

# **Development Agenda of Belt and Road Initiative as an International Public Product**

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## **I. Preface: Belt and Road Initiative (BRI) as a proposition of multilateral development**

For a very long time in the modern history, western countries were the main force that pushed the globalization forward, but not without many detours. They realized globalization in the early stage by virtue of colonialism and imperialism, and this process that was accompanied by too much inequity and hatred eventually led to the two world wars. After WWII, the west reflected on colonialism, and the rise of the United States in particular propelled the institutional establishment aimed to promote world peace and cooperation. International organizations conducive to free trade and capital flow were formed one after another. However, since the third Industrial Revolution, especially in the past two decades, international capital groups represented by the Wall Street has become less interested in real economy and manufacturing that were not so profitable. With the IT revolution and with different countries' growing demand for better capital allocation, high-tech industry represented by the Internet and virtual economy represented by modern financial industry came to dominate the western development.

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Marked by the financial crisis, global political and economic development displayed three hidden hazards. First, economic inequity between different countries of the world and within main developed economies is escalating. Second, developed countries are much less willing to help developing countries and provide the world with opportunities for economic development, and they are less motivated to create economic opportunities for the underdeveloped world. Third, populism and anti-immigrant movement are on the rise in western developed countries represented by the United States, and the anti-globalization movement initiated by the low-income group keeps coming up in new surges. To adapt to the political trend of populism, trade protectionism becomes more obvious in many developed countries.

It was against such a background that China rolled out the BRI. As a major manufacturer and exporter, China may be the last country that wants to see retrogression in globalization, and the BRI proposed by China can help resolve the serious imbalance in the current world economic development and distribution. In the long run, better infrastructure can create better conditions for the economic takeoff in developing countries. For instance, China's infrastructure project in Sri Lanka aroused India's and Japan's interests in investing there. Going forward, with the improvement of infrastructure in central Asia and Africa, especially with the popularization of the new-generation Internet and personal mobile devices, these countries are very likely to embrace unprecedented investment opportunities. Therefore, BRI offers a new solution and drive for advancing globalization of a new stage and narrowing the gap in regional development. This solution is open and flexible in nature, and the developing opportunities and platforms it stands for have the attributes of international public product.

From a macro and long-term perspective, the divergence with countries or partners along the Belt and Road isn't the biggest challenge to China's BRI implementation. As a matter of fact, what's most difficult to deal with is the "conceptual" criticism of BRI from the west that lacks any empirical evidence and the Sinophobic remarks they make that doubt at root the legitimacy of China's role in the BRI. The most common criticisms are the so-called "neo-colonialism", "neo-imperialism", "neo-expansionism" and "debt imperialism". But the fact is that China's outbound investment never has any military force as an auxiliary<sup>2</sup> and it has no record of interfering in the internal affairs of the host country. Therefore, the BRI is a proposition of development economics rather than one of security strategy. To say the least, it is not a "strategy"<sup>3</sup> in the sense of international relations because in international relations and geopolitics, it takes at least three conditions to form a strategy. The first is that the strategy has at least one imaginary rival or competitor<sup>4</sup>; the second is that in most cases, the strategy is implemented under the lead of one country or group of countries; and the last is that international cooperation formed in the process of strategy implementation is highly exclusive, especially against the imaginary rival or competitor.

At the 2015 Boao Forum for Asia, Chinese President Xi Jinping announced that the BRI upheld the three principles of "consultation, contribution and shared benefits". In the same year, Chinese Foreign Minister Wang Yi said "the BRI isn't a solo of China, but a symphony played by all stakeholders." In the opinion of

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<sup>2</sup> Except the UN-mandated security forces, such as the peacekeeping forces and the escort missions in Somali waters.

<sup>3</sup> Although the word "strategy" is often used to describe the BRI by Chinese media and in semi-official documents, it differs widely from the "strategy" concept in international relations or geopolitics.

<sup>4</sup> Hew Strachan, "The Lost Meaning of Strategy," *Survival* 47.3 (2005): 33–54.

Chinese leaders, China is just the initiator of the BRI. Even though it has the largest stake in AIIB, the bank isn't a policy bank, but an international commercial bank dedicated to supporting infrastructure development. AIIB loans adopt commercial rates and the loan applicants should receive a rigorous repayment ability assessment. In recent years, mainstream credit rating agencies in the world all give AIIB high ratings<sup>5</sup>. Therefore, as a commercial international financial institution, the AIIB plays a very small role in China's foreign policies and its effect is far below the strategic level.

