

“Will the Belt & Road Initiative Prove to be the Global New Deal for Inclusive Globalisation Needed to Overcome Gridlock and Achieve the UN SDGs?” in Proceedings of the PRME (UK & Ireland Chapter) Annual Conference (2019).

## **Will the Belt & Road Initiative Prove to be the Global New Deal for Inclusive Globalisation Needed to Overcome Gridlock and Achieve the UN SDGs?**

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**Abstract:** “If neo-liberal mechanisms are allowed to dominate future world economic governance, global social contradictions will become increasingly prominent, and global sustainable development goals will be difficult to achieve” (Liu et al., 2018:10). There is now a growing consensus that the institutional gridlock created by “neoliberal globalisation” needs to be broken in order to facilitate “inclusive globalisation”. An inclusive growth model requires a more active state, no longer subservient to the needs of capital accumulation, with greater emphasis on social equity and environmental sustainability and improved governance capacity. While seeking to preserve the beneficial aspects of economic globalisation, reforms are needed to overcome the limitations of the neo-liberal model, and pioneering initiatives such as Jacinda Ardern’s “new economic system” for New Zealand are beginning to emerge. On a far larger scale, the Chinese-led Belt & Road Initiative (BRI) is also viewed by increasing numbers of scholars (Baige, 2017; Braun et al., 2017, Hong, 2017, Wang, 2017) as an international platform and direction for reform. The BRI adheres to the principles of ‘openness, inclusiveness, equality and mutual benefit’ and the principle of ‘joint discussion, joint development and sharing’, placing the largest common development factor in first position, and giving predominance to joint development and common prosperity. This paper examines the BRI’s prospects of breaking the institutional gridlock and achieving the SDGs within the framework of “inclusive globalisation” in response to UNCTAD’s (2017:ii) call for a Global New Deal that will “lift all boats in both developing and developed countries and face up to the challenge that many of the imbalances inhibiting sustainable and inclusive growth are global in nature.”

## **Introduction**

The current global order is run by nation-states and by leaders of nation-states making decisions driven primarily by their own self-interest. The world has changed but ways of managing it have not. Old c19th assumptions and institutions have resulted in “gridlock” which Mahbubani (2013: 244) contends is the result of Western nations’ concerted efforts to protect their privileged status in governing international affairs by blocking institutional reforms that would weaken their grasp, thereby undermining all attempts to fashion new approaches to managing a new global situation appropriate to the new era. He believes that “they would be quite happy to see another twenty years of gridlock”, but argues that whether they like it or not, the world now has to move forward by creating institutions of global governance to protect global interests and deal with global crises, e.g. by implementing the UN SDGs.”Neo-liberal globalisation has demonstrated that it is incapable of achieving these goals” (Liu, et al., 2018). To address this failure, UNCTAD (2017) called for a “Global New Deal” complemented by a “supportive policy narrative to correct the imbalances that generate exclusionary outcomes, so that social inclusion goes hand in hand with economic prosperity, shared technological progress, and a healthy environment” (p.147), encapsulated by the term “inclusive globalisation”.

## **The Belt & Road Initiative**

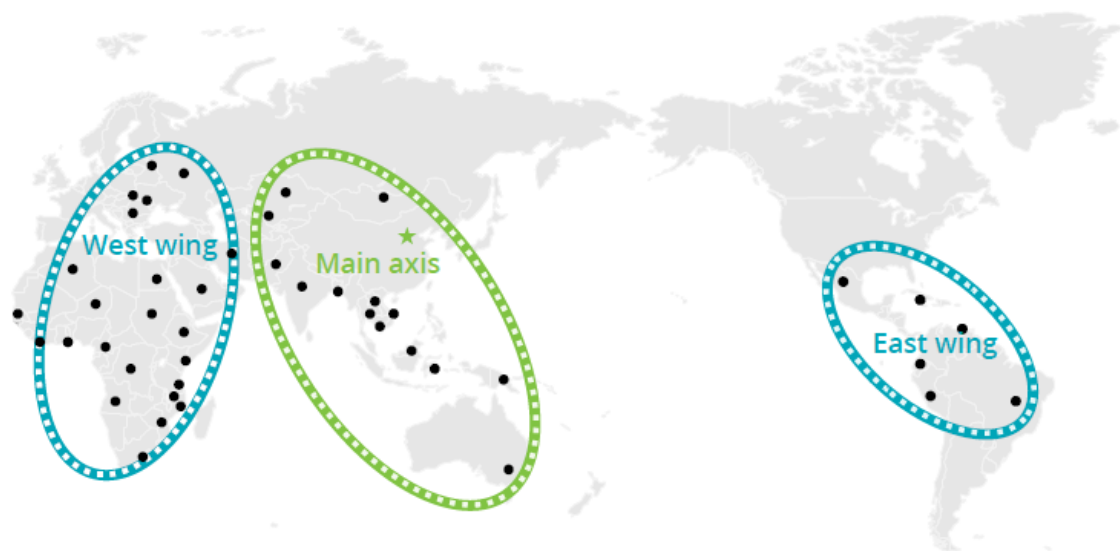
In 2013, President Xi Jinping of China announced the launch of the Belt and Road Initiative (BRI) which now embraces over 65 countries covering approx 60% of the world’s population and accounting for a similar proportion of its GDP. The BRI “was from the outset defined as a radically new order” (Maçães, 2018:31). It opens up the possibility of achieving this through a transformational programme of infrastructural development on a hitherto unimaginable scale that will consolidate global interconnectivity and integration through new transportation (road, rail and

