

Chinese Economic Pragmatism: The Belt and Road Initiative

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Abstract

In recent years, China superseded Japan as the world's second-largest economy and Germany as the world's biggest exporter of merchandise. As its economic expansion is continuing, China makes efforts to identify and exploit new sources of growth and development. In this respect, China has launched and promoted its Belt and Road Initiative since 2013. The goals of the paper are to briefly describe the Belt and Road Initiative and to illustrate the Chinese economic pragmatism in this case. The authors achieved the objectives of the paper by using a quantitative method. The information was gathered through a comprehensive literature review from various sources of secondary data. The paper demonstrates the Chinese economic pragmatism in launching, developing and supporting the Belt and Road Initiative.

Key words: Belt and Road Initiative, China, Silk Road, economic corridor, economic pragmatism

J.E.L. classification: F00

1. Introduction

The past decades have witnessed China's impressive economic development. At the end of the 1970s, China was a low-income country after a painful period of famine in the 1950s and of the Cultural Revolution starting from the 1960s (Zhu, 2012). Since the introduction of the free market reforms and the opening to foreign trade in 1979 under the so-called 'open door' policy, the pace of China's economic transformation has been among the fastest in the world (e.g., China's gross domestic product (GDP) in 2009 was 18.6 times that of 1978) and turned China into the second economic superpower of the world and a global giant (Paus *et al*, 2009; Angang *et al*, 2011; Morrison, 2013; Studwell, 2013; Raschen, 2017). By adopting pragmatic and gradual economic reforms China superseded Japan as the world's second-largest economy and Germany as the world's biggest exporter of merchandise (Lin, 2013). In fact, three phases of reforms have been distinguished in China as follows: market-seeking reforms (1978-1993), market building reforms (1993-2003), and market-enhancing reforms (from 2003 onwards) (Hofman, 2018).

According to the 13th Five-Year Plan, the development of a socialist market economy has remained a top priority for the period 2016-2020 (Central Committee of the Communist Party of China, 2016). In this regard, both roles of the market (e.g., resource allocation) and of the government (e.g., ensuring fair competition) are important in order to strengthen the Chinese socialist market economic system (Tanaka, 2015). The gradual replacement of a centrally-planned with a predominant market-based economy within its specific economic model of 'Socialism with Chinese characteristics' and the achievement of an average economic growth of approximately 10 percent yearly (World Bank, 2018) led China to obtain an enormous \$23,160 bn GDP measured at the purchasing power parity in 2017 (Central Intelligence Agency, 2018).

As the Chinese economic expansion is continuing, the Red Dragon (Borbón, 2016) makes efforts to identify and exploit new sources of growth and development. In this sense, China has launched and promoted its Belt and Road Initiative (BRI) since 2013. China strives for building a modern and prosperous New Silk Road in the 21st century in order to strengthen regional economic cooperation and integration, and to stimulate economic growth (Hu *et al*, 2017). In recent years

much attention has been devoted to understand and assess the impact of the BRI both in China and worldwide (Ernst and Young, 2018).

The objectives of the paper are to briefly describe the BRI and to illustrate the Chinese economic pragmatism in the case of this spectacular initiative. The remaining sections of the paper are organized as follows: Section 2 presents the literature review. Section 3 displays the research methodology. Section 4 provides a discussion of the findings. Paper ends with conclusions.

2. Theoretical background

The key concept of the paper is the BRI. Since the Chinese President Xi Jinping has announced with great fanfare the launching of the BRI in 2013 a torrent of papers and books about this initiative have been published. Opened up by the Chinese General Zhang Qian in the second century BC, the Old Silk Road represented a huge network of land and maritime trade and communication paths linking the Far East with Europe (UNESCO, 2008). In its beginning the Silk Road connected Han China with imperial Rome and flourished from roughly 100 BC to around 1450 (Andrea, 2014). The merchandise produced and traded along the route included mainly silk, woolen and cotton textiles, carpets, draperies, tapestries, tea, and porcelain (Nolan, 2017). Under the rule of Han dynasty, silk became not only a luxury product but also an international currency (Frankopan, 2015).

There are two main components of the New Silk Road (the BRI): the Silk Road Economic Belt and the Maritime Silk Road Initiative (Figure 1). The Belt refers to the building of trade and industrial corridors, energy infrastructure and transport routes across the Eurasian continent in order to better connect China to Europe while the Road relates to the maritime Silk Road and, therefore, to the creation and development of a multitude of trade routes, starting from the South China Sea through the Indian Ocean, Red Sea, and Suez Canal, to the Mediterranean Sea, in order to better connect the Red Dragon to Africa, Middle East and Europe (Balaam *et al*, 2017; Miller, 2017).

