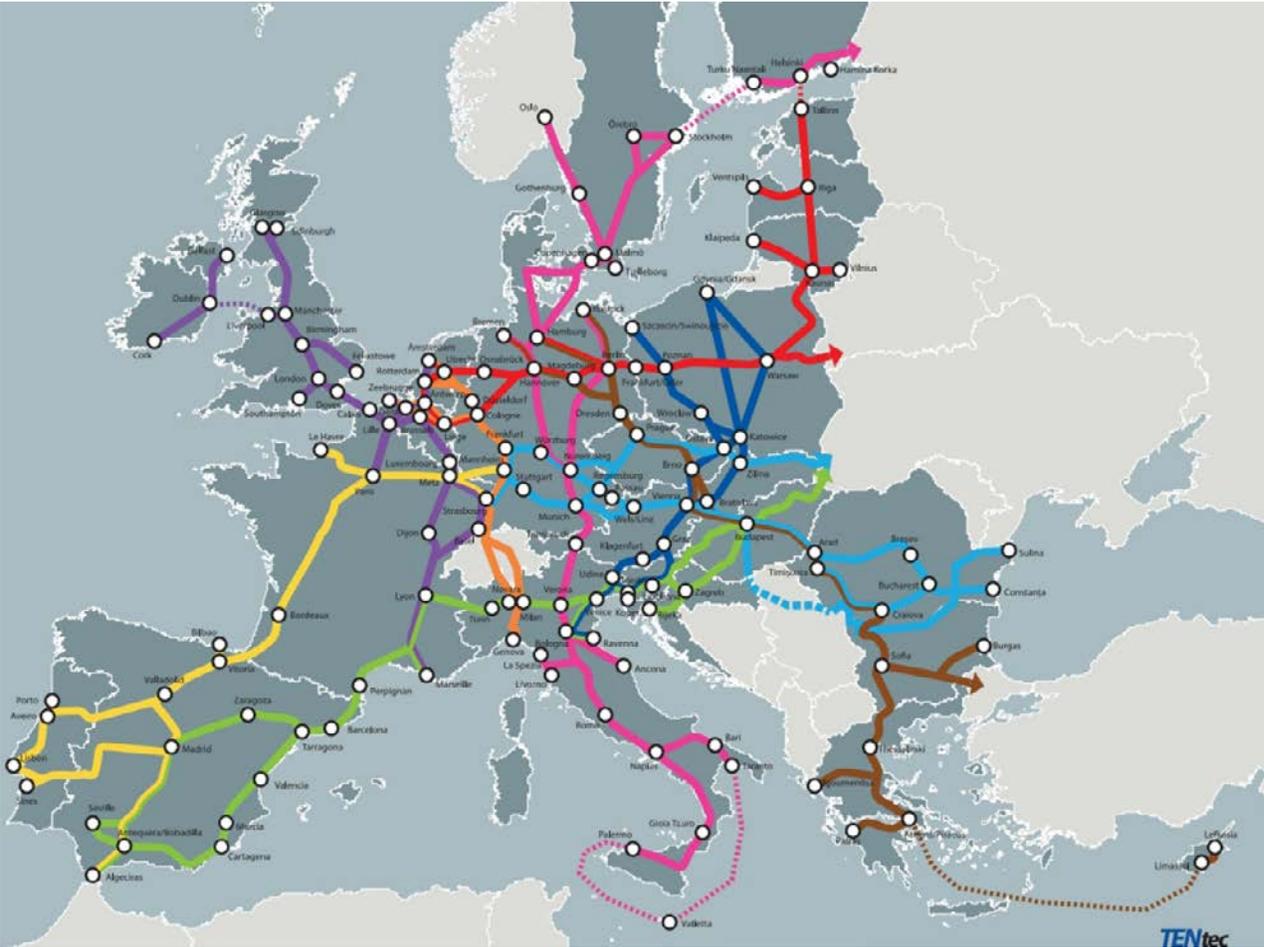
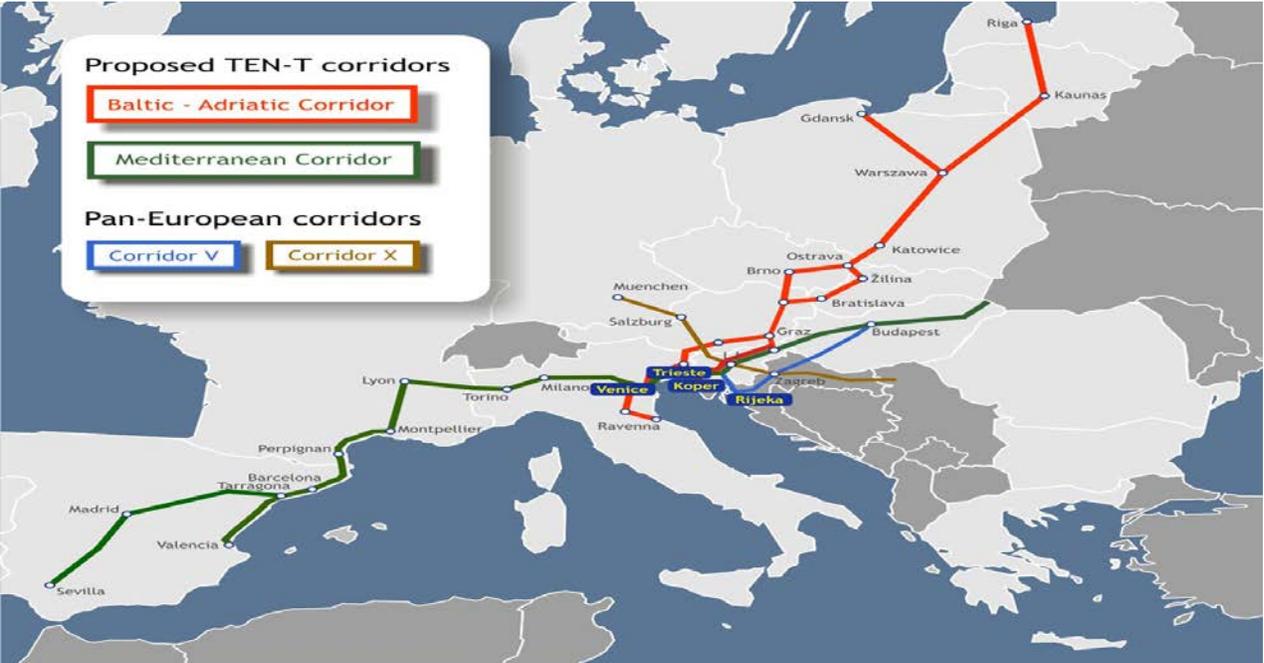
The poster child of alleged Chinese debt-entrapment is Sri Lanka's Hambantota Port. In December, 2017, \$1.1 billion in debt was written off in exchange for a 99-year lease to a Chinese state-owned company on the deep-water port. While corporate governance of B&R lending such as accountability, transparency, debt-sustainability, environmental standards, fair competition etc. leaves a lot to be desired, of Sri Lanka's accumulated foreign debt estimated at \$55 billion, Chinese lenders accounted for only 10% in comparison with Japan's 12%, the Asian Development Bank's 14% and the World Bank's 11%.

