

One Belt One Road

The Belt and Road Initiative, New-type Globalization and Major-country Relations

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Abstract: *most of the countries along the Belt and Road belong to low-and medium-income countries, their main challenge is how to achieve development. East Asia and China relied on the export-oriented strategy to have achieved industrialization. However, in the next period, the growth rate of international trade will be significantly lower than that of GDP. Coupled with the de-globalization trend in developed countries, the global development needs new ideas. China and countries along the Belt and Road can promote industrialization centering on infrastructure construction, with the manufacturing industry as the core and developing countries cooperation as the main content to promote new-type globalization. China has leading manufacturing and trade capacity of the world, and strategically advocates principles of extensive consultation, shared benefits and joint contribution, therefore, the Belt and Road Initiative has a profound driving power. It is expected by 2030, 2.4 billion people with low-income along the Belt and Road will be transformed into high-income population, and then China would have a population of 1.4 billion with high income.*

The Belt and Road Initiative create a win-win cooperation opportunities for both China and the United States.

In mid-January 2017, President Xi Jinping at the World Economic Forum in Davos stated solemnly to the international community that China firmly supports the economic globalization, and stressed that the most urgent task at the moment is to lead the world out of the economic difficulties, hoped that the Belt and Road Initiative proposed at the end of 2013 can play a leading role in "finding a solution to the current world and regional economic problems."¹ In the mid-March Government Work Report, Premier Li Keqiang also used the phrase "de-globalization" for the first time to express the current international community's concerns about the prospects of the world economy. The specific economic phenomenon of the rising trend of de-globalization is actually the three big challenges of the global

economy President Xi Jinping summed up in Davos: lack of growth driver, global economic governance lagging behind and unbalanced development. Then, can the China-proposed Belt and Road Initiative become a feasible solution to push the globalization? This is not only a very important policy matter, but is also theoretical matter worth exploration.

The theory of hegemony stability in the international political economy holds that an open world economy requires a hegemony (leadership).² Since the Second World War, having established a set of international economic systems, the United States has also emphasized its role as a world leader. The Chinese Government proposes to the U.S. Government to build new-type relations between major countries, and promotes the establishment of new-type international relations, the main goal of which is not only to avoid the Thucydides Trap, also shows that

China is not intended to replace the United States as the world's leader. In terms of strength, China is not able to replace the United States at present either. Then, is the analysis of the theory of hegemonic stability outdated? Just on the eve of the visit to Davos by President Xi Jinping, Joseph Nye came up with the "Kindleberger Trap", emphasizing again the shortage of leadership may lead to international disorder.³ Joseph Nye reminded American new President Trump of not only paying attention to the "Thucydides Trap", but also soberly responding to the "Kindleberger Trap", that is to say, the Trump Administration is facing dual challenges. The United States is in a contradictory mood for a long time to the globalization challenging its major national interests. Its sharpening domestic contradictions have triggered its failure to maintain the open process of globalization, but it is reluctant to let China transform the global governance.

Therefore, it is also understandable for the U.S. negative views on China pushing the Belt and Road Initiative. In the early days when China proposed the Belt and Road Initiative, the western society generally considered it the China's version of the Marshall Plan. As for grand plans to push infrastructure upgrades, economic cooperation and reshaping relations between countries, it is only natural for the western world to compare the Marshall Plan with the Belt and Road Initiative. For the dominant country, it is also very natural to assess the Belt and Road Initiative from the perspective of power and political influence. Although China has repeatedly stressed that the Belt and Road construction is not Chinese solo, but the chorus of all countries, and invited the United States and Japan, etc. to participate in, yet the U.S. Government still tends to view the Belt and Road Initiative as China's geopolitical strategy, and an important measure for China to seek Eurasian hegemony. Across the Eurasian continents, the Belt and Road Initiative touches on the American balance thinking, i.e. the United States has long been trying to prevent the Eurasian continents from being controlled by a single power. Obviously, the U.S. understanding and views on the Belt and Road

Initiative are very different from that of China, and the United States does not consider it a new diver to promote globalization.

This paper argues that in view of the political and economic ability to drive globalization, China still falls behind the United States at the global level. But at the regional levels, China's capacity can roughly match that of the United States, and has unique advantages in the manufacturing scale, development modes and strategic concepts, especially for the low-income countries along the Belt and Road, China has enough drive to bring them along. This paper tries in-depth analysis of the development status of the countries along the Belt and Road from development point of view, which is the key for the accurate understanding of the motivation, path and possibility for China's implementing the Belt and Road Initiative. Therefore, when the United States for domestic political reasons is unable to assume the global leadership role, and abandoning the old globalization and regional integration, and promoting foreign economic relations in bilateral mode as Great Britain did in the 19th Century, China should make great efforts to create a new model of globalization, i.e. a new round of development with the Belt and Road initiative as the core. This is not only the needs to expand the open economic relations, to display the responsibility of a major country, but also meet the needs of China's domestic development and the development environment conducive to China's development.

I. The Belt and Road Initiative and development of low-income countries

Many Western papers on the Belt and Road Initiative focus on analysis of Chinese intentions, while ignoring the current development status of countries along the Belt and Road. This thinking reflects the concerns of the developed countries in the long run dominating the international order about the rising countries. They believe that the biggest challenger in the world today is China, and China's Initiative will significantly change the status quo. This kind of thinking is showing insufficient concerns for a large number of

developing countries that really need to be concerned. Western countries do not think that these countries have the ability to challenge their leading position. Therefore, the Western study on the Belt and Road Initiative pays no attention to the real needs of a large number of low-income countries. When globalization is causing harm to developed countries, their first reaction is to defend their own interests and give up the promotion of globalization. This perspective and view will greatly mislead the Western understanding of the Belt and Road Initiative.