sea) routes, new transnational institutions, and new digital platforms and pathways, e.g. the Pakistan-East Africa Cable Express being installed by Huawei.

The BRI is now internationally acknowledged as a globalisation path that is ‘open, inclusive and beneficial to all’, consistent with the concept of “inclusive globalisation” in contrast to “neo-liberal globalisation”. While “neo-liberal economic globalisation has mainly served the needs of capital and its geographical expansion”, leading to “the coexistence of precarity and prosperity” (Liu et al., 2018:9), “inclusive globalisation” is designed first and foremost to improve people’s livelihoods rather than only serve the interests of capital. To this end, the state must first play an effective regulatory role to ensure economic growth is inclusive. Second, capital markets require reform to direct investment to infrastructure and productive activities. Third, instead of a neo-liberal path imposed from above, countries should choose development paths that suit their own national conditions. Fourth, participation should be open to all and should generate mutual benefits. Finally, cultural diversity and the environment should be protected.

The BRI will have to overcome many challenges if its objective of creating a more innovative, stable, inclusive and sustainable world is to be realised. This will necessitate finding a pathway out of the current institutional malaise causing gridlock in international cooperation (Hale et al., 2013). It will inevitably face strong opposition from “the usual mix of ignorance and complacency, plus powerful vested interests that have much to lose from any change in course” (Mahbubani, 2013:93). Although the BRI has laudable objectives of promoting “win-win cooperation for shared development and prosperity, peace and friendship through enhancing mutual understanding, trust and exchanges”, it is now regarded as a threat, particularly by the West. As its share of the global population and global GNP shrinks and its power over global institutions diminishes, the West is increasingly challenged by calls for institutional reforms more responsive to the interests of the rest of the world which are currently marginalised by its archaic institutions of global governance. Many such marginalised countries have joined the BRI in the hope that it will “break with the liberal world order...and... bring about an alternative vision”, which is also called for by some developed countries such as New Zealand where the reaction against neo-liberalism is now shaping a “new economic system” (Arden, 2019) based on many similar principles to the BRI.

Although the BRI began as a series of infrastructure construction projects, it is now evolving into a wide network of connectivity and cooperation spanning much of the world, beginning with the Eurasian land mass including Central Asia, Southeast Asia, South Asia (main axis), the Middle East, Europe, and Africa (west wing), and beyond this Central and South America (east wing). According to Maçães (2018:8), “the Belt & Road is by design a project meant to encompass the whole world and the totality of human life.”