Recent Bell & Road developments

Amidst suspicions of divide-and-rule in the European Union, China embarks on a broad-based economic and infrastructural cooperation initiative with 16 Central and East European (CEE) Countries, the so-called 16+1 Framework, as a bridgehead for B&R projects throughout Europe. Chinese premier Li Keqiang, visiting in December 2014, pushed for a multi-party agreement with Macedonia, Serbia and Hungary to set up a '*China-Europe Land-Sea Express*' to facilitate shipping of goods from Greece to Hungary onto western Europe. Amounting to 10 billion Euro, a China-CEE Fund, incorporated in Luxemburg, is sponsored by Export-Import Bank of China together with Hungarian Export-Import Bank to provide B&R funding for CEE host countries.

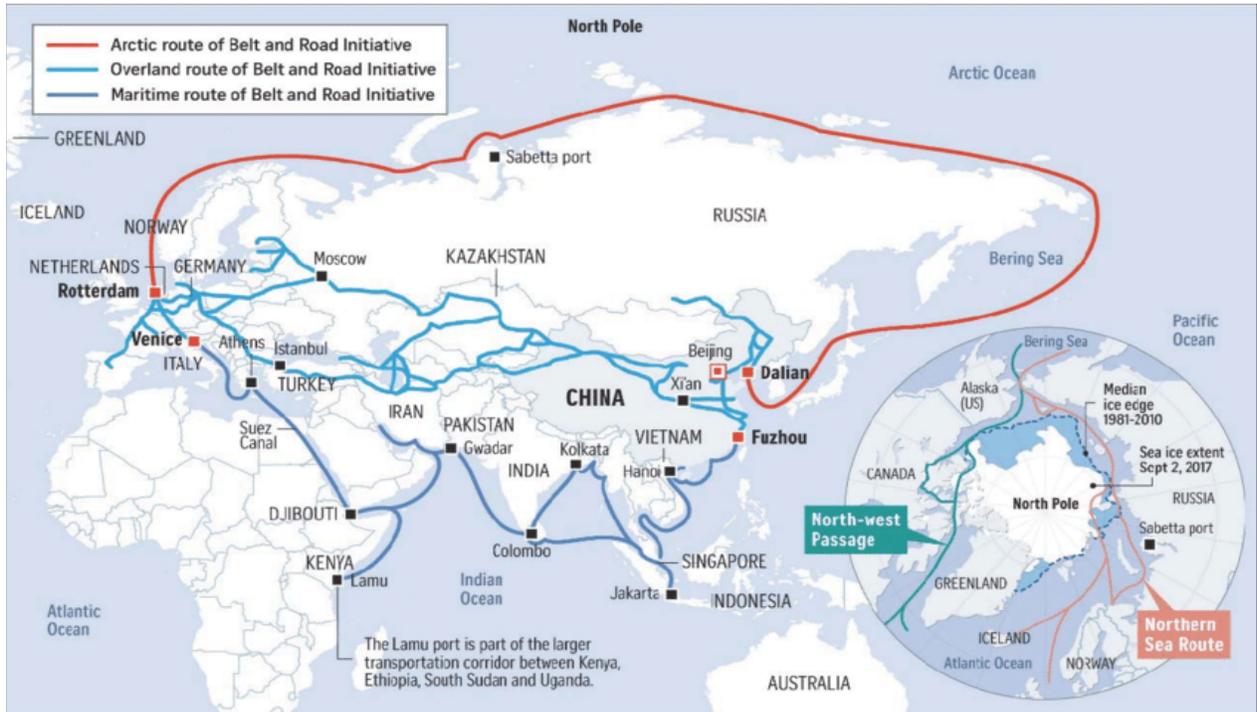
While a great deal of concern and scepticism remains in Western European countries, Italy, for one, has jumped on to the B&R bandwagon. Capitalizing on Venice as the end-point of the Maritime Silk Road, Italy sees great potential in itself as a hub for a 500 billion Euro Plan – the "*Trans-European Transport Network (TEN-T)*", as envisioned in the following maps –

Trans-European Transport Network (TEN-T)



Additionally, resulting from global warming and the gradual melting of Arctic ice, a new dimension of the Belt and Road is added by incorporating a “*Polar Silk Road*”, as illustrated by the following map.

Polar Silk Road



Shipping time between China and Europe via the Arctic would be shorter than the existing one through the Indian Ocean and Suez Canal. In addition to China’s official Observer Status in the Arctic Council, this new B&R extension would help support China’s claimed status as a “Near Arctic State”. Not to mention is China’s interest in the massive potential of helping to utilize and manage Arctic’s wealth of natural resources as the region becomes more hospitable.

China’s Arctic extension could not have come about without Russia’s support. A “*Power of Siberia*” 3,000 km pipeline is to connect to China in a \$55 billion deal between Gazprom and China National Petroleum Corporation (CNPC). This is manifestation of a deepening marriage of convenience as both Russia and China need each other ever more to ward off growing aggression from an *America First* hegemon. (21)

In Asia, viewing China as a rival, India remains resistant to the B&R, seen as a Chinese plot to marginalize India. However, as mentioned earlier, while still distrustful of China, Japan seems to be changing tack, if only to hedge against a

capricious Trump administration bent on *America First*. Despite deep geopolitical and historical divide with China, Prime Minister Abe's recent attempts at rapprochement with President Xi speak volumes. Amongst the Japanese overtures is a more cooperative attitude towards B&R. If anything, the likely calculation is that it's better for Japan to stay in rather than out, if some of B&R's massive opportunities are not to be missed.

A report (22) by China's National Development and Reform Commission estimated that China's cumulative trade with B&R host countries surpassed US\$7 trillion in 2018, with investment of more than US\$30 billion, creating nearly 300,000 jobs in host countries. B&R has also helped build much-needed "soft" infrastructure in these countries such as education, health care and other services.