The problem of funding the BRI imposed China the setting up of a \$40 billion Silk Road Fund (SRF) and of a \$50 billion Asian Infrastructure Investment Bank (Blanchard *et al*, 2017). Also, other financial institutions such as the State Administrative of Foreign Exchange, China Development Bank and Export-Import Bank of China have started to pour money into the numerous and vast projects of the BRI.

Figure no. 1. The Silk Road Economic Belt and the 21st Century Maritime Silk Road



Source: (Tian, 2014)

The Old and the New Silk Road represent two historical connected projects created, implemented and developed by China in different periods of time of its millennial existence.

3. Methodology

The authors achieved the objectives of the paper by using a quantitative method. The information was gathered through a comprehensive literature review from various sources of secondary data, such as articles, books, and reports, from the domains of economics, geopolitics, public policy, international relations, and history. The research was carried on mostly in the Romanian libraries where several electronic databases (e.g., Springer, Sage, Emerald Insight) were located and consulted.

4. Findings

As a gigantic transcontinental development project, the BRI has focused initially on energy and infrastructure. Later, it has expanded to manufacturing, communication, trade and tourism. There are 65 countries around the world that are going to participate in this project (Table 1).

Table no. 1. The countries included within the BRI

Region	Country
East Asia	China, Mongolia
Southeast Asia	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Vietnam
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
Middle East and North Africa	Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Palestine, Syria, United Arab Emirates, Yemen
South Asia	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
Europe	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine

Source: (Lehman Brown, 2017)

The BRI involves more than 4 billion people from three continents and a cumulative GDP of around US\$ 21 trillion (Lu *et al*, 2018). There are five main goals of the BRI as follows: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds (Vonck, 2018). The Chinese initiative relates to the building and expanding of the following six international corridors:

- The New Eurasia Land Bridge (NELB). It connects through international railways the Chinese towns of Lianyungang and Rizhao with Rotterdam.
- The China-Mongolia-Russia Economic Corridor (CMREC). The three countries agreed to strengthen their railway and highway connectivity, and promote cross-national cooperation.
- The China-Central Asia-West Asia Economic Corridor (CCWAEC). It follows the path of the Old Silk Road and crosses more than twenty countries from Central and West Asia.
- The China-Indochina Peninsular Economic Corridor (CICPEC). It is designed to boost China's relationships with the ASEAN countries such as Vietnam or Laos.
- The China-Pakistan Economic Corridor (CPEC). It starts from Kashgar (China) and ends at Gwadar port (Pakistan), and comprises highways, railways, optical cables and pipelines.
- The Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC). It aims to connect the huge Chinese and Indian markets.

The BRI reflects in a high degree the traditional Chinese pragmatism. This assertion is supported by several main elements such as:

- The BRI provides China the opportunity to expand its economic tentacles and strengthen its relationships (e.g., economic, political, financial) with other countries along the road. Also, it typifies the realistic answer of China to the challenges raised by the global economic environment.
- By becoming much stronger from an economic point of view, China could dominate the East in much the way the American colossus dominates the West. The BRI helps China to gain higher influence not only in the Asia-Pacific region but worldwide, and exemplifies President Xi Jinping's strategic objective of making China great again and a true leader on the international stage.
- The way China is investing its huge financial resources into the BRI shows a strong will to build new and wide economic corridors not only in the surrounding countries but also in far away countries. By expanding its market share at a global level and fueling the external demand China aims to solve its industrial oversupply in an increasing globalized economy.
- The BRI is expected to intensify the cooperation among numerous Chinese stakeholders (e.g., public and private companies, state, governmental agencies, banks) as they represent national interests.
- The BRI constitutes an important mean for the Red Dragon to satisfy its voracious demand for various raw materials (e.g., gas, oil, iron ore, copper) as the Chinese economy has grown at a faster pace than many other countries.
- The BRI might be seen as a financial vehicle for increasing the use of the Chinese currency, renminbi, in the commercial transactions all over the world.

In essence, the BRI allows China to restore its previous position as the Asian great power. It highly illustrates the so-called 'going global' strategy promoted under Xi Jinping's successful leadership.

5. Conclusions

The paper contributes to the enrichment of the scientific literature regarding the BRI. Firstly, it explains the historical link between the BRI and the Old Silk Road. Secondly, the paper demonstrates the Chinese economic pragmatism in launching, developing and supporting this initiative. Third, it shows the strong connection between the political and economic levels in China. Further researches might expand this study by taking into account other elements such as technology or foreign policy.

6. References

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