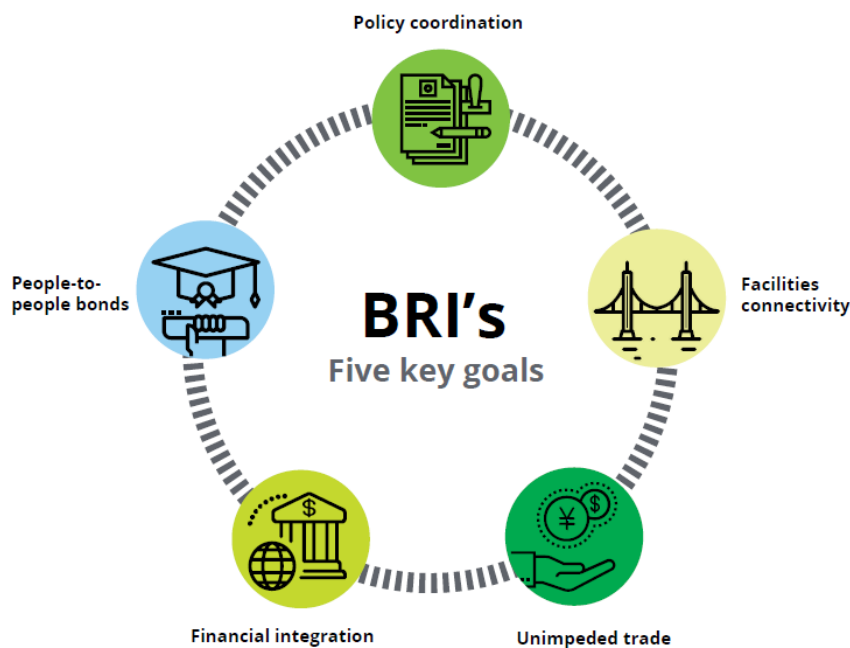


**Fig. 1.** The BRI's One Axis and Two Wings (Deloitte, 2018: 5)

The countries along the Belt and Road have different resource endowments and strong economic complementarities and have been persuaded that the BRI's coordinated approach can leverage

comparative advantage to accelerate economic development. Mações (2018:94) explains that this will “increase China’s control over the way value chains are organised and grant it the power to reorganise them”. The establishment of international value chains is described as the model of “introducing foreign capital and establishing domestic connections as a crossover of West and East” (Mações, 2018:100). While development of physical infrastructure is still the most talked-about component of BRI (Kohli, 2018), official Chinese descriptions of BRI now only mention physical connectivity as one of five thematic priority areas for international development cooperation.

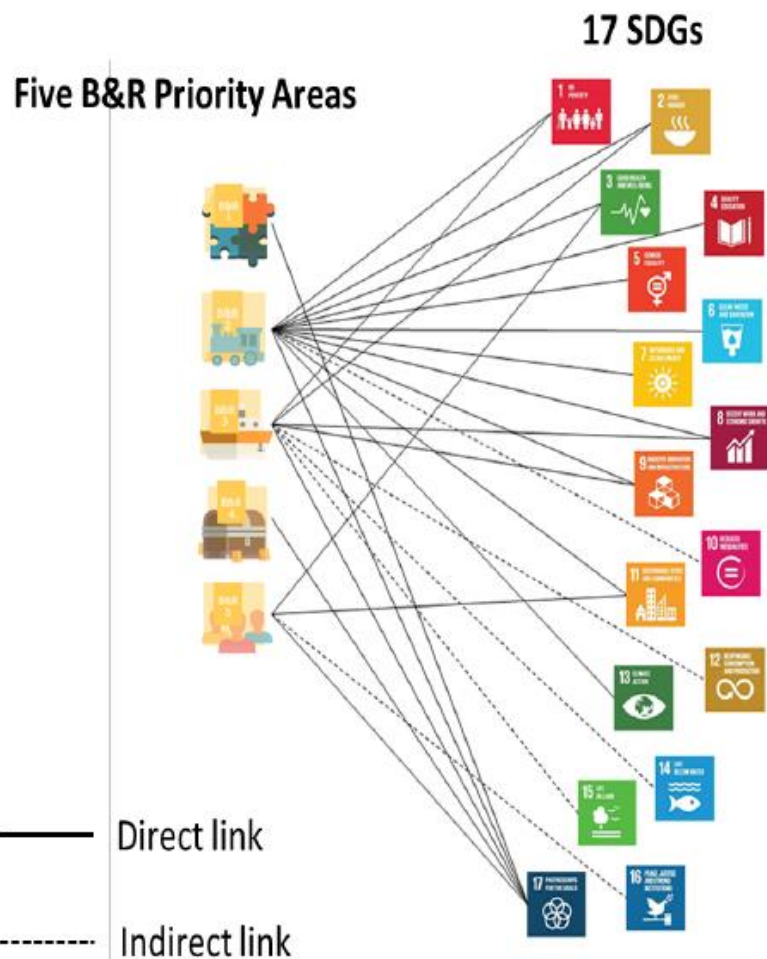
- **Policy coordination:** planning and supporting large-scale infrastructural development projects - requires close policy coordination between China and the other BRI countries, as well as with countries where transport corridors will ultimately lead;
- **Facilities connectivity:** investment in and building facilities to enable connectivity along the Belt and Road – China contributed \$40 billion to a Silk Road Fund to support the BRI projects and also created a new Asian Infrastructure Investment Bank;
- **Trade and investment:** facilitating cross-border investments and supply chain cooperation with increasing trade and investment flows - requires both domestic policy and institutional reforms and policy coordination between countries;
- **Financial integration:** enhancing financial policy coordination and bilateral financial cooperation - China is rapidly moving ahead with the development of its own domestic financial markets and the creation of a major financial centre in Shanghai in addition to the existing financial hub in Hong Kong;
- **Cultural exchange:** Promoting people-to-people bonds and cooperation.