In Europe, China-Europe freight trains connect Chinese cities to 49 cities in 15 European countries, speeding up connectivity on a broad front. The World Bank estimates that shipping times have been reduced by up to 3.2%, and trade costs by up to 2.8%.

As of 2018, China had signed 171 cooperation documents with more than 150 countries and international organizations. A Belt and Road international science alliance was established in 2018, building technology transfer platforms and science parks with Southeast and South Asia, the Middle East, Central Asia, central and eastern Europe.

Greater involvement of the World Bank and the Asian Infrastructure Investment Bank will help address accusations of "debt traps", adverse ecological impact, lack of transparency and inadequate benefits for local communities.

Wang Huiyao, founder of Beijing-based Center for China and Globalization, a non-government Beijing-based think-tank, suggested that B&R should be internationalized to engage actively with other lenders and stakeholders. According to him, it should join the Paris Club, an informal grouping of creditor nations to find solutions to debtor nations' problems. It should be rebranded as the "Belt and Road International Development Plan" as much more than commercial returns is at stake. (23)

Survival of globalized production and value chains

A McKinsey Global Institute report (24) *China and the world: Inside the dynamics of a changing relationship* dated June, 2019 contains the following insights:

(a) China's exposure to the world in trade, technology, and capital has fallen. Conversely, the world's exposure to China has increased. This reflects the rebalancing of the Chinese economy towards domestic consumption, which contributed 76% of China's GDP growth in 2017-18 while net trade registered a negative contribution.

(b) China's consumer markets are heavily integrated with the world. Penetration by multinational corporations is considerable. Across ten large consumer categories, average penetration was 40% in 2017, compared with 26% in the United States.

(c) China's technology value chains are highly integrated globally. Chinese players have grown rapidly, but struggle with cutting-edge core technologies dominated by advanced countries especially the United States. Examples include high-end semiconductor chips, reduction gears (robotics), and power electronics (electric vehicles).

Intensifying US-China trade war has pushed many manufacturing operations in China to the rest of Asia and other parts of the world. However, many of these operations remain dependent on medium-technology intermediates from China such as specialized parts, components, and supporting services.

On the other hand, China is doubling down on technological self-reliance, accelerating its own vertical integration.

A Report (25) of 21 October, 2019 by Natixis, a French corporate and investment bank, shows that ***China's vertical integration leads to less dependence on Asia's regional value chains***. A Natixis podcast (26) of 31 October reiterates ***the same trend as regards the European Union***:

“EU Member states are generally becoming more integrated with China's value chain. The problem with this development, though, is that such integration with China is increasingly asymmetric. Meaning, China imports increasingly fewer intermediate goods from the EU, but it exports increasingly more intermediates to EU member states for their re-export. The EU depends more on Chinese inputs for exports while China relies less on EU goods for its exports”

A further Natixis Report (27) of 4 November confirms ***the same situation with the United States***:

“Our analysis shows that the US declining participation in the global value chain is driven by both its reduction in exporting of intermediates used for inputs in others’ exports, an area where it generally excels, and its reliance on foreign inputs for its production. At the same time, the US is increasingly dependent on Chinese intermediates for exports while China is reducing its vulnerability to US imports of inputs for exports.”

“Like Europe, the US is not only losing grounds to China in terms of its integration with China’s value chain but also reducing its participation with other regions in the world, such as Latin America, Europe and the rest of Asia.”

Meanwhile, B&R meets ***a global thirst for infrastructural links with the world’s dynamic markets and economies***. As it manages to overcome international headwinds about debt and ecological sustainability, its re-energized momentum is likely to entrench dependence on China’s economy. This begs the question how successful a containment strategy to decouple China from the global supply and value chain is likely to be.

In *Connectography* (28), Parag Khanna argues that the future is shaped less by national borders than by global supply chains and that the most connected powers—and peoples—through trade, investment, infrastructure and other linkages, are likely to win the day. Given time, this may well be true, especially when China’s economy, already the world’s second largest, becomes the largest, which is likely to materialize within the coming decades.

In light of America’s deep-seated “China Scare”, a degree of decoupling is inevitable, at least for the near future. However, global supply chains are not mechanical, involving a complex web of inputs of raw materials, parts, components, distributed technologies, assembly, logistics, sub-contracting networks, customer relationships, integrated markets, economy of scale, and market potentials, which are not all amenable to bifurcation.