In China's official statements, the Belt and Road Initiative is mainly a regional economic cooperation planning for countries along the routes to participating in. According to The Vision and Action on Jointly Building the Belt and Road released in the early March 2015, to ensure the Asian, European and African countries more closely linked in a new form, and to push the mutually beneficial cooperation to a new historical height are the major goals of the Belt and Road Initiative.⁴ The document is divided into eight sections, and three parts on the main contents of this Initiative. The first part is the Initiative background; the second part is joint construction principle, framework thinking, key areas of cooperation, cooperation mechanism; and the third part is the opening-up situation of China localities and China takes active actions.

Because of China's huge scale, Chinese decision-making system and the local government quick reactions, the analysis and understanding of the Belt and Road Initiative at home and abroad are in diversities. According to Zhao Kejin's summary, Chinese scholars have formed several representative views as follows. The first view regards the Belt and Road Initiative as a diplomatic issue and international strategic issue, from this perspective, the Belt and Road Initiative is to avoid the hegemonic pressure of the United States, and consolidate regional influence of China. The second view believes that the Belt and Road Initiative is a new national development strategy, the main purpose of which is to transfer overseas its surplus production capacity, and promote the economic

restructuring and economic development new mode. The third view holds that the Belt and Road Initiative is a national grand mega-strategy. This view in recognition of second views further believes that the Belt and Road Initiative is also an opening-up strategy, and is to promote the establishment of a new mode of regional cooperation by commanding the overall domestic situation and overall international situation.⁵

In addition to the Belt and Road strategy, the Chinese government also proposed the Beijing-Tianjin-Hebei collaborative development strategy and the Yangtze River Economic Belt strategy. As one of the three strategies Chinese Government vigorously pushes in the new era, the Belt and Road Initiative cannot be explained by any single discipline. The above-mentioned three views are basically the interpretation of international relations scholars, and world economists, and are also the long-term views of their respective discipline on regional cooperation. Based on the infrastructure construction as the most important content of the Belt and Road Initiative, some economists even proposed the China's Belt and Road Initiative is an upgraded version of the foreign aid.⁶

Internationally, the views that the Belt and Road Initiative is China foreign aid program are very attractive. The Europeans are happy to see the Chinese advance the Belt and Road Initiative under this view, they believe that if the Chinese provide funding for constructing and improving transportation infrastructure of countries along the routes, so this Initiative is very favorable to improve the European trade income. The Bruegel International Economic Research Institute (Bruegel), a think tank of Belgium, carried out a study, which confirms that among the three schemes of building infrastructure to reduce trade costs and reducing the cost of trade through signing FTAs as well as the combination of the two, the first scheme is best for Europe, and countries along the routes in Asia can be benefited from FTA covering the Belt and Road. According to this study, Japan is the biggest loser for whatever scheme it might be.⁷

In view of present developments, China and

Europe are the two ends for the Belt and Road construction. In addition to Chinese and European perspectives, the Belt and Road Initiative also sees many individual countries' perspectives. Simply looking at the Belt and Road Initiative from the national perspective is based on consideration for bilateral cooperation. Obviously, the goal of the Chinese Government is far beyond the bilateral cooperation. The important reasons for different views at home and abroad are attributed to considerations from disciplines and national perspectives, but lack of a real regional perspective is also a major reason. While, if we first get clear about the overall development status of countries along the Belt and Road, it may help us to further understand the nature, the path and extensive influence of the Belt and Road Initiative. On May 14, 2017, President Xi Jinping at the Belt and Road Forum for International Cooperation pointed out: to promote the Belt and Road construction, focus on this fundamental issue of development.⁸ To make development as the priority among priorities for the Belt and Road construction not only reflects the consistency between China's domestic goal and its international goal, also provides a new thinking for countries along the routes to understand the commonality. Only guided by the common goals and common interests, can the Belt and Road Initiative play a overall effect role.

According to the per capita national income (GNI) data of the countries along the routes provided by the World Bank, we can divide the countries along the routes into four stages of development: high income countries, medium-high income countries, medium-low income countries and low income countries. As shown in table 1, the year 2015, the population number, industrialization level and economic growth of countries with four income levels along the Belt and Road show the following characteristics:

(1) Countries with high incomes along the Belt and Road are 20 in total, with total population of 195 million, accounting for 16.4% of the total population at the same global development level. The proportion of added value of their manufacturing industry to GDP is

16.8%, slightly higher than that of the countries with the same income level in the world. The economic growth rate was 3% in the years 2010-2015, significantly higher than that of the countries with the same level in the world.

(2) Countries with medium-high incomes along the Belt and Road are 21 in total, with total population of 529 million, accounting for 20.4% of the total population at the same global development level. The proportion of added value of their manufacturing industry to GDP is 14.7%, obviously lower than that of the countries with the same income level in the world, so their manufacturing industry has inadequately developed. Their economic growth rate was 3.5% in the years 2010-2015, significantly lower than 5.1% growth rate of the countries with the same level in the world. The reason for these statistical differences is that China itself belongs to this category, but is not included in the statistics.

(3) Countries with medium-low incomes along the Belt and Road are 19 in total, with total population of 2.4 billion, accounting for 82.0% of the total population at this global development level. In other words, countries with medium-low incomes are mainly located along the Belt and Road. The proportion of added value of their manufacturing industry to GDP is 14.8%, slightly lower than that of the countries with the same income level in the world. So their manufacturing industry has developed inadequately. The economic growth rate was 5.9% in the years 2010-2015, slightly higher than that of the countries with the same level in the world. Thus, for these countries, the main task of the next period is to increase the proportion of the manufacturing industry in the national economy.

(4) Countries with low incomes along the Belt and Road are only 2 in total, with total population of 61 million, accounting for