**Fig. 2.** The BRI’s Five Key Priorities (Deloitte, 2018: 3)

## The Belt & Road Initiative and the UN SDGs

A further initiative has emerged from the BRI Forum aimed at linking these five BRI priorities to the UN SDGs (Fig.1), leading to talk of a “Green Road” that will prioritise sustainable development and sustainable infrastructure. If successful, this would mark a significant step towards implementing the UN SDGs, and finally make some meaningful progress towards achieving the aims of the Paris Climate Change Agreement.



**Fig. 3.** Contribution of the Belt and Road to Achievement of UN SDGs (Hong, 2017:7)

### Opposition to the Belt & Road Initiative

Powerful opponents of the BRI are demonising it as “neo-mercantilism” and as “a dagger aimed at the heart” of western economies and societies. It is increasingly believed to be “the Chinese plan to build a new world order, replacing the US-led international system” (Mações, 2018:5). Since the joint statement was signed on integrating the Russian-led Eurasian Economic Union with the BRI, the US has become convinced that “China and Russia want to shape a world antithetical to US values and interests” (US National Security Strategy, 2017:25). The current trade war between the US and China has compounded decades of simmering anger in China about being “pushed around callously” by Washington, reigniting resentment about the bullying of China by western powers in the c19th, enshrined in Chinese history as the “century of humiliation”. Chinese economic development is now set to overtake the US which “the American psychology is certainly not prepared to deal with” (Corker, in Mahbubani, 2013:158). President Trump has duly fulfilled Mahbubani’s prediction that “American politicians will accuse China of cheating” (p.160) and it is also likely that “when the debate finally explodes in America over who lost America’s economic supremacy”, China will be less inclined to react passively to consequential US insults and provocations. It is already suggested that attempts to alienate China and block its economic ascendance have only strengthened China’s resolve to establish itself as the focal hub of an even more powerful BRI network, giving credibility to claims that Trump’s policies are in reality helping to make China great again rather than America. Furthermore, there are signs that the US will seek stronger alliance with India in opposition to the BRI, particularly the new China-Pakistan economic corridor, which has already triggered military skirmishes in the disputed Kashmir zone, in an attempt to thwart Chinese expansion.

## The Belt & Road Initiative as a Global New Deal

Notwithstanding the geo-political power struggles, the aims and aspirations of the BRI seem congruent with UNCTAD's Trade & Development Report's (2017) critique of the neo-liberal economic system which promotes "profits without prosperity" (Lazonick, 2014)). UNCTAD particularly blames hyper-globalization which is the result of unregulated markets – particularly financial and currency markets - and neoliberal policies that have sanctioned excessive commodification of capital through speculative financial trading and rent-seeking (i.e. "getting an income not as a reward for creating wealth but by grabbing a larger share of the wealth that would have been produced anyway" Stiglitz (2016)). The monopolistic search for short-term profit maximisation has shifted from productive investment in the real economy to investment in fictitious commodities (Polanyi, 1944) through "financialization", resulting in an acceleration of market concentration and power, economic stagnation, economic imbalances and instability, and the capture of a rising proportion of income in most countries by the financial sector. Concentration of ever higher levels of economic activity in the financial sector at the expense of declining wage shares and rising levels of private debt in all other sectors, escalating levels of social inequality and vulnerability has led to "predominance of financial power over political and social powers [which] have sapped the strength of the system and perhaps even poisoned the American dream" (Maçães, 2018:182).