Despite headwinds, the developing world becoming increasingly important

Thanks to a slugging world economy, surge of protectionism, trade conflicts, rising indebtedness and stagnating productivity growth, emerging markets, especially the so-called *Emerging and Growth Leading Economies* (EAGLES) (29), which used to lead in contributions to global growth, are losing their shine. (30)

In its January 2020 Report (31), the International Monetary Fund (IMF) cuts global GDP forecast for 2020 from 3.4% to 3.3%, with the ‘lion’s share’ of downward

revision attributed to weaker growth in India. A slowing China's prospects are slightly upgraded from 5.8% to 6% due to a temporary truce in the US-China trade war, but are expected to slide back to 5.8% in 2021, owing to ongoing conflict between the world's two largest economies.

Nevertheless, while China's growth is the slowest in 30 years, anything over 5% annual growth is still a highly respected growth rate for the second largest economy in the world. To use an analogy, it's one thing to make 10% on a capital of \$10. It's a totally different ballgame on a capital of a trillion dollars.

In any case, while the whole world is going through a slower patch, dependence by Western and developing economies alike on China's upgraded production and value chain largely remains, as pointed out earlier. (32) This is being reinforced by the B&R.

At the same time, the *world's pendulum has been swinging east*, as pointed out in *Easternization: Asia Rise and America's Decline – From Obama to Trump and Beyond* (33) and *The Future is Asian – Global Order in the Twenty-First Century* (34). As the world tilts towards the East, China's global connectivity matters even more.

In terms of a multipolar world, a dynamic hotspot to watch is *Africa*.

Albeit trapped by inadequate soft and physical infrastructures and poor governance, Africa remains a dynamic continent with the largest untapped economic and geopolitical potential. Thanks to its massive demographic dividend, growth in education, and better governance, six of the top ten fastest growing economies are now in Africa, according to the World Economic Forum (35). It is also destined to be home of the largest population in the world. By the end of the twenty-first century, there is a strong chance that 30% of the world population will be African. (36)

More African countries are looking upon China as their biggest trading partner and source of funds for much-needed infrastructure. Some are trying to emulate part of China's model of governance. China operates 54 Confucius Institutes in Africa, as many as the number of African nations. (37). China is committed to providing 50,000 training opportunities to African countries for government officials, opinion leaders, scholars, journalists, and technical experts. (38) While China may not be the biggest investor (as distinct from infrastructural project financing) in Africa (39), China's presence in Africa is ubiquitous. In a way, it's almost *China's Second Continent*, according to Howard French (40). It's no wonder that China can

often counts on African nations' support for its stand in the United Nations General Assembly.

Dominance of America's military, technology, and even the Dollar becoming uncertain

A key consideration for reliance on American protection is its unmatched military superiority. While no other country comes close to US overall military sophistication, technological advance, readiness and global reach, the gaps are narrowing in several critical areas as far as China and Russia are concerned.

China has been rapidly developing a blue-war navy including multiple aircraft carriers and nuclear submarines. It has built fortified islands out of sandbanks on the South China Sea. Equipped with hordes of mobile mid-range high-precision anti-ship missiles, modern submarines and under-water military devices, China has effectively developed capabilities to deny access to critical sea-lanes-of-communication in a potential military conflict in the South China Sea, America's nuclear aircraft-carrier battle-groups and *Freedom of Navigation Operations* (FONOP) notwithstanding (41). A report in the South China Morning Post dated 18 January, 2020 poses the question if the US has already lost the battle for the South China Sea. (42)

An expose dated 18 December, 2019 in The National Interest, refers to a new "*Missile Gap*", begging the question if America is losing to Russian and Chinese state-of-the-art hypersonic weaponry. (43)

Technologically, as a new era of digitization unfolds, China is *threatening America's lead in the global artificial intelligence race*, according to President Donald Trump's head of technology policy. (44) As regards 5G, another cutting-edge technology, the agony of Western allies over *Huawei, China's global tech giant with much 5G infrastructure already imbedded in Western countries*, speaks volumes.