Meanwhile, although countries like the US and Japan made criticizing remarks about BRI, Chinese leaders have repeatedly announced on different occasions that those countries are welcomed to join the BRI initiative. In other words, the BRI doesn't target at any imaginary rival or competitor. More importantly, it only stresses economic and trade cooperation and development and has no international cooperation projects related with security or the military. Furthermore, as the largest investor of the bank, China actually bears immense risks both in AIIB and in every infrastructure project, most of which won't make any profits in the short term.

Unfortunately, most of the western criticisms of BRI take it for granted that the initiative is a geopolitical "strategy". It must be pointed out that the criticisms or even denial from the west don't represent the stance of the BRI beneficiaries. Although western views are sometimes quoted and heard in countries and regions along the Belt and Road, they are just for the purpose of election or politics. In view of Myanmar's democratic history, even though Aung San Suu Kyi once led

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<sup>5</sup> "Happy 3rd birthday to AIIB: 93 members, 35 projects and USD7.5 billion loans," published by Economic Daily at [http://intl.ce.cn/specials/zxgjzh/201901/16/t20190116\\_31280425.shtml](http://intl.ce.cn/specials/zxgjzh/201901/16/t20190116_31280425.shtml).

the National League for Democracy to criticize China's investment in Myanmar, she sang a different tune after she came in power and turned to support Chinese investment. Later she even formed the BRI steering committee in Myanmar. Sri Lanka's change of attitude toward Chinese-funded projects before and after the 2015 election was similar to the situation in Myanmar.

## **II. Sino-US ties and BRI**

We believe that if the US can adopt another mindset, the BRI, instead of deepening its strategic anxieties against China, will strengthen the current new type of major-country relationship between the two countries in many aspects and keep them from falling into the "Thucydides' Trap". But this mindset about BRI has two preconditions: (1) China continues to express goodwill to the US; and (2) political elites and mainstream public opinions in the US continue to support a better Sino-US relation instead of really curbing China's rise.

China's rise in the past 30 years is to a large extent attributed to the US-led post-WWII free trade system, and China needs this system to continue working in order to achieve the "Two Centenary Goals"<sup>6</sup> and the BRI proposed by President Xi Jinping. There is no denying that the leadership of the US is very important for the stability of this system, and China will actively support this leadership in maintaining the international free trade system for a long time to come. As a matter of fact, China made active efforts to join the US-led Trans-Pacific Partnership (TPP), but later the Chinese government and people had doubts about

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<sup>6</sup> At the 100th anniversary of the founding of CPC, national economy will be more developed and institutions will be further refined; at the 100th anniversary of the founding of the People's Republic of China, modernization will be primarily achieved and an affluent, strong, democratic and civilized socialist country will be completed.

it due to the clauses the US put forth that were obviously aimed to ostracize China. However, if it wasn't for the US leadership, China wouldn't have had the period of strategic opportunities in the 21st century, during which it could focus on economic development. In view of the recent trade frictions and negotiations between the two countries, China was on the defensive and tried to, within the reasonable range, make concessions and show goodwill in exchange for the understanding and trust of the US.

To some extent, during China's modernization drive since the 1980s, it has been modestly learning from the US in many respects, ranging from education, scientific research, finance to corporate management, and it more or less took the US as an example. This is the most important sign that differentiates the Sino-US major-country relationship from the relation between an established hegemon and a rising power in history. According to data of 2017-2018, China was America's largest source of foreign students, and the number of Chinese students in the US increased 3.6% and accounted for about 33% of all foreign students while the total number of foreign students there decreased for the second straight year<sup>7</sup>. Even today, there are very few Russian students studying in American colleges, and Russia shows much less enthusiasm and modesty than China in comprehensively learning from the US. As far as this is concerned, the current difficulties in Sino-US relation are a one-way problem, namely the US has far more anxieties and doubts about China than the other way round. China is getting increasingly confident, but the US is going the other way.

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<sup>7</sup> "Number of foreign students to the US dropped 2nd year in a row," published at [http://www.xinhuanet.com/world/2018-11/14/c\\_1123712357.htm](http://www.xinhuanet.com/world/2018-11/14/c_1123712357.htm), November 14, 2018.

It's safe to say that the BRI isn't the outcome of China seeking leadership<sup>8</sup>. As developed countries, including the US, flinched in front of the international economic governance agenda, China, as a major manufacturer and exporter, had no choice but step up and take up the responsibility. To a large extent, this is exactly the basic content of the major-country responsibility that the US used to demand China to bear<sup>9</sup>. Nevertheless, America's fulfillment of its major-country responsibilities is weakening on such subjects as global climate change and nuclear non-proliferation, which has brought enormous uncertainties to the future world. Besides, according to the earliest discussions, a major context of the BRI<sup>10</sup> is the argument in China over its strategic relation with the US, and the focus was on how to avoid a direct confrontation with the US, how to minimize the risk of them falling into the Thucydides' Trap, and consequently ensure a longer period of development opportunities for China. Therefore, the BRI isn't a geopolitical strategy aimed to pursue major-country power. It is in essence part of China's efforts to send goodwill to the US. To put it more simply, China, as the fast-growing second largest economy, should first and foremost avoid any direct confrontation or conflict against the US. Second, it should explore opportunities for international cooperation according to its goals of economic transformation and development. Third, it should bear the major-country responsibility for global

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<sup>8</sup> This is proved by the fact that, as mentioned in part 1, developed countries including the US are less willing to take the lead in helping developing countries.

<sup>9</sup> Please refer to the best-known example, Former World Bank President Robert Zoellick's call for China's shouldering of major-country responsibilities: "Whither China: From Membership to Responsibility?" Robert B. Zoellick, Remarks to National Committee on U.S.-China Relations, New York City, September 21, 2005.

<sup>10</sup> The BRI itself isn't a security strategy, but it's undeniable that objectively it has strategic geoeconomic significance. For the difference between geoeconomic strategy and geopolitical strategy, please refer to Matthew Sparke, "Geopolitical fears, geoeconomic hopes, and the responsibilities of geography", *Annals of the Association of American Geographers* 97 (2), (2007): 338-349.

governance. These three points succinctly generalize the background for the proposition of the BRI.

Therefore, the BRI isn't the result of major country competition. On the contrary, it makes a point of avoiding any friction with the US from the beginning. At present, the BRI is focused on supporting infrastructure construction, a field where China and the US almost have no competition because for many years now the US hasn't paid much attention to infrastructure or to improving its global competitiveness in that field<sup>11</sup>. It is not a priority in America's foreign economy due to the intensive capital input, low profitability and long payback period. This further proves that there is no causality between the BRI and the Sino-US major-country competition.

In our opinion, to fully exert the BRI's potential as the ballast in Sino-US relation, it should move beyond the current infrastructure-dominated cooperation, which is production capacity cooperation in the narrow sense. In the future, it should place more emphasis on the cooperation in industrial structure and value chain among Belt and Road countries. Take the ongoing trade war between China and the US for example. Countries like Malaysia and South Korea export large quantities of intermediate goods to China and the US over the years. Once China and the US begin to levy high tariffs on each other, not only will their own economy be seriously hit, but many other countries that provide intermediate goods for them will also encounter negative effects. Besides, America's threat to increase tariff on

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<sup>11</sup> "The 21 countries in the world with the best infrastructure," *Business Insider*, 05 Oct 2016. <https://www.businessinsider.nl/wef-countries-in-the-world-with-the-best-infrastructure-2016-10/>.



its exporters may probably trigger a global movement of trade protectionism, which is hard to accept for many export-dependent countries today.

Therefore, if the BRI can intensify the value chain cooperation among countries along the route, it will make those countries more economically interdependent. Furthermore, once China or the US implements trade protectionism, neither of them will be able to bear the economic cost thanks to the existence of the cross-national value chain. In other words, if the BRI can further deepen the industrial division and cooperation among countries along the route, it will be both a restraint of economic behaviors and a guarantee of mutual economic benefits for major countries like China and the US.

It's worth noting that as a concept echoing with the BRI, "a community with a shared future for mankind" was put forth by Hu Jintao and Xi Jinping in succession, but we don't think the outside world has fully and clearly interpreted its connotations, especially the part concerning major-country relation. The author holds that China should have equal dialogues with the US on this concept. After all, the Sino-US relation is deemed as the most important bilateral relation in today's world, and the "community with a shared future for mankind" contains the community with a shared future for China and the US. China should share this concept with the US in a peaceful and confident manner. It's natural that the US will find it hard to completely accept this concept in the short term, but China should be tolerant, especially regarding the choosing the path of global governance. All in all, in terms of the history of international relations, America's reaction to China's rise is normal, but China's reaction to America the hegemon has almost no precedent. Seldom has there been a rising nation like China that

learns from a hegemon comprehensively on the theoretical and knowledge level, while expressing goodwill to it and seeking mutual trust with it in many aspects at the same time.

### **III. How should China make iterative improvements in BRI implementation?**

In many open files and materials about the BRI, a lot of policy experts and mass media have abused the word “strategy”, which has deepened the west’s misunderstanding of China’s intentions. Considering BRI’s importance for our opening-up in the current stage, we believe it can be further interpreted and defined as a major international cooperation agenda underpinning “China’s opening policy in the new era”. Such an interpretation has twofold meanings.

First of all, by illustrating China’s resolve of opening-up, it will help reduce the prejudices against the China-proposed BRI. In the past six years, doubts about this initiative were focused on China’s opening-up policies. Some people in the west believed it was a challenge to the west, especially the US, and that it implied China’s intention of shifting the focus of economic and trade exchanges from the west to the Eurasian continent<sup>12</sup> and turning from its own opening-up to “demanding other countries to open up”. Obviously these doubts and opinions widely deviated from China’s original intention and the truth. It must be mentioned that today’s BRI doesn’t totally equate with the Silk Road in history. To be more specific, the BRI today should by no means be limited to the regions involved in the ancient Silk Road and Maritime Silk Road, which are just a symbol today. The ideas like cooperation, engagement and development they

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<sup>12</sup> See, for example, Theresa Fallon, “The New Silk Road: Xi Jinping's Grand Strategy for Eurasia”, *American Foreign Policy Interests*, March 2015, Volume 37, Issue 3.

stand for are universal and apply to most bilateral and multilateral relations in the world.

Second, by stressing the “new-era” characteristics of the BRI, it implies innovations in China’s old opening-up practices, as represented by the multilateral opening-up mechanism. In other words, China’s opening-up in the past 40 years was mainly opening its own market to the outside and consequently obtaining development opportunities through the global free trade system. In comparison, the BRI today carries China’s vision for deepening the multilateral cooperation worldwide, especially realizing multilateral opening-up through multilateral cooperation. In fact, even before the BRI was put forth, China was already an extremely important trading partner for many countries in the region. If we can disseminate the experience in promoting development and integration through opening-up even further and give more encouragement to the US and Japan to engage in the BRI, the initiative will have more stakeholders and therefore become more open, multilateral and stable.

Recently the US rolled out the so-called “Indo-Pacific strategy” and set up an infrastructure aid foundation targeted at the BRI, but based on the reactions of India, countries in Southeast Asia and even Australia and Japan, they didn’t see eye to eye with the US. Even India, the country that has always maintained its doubts about the BRI, made it clear that apart from economic and trade cooperation and normal military exchanges, New Delhi didn’t want to confront China via the US-proposed conceptions. What’s more interesting is that Southeast Asian countries are even more prudent. Even if they responded to America’s “Indo-Pacific strategy”, they didn’t put it in the opposite position against the BRI.

In fact, for countries that are located in the Indo-Pacific region and along the Belt and Road at the same time, they all hope to seek opportunities to the largest extent from China and the US for strengthening themselves and improving the livelihood. Being stakeholders of both countries, they don't want to see the two major countries walk into all-round confrontation. The reason is simple. These countries all have profound connections with China and the US. Once they are asked to take side, their national interests will be minimized and even their national security will be at stake.

According to the current progress, China relies on state-owned enterprises (SOEs) to implement the BRI projects, but SOE's commercial operation relies heavily on the government. If they continue to play a dominant role in China's BRI investment, the SOE reform will face more difficulties and a fair market environment will be hard to sustain. Therefore, we need to support and encourage more private businesses and foreign companies to engage in BRI projects.

It's worth noting that private businesses prefer projects with a short payback period, and overseas localization is easier for them in terms of capital operation, recruitment, supply chain management and product marketing. Besides, their businesses are focused on consumer goods and their brands tend to have a higher recognition in the local market. In comparison, the financially powerful SOEs are focused on infrastructure construction and energy and their main customers are the governments, so they barely conduct any branding and marketing targeted at the ordinary consumers in the host country, hence the low social recognition. Moreover, private enterprises, which bear full responsibilities for their gains and losses, are not only more creative and vigorous, but also more prudent in

commercial operation and understand and apply the local laws and regulations better and deeper. More importantly, since private enterprises have little government background, their engagement will make the BRI more transparent, and the outside world will associate the BRI less with geopolitical strategy. When making a review of the BRI at its 5th anniversary, Xi Jinping emphasized that it has to benefit the local people. Encouraging both SOEs and private businesses to engage in it is an effective way to achieve that goal.

Regarding future BRI projects, we can, in a proper range, encourage local enterprises (either state-owned or private) to take a part even if the projects are funded by Chinese SOEs. In supply chain management, we should provide fairer, more transparent and favorable cooperation opportunities for local suppliers as that will give a considerable boost to the local and international recognition of the BRI.

We must admit that as far as BRI practices in the past 7 years are concerned, much is to be desired regarding the operating approach of China-funded projects. For instance, when China made infrastructure investments overseas in early years, it relied too much on the communication with the central government and ruling party of the host country but lacked the awareness of forming friendly relations with the local governments and communities (including NGOs). Besides, although China is attaching more importance to the environmental performance of overseas infrastructure projects in the past two years<sup>13</sup>, BRI projects have to meet the high-level environmental standards in the world. The project undertakers should also work with local environmental groups and media to establish and

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<sup>13</sup> Pratch Rujivanarom, "China 'protects environment' in its Belt and Road initiative", *The Nation*, 19 September 2018, <http://www.nationmultimedia.com/detail/national/30354741>.

maintain a sound public image. A few years back, the construction of Myitsone hydropower station in Myanmar was doubted by the National League for Democracy and other emerging political powers exactly because the Chinese company that undertook the project didn't communicate enough with the local people and primary-level organizations, causing doubts about the project's economic, ecological and social benefits. The railway project in east Malaysia in recent years faced the similar problem. Especially after Najib and his National Front lost the election, Chinese enterprises finally realized how important the local public opinions and social societies were for the completion of the project.

In sum, China should concentrate on economy, trade and finance when implementing the BRI and take it as a public platform to promote international development. It should not engage in sensitive industries like military and security, nor should it become an outbound publicity campaign that aims at blurring China's strength and promoting the so-called "China mode". Otherwise there will be more misunderstandings of China's motive of proposing the BRI.

"Excessive publicity" has been a long-standing phenomenon. Over recent years, a lot of cultural, educational, scientific research, artistic and public sports activities used the BRI brand, as if everything has to be somehow linked with this initiative, but that actually undermines its nature and principles. From the very beginning, Chinese leaders emphasized that China is just the initiator of BRI, and it is not a solo, but needs all participants to jointly enrich its connotations. That's the message conveyed by the principle of "consultation, contribution and shared benefits". It's easy to see why those activities using the BRI brand are hard to be accepted by the local people and may easily become the target of criticisms. Some

countries began to wonder whether those projects were sponsored by the Chinese government to change them. All in all, the BRI only tries to share China's developing experience with the world, but never to push it. The core of the initiative remains unchanged - to develop the economy in all countries involved and create more development opportunities for them, just like how China welcomed the whole world to participate in its development by launching the reform and opening-up.

However, while we reflect on the mistakes we made in promoting the BRI, we should not deny them. Be it the Myitsone hydropower station in Myanmar or the railway project in east Malaysia, the value of those projects should not be erased. China still has to complete them with good quality, only in a more acceptable way. To put it another way, China has to make iterative improvements consistently based on past experience until it reaches or approaches the ideal win-win state.

#### **IV. Summary**

To make a vivid analogy, with the all-round implementation of the BRI, China has drawn up the blueprint of big diplomacy consisting of “two legs” (“new type of major-country relationship” and “BRI”) and “one circle” (neighborhood diplomacy). To be more specific, the first “leg” refers to the new type of major-country relationship that China has formed with the US, Russia and India, the second “leg” refers to the BRI that mainly involves developing countries, and the “one circle” means neighborhood diplomacy with neighboring countries in Asia. The “two legs” and “one circle” coordinate with and complement each other<sup>14</sup>.

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<sup>14</sup> Zheng Yongnian, Zhang Chi, “Belt and Road and China's Grand Diplomacy,” *Contemporary World 2* (2016): 8-11.

Without any doubt, the institutionalization of them will help manage and control the divergences between China and other major countries, including the US, urge them to correctly perceive each other's changed international status, and reduce the risk of them falling into the "Thucydides' Trap". With this overall situation in place, China will find it easier to promote the BRI and neighborhood diplomacy.

Indeed, as the biggest beneficiary of the global free trade system after the Cold War, China is actively exploring how to perfect this versatile system while enhancing its own development. As an international agenda of economic development, the BRI not only needs the joint contribution of multiple countries, but should also share its opportunities and outcomes with more countries worldwide while maintaining a high level of inclusiveness. For China, BRI in the next stage will continue to raise the level of opening-up and bring in more countries. Moreover, it should incorporate China's own opening-up and form a situation of shared opportunities and two-way interactions. Therefore, the geographical connotations of the BRI will fade in the long run, and China, as the initiator, has to properly control its cultural inclusiveness. After all, the Silk Road Economic Belt and Maritime Silk Road in history did have geographical boundary, but their cultural connotations should not.