The BRI does appear to be consistent with UNCTAD's (2017) call for a Global New Deal to "end austerity and harness finance to serve society once again, rather than the other way around" and "reinstate the regulations that previously afforded protection against speculative and misdirected finance, making social welfare a universal right provided by governments, rather than being treated as just another commodity to be sold in the market." The BRI aspires to secure financial stability, address the toxic effects of hyper-globalization, regenerate the real economy, and break the gridlock hampering progress towards sustainable development, all of which are vital for the future social, political and environmental health of the planet, requiring market interventions by governments alongside corporate initiatives such as "Creating Shared Value" (Porter & Kramer, 2011). As Hertz (2002) explains, Western governments have been subjected to a "silent takeover", i.e. "blinded by the allure of the market, they now put corporate interests first and can no longer be relied on to protect the people's interests". Zingales (2017) provides more recent evidence of political capture and explains how the "Medici vicious circle where money is used to get political power and political power is used to make money" involves political lobbying by powerful corporations (e.g. those owned by the Koch brothers) to forestall regulation of, and further their own interests in, unproductive rent-extraction, concluding that "the greater their market power, the more effective they are at obtaining what they want from the political system."

Streeck (2016) echoes Adam Smith's (1759-76) insistence that the benefits of markets can only be realised by having true competition alongside a strong state, as well as strong ethical underpinnings, and concludes that "unless held back by constraining institutions, market expansion is at risk of undermining itself and with it the viability of the capitalist economic and social system." This is of course anathema to neoliberalism's faith in the "myth of efficient and self-correcting markets". However, according to UNCTAD, "the mechanisms and institutions that have existed for the past three decades have not been up to the challenge of ensuring coherence, complementarity and coordination in global economic policymaking", and "the regulatory institutions restraining capitalism for its own good have collapsed" (Streeck, 2016). Hale et al. (2013) conclude that what worked before the era of hyper-globalization "does not work anymore as gridlock freezes problem-solving capacity in global governance", and call for "a politics beyond gridlock" which Streeck (2016) suggests can only be achieved by a political and institutional system powerful enough to counterbalance and constrain capitalist markets, without which "the very basis of life on earth as we know it may soon be consumed in the service of unbridled progress of capital accumulation."

UNCTAD (2017) concludes that under hyper-globalization, the vision of a stable, secure and inclusive international order has evaporated due to the failure of leadership, mistakenly ceded to unregulated financial markets which are particularly ill-suited to delivering the sustainable development goals (SDGs). The BRI appears to offer an alternative concordant with Jacobs & Mazzucato's (2016:23) conclusion that "a more innovative, sustainable and inclusive economic

system is possible, but it will require fundamental changes in our understanding of how capitalism works, and how public policy can help create and shape a different economic future". It would perhaps even be welcomed by Porter & Kramer (2011) as a way of scaling up "shared value" to "reconnect business and society", and by Elkington (2018), who calls for "transformation of capitalism" involving "breakthrough change, disruption, asymmetric growth (with unsustainability actively sidelined), and the scaling of next generation market solutions...the success of which cannot be measured only in terms of profit and loss, but must also be measured in terms of the well-being of billions of people and the health of our planet."

## Conclusion

A deep fissure exists between the dominant Western narrative and the narrative of the rest of the world. These differences are usually attributed to conflicting cognitive/cultural ideologies, but McGilchrist (2009) explains that they also reflect differences in how Eastern and Western brains work, resulting in divergent hemispherical strategies and associated mindsets. Mahbubani (2013:146) asserts that some of these differences are significant and need to be better understood if we are "to work together to save our precious and fragile planet". He observes that "Westerners tend to work with Cartesian frameworks and tend to have a black and white view of the world: one side is right and the other is wrong. The Asian mind is more comfortable with contradictions and paradoxes: both sides of a contradictory proposition can be correct....In the real world, most solutions are right and wrong solutions wrapped together". Today's global challenges cannot be met by Cartesian mindsets or institutions that do not yet exist, and the BRI could be a catalyst for change that finally breaks the malaise of institutional gridlock. President Xi contends that "the old mindset of zero-sum game should give way to a new approach of win-win" and the BRI advocates innovative forms of economic policy coordination based on achieving shared growth through discussion and collaboration (Maçães, 2018:29). If it remains true to its stated intentions of promoting "win-win cooperation for shared development and prosperity, peace and friendship through enhancing mutual understanding, trust and exchanges", BRI might even win over opposition to the collective action needed to build a shared future for humanity and solve its existential problems through a "global new deal" or "new world order" dedicated to achieving "inclusive globalisation". One thing is certain, "the world after the BRI will never be the same as it was before" (Maçães, 2018:13).

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