Additionally, the Trump administration's aggressive use of tariffs and sanctions is beginning to undermine global trust in *the greenback*. Recourse is sought by using alternative currencies, currency swaps, direct trade settlements, and even state-backed digital currencies, according to a leading article in The Economist (45). China, for one, is expected to launch the world's first digital currency (46). With the B&R, and backed by strong reserves, China's renminbi, while in no way displacing the mighty dollar, is set to gain ascendancy.

Conclusion

America's apparent retreat from global responsibilities coincides with China's ascendance in economic, financial, technological, military and geopolitical clout. Unlike early Maoist days during the old Cold War, China has not been exporting Communism. Nor can China's model of development be readily replicated by other countries. In any case, given a mountain of domestic and external challenges, including the so-called "*Middle Income Trap*" (47), China remains unable and unwilling to shoulder the responsibilities of the United States as a global leader and hegemon any time soon. The mantra of a "China Scare" thus appears over-hyped.

China has been imbedded in a multilateral world order from which she has benefited massively. When she overtook the United States as the world's largest trading nation in 2013 (in purchasing-power-parity terms), China was the largest trading partner to 124 nations, a lot more than any other country on the planet (compared with 76 nations for the United States). (48) While not necessarily China's allies, these and other strategic partners, including Russia and the bulk of the developing world, add wind to China's sail in upholding a multipolar world order, countering American unipolar tendencies.

"*America First*" imperatives are upending global institutions like the WTO and tearing up multilateral agreements like the Paris Accord on Climate Change and the nuclear deal with Iran. An unprecedented trade war against China has disrupted global supply and value chains. More of such wars loom on the horizon with slant exemption for American allies such as the European Union. This is already resulting in some pushback by America's traditional allies, including Germany, France and the United Kingdom. In any case, unless without recourse, powers do act in their considered best self-interest. For example, regardless of US warnings, all were amongst the first to join the China-led Asia Infrastructure Investment Bank (AIIB).

A new era is unfolding with China's epochal renaissance. The pendulum is swinging towards a new Asian Century or "*Easternization*", and an awakening Africa. These dynamics are driven by deepening globalization and multipolar connectivity, where China with the B&R linking the Eurasian continent plays a pivotal part.

Critical global issues like Climate Change, water scarcity, ecological degradation, nuclear proliferation, cybersecurity, terrorism and regional conflicts cannot be resolved by any single country alone, however powerful. This reality lends support

to China’s espousal of a “*Community of Common Destiny*” for mankind (49), allowing for shared interests, mutual respect, and inclusive diversity.

While China is facing many headwinds pushing back against its “authoritarian” model, its “unfair” trade practices, and perceived drawbacks of its B&R Initiative, given wide support for multilateralism by many developed and developing countries, a super-globally-connected China is well-paced to deepen and help improve the functioning of a multipolar world order against attempts to break it with a unipolar wrecking ball.

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- (2) Francis Fukuyama, *The End of History and the Last Man* (Free Press, 1992), which claims that in light of the proven success of liberal democracy, there can be no progression to an alternative system.
- (3) Joseph Stiglitz, *Globalization and Its Discontents* (W.W. Norton & Co., 2002)
- (4) *The Constant Gardiner* (2005), starring Ralph Fiennes et al, [https://en.wikipedia.org/wiki/The_Constant_Gardener_\(film\)](https://en.wikipedia.org/wiki/The_Constant_Gardener_(film)) (accessed 19 January, 2020)
- (5) World Shipping Council, ‘*Top 50 World Container Ports*’, <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports> (accessed on 19 January, 2020)
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- (7) ‘*China Dream*’ is consistently used by President Xi Jinping to refer to the goal of "the great rejuvenation of the Chinese nation”, expressed in terms of the ‘*Two Centenary goals*’ – see footnote (8) below.
- (8) ‘*Two Centenaries*’ – (1) to become a relatively well-off country by 2021, the centenary of the Communist Party of China and (2) to become a "*strong, democratic, civilized, harmonious, and modern socialist country*” by 2049, the centenary of the People’s Republic of China
- (9) ‘*Made in China 2025*’ is a national plan announced in 2015 to upgrade China’s technology capabilities in order to lead in ten cutting-edge technologies by 2025 – information technology, robotics, green energy and green vehicles, aerospace equipment, ocean engineering and hi-tech ships, railway equipment, power equipment, new materials, medicine and medical devices, agricultural machinery. https://en.wikipedia.org/wiki/Made_in_China_2025 (accessed on 20 January, 2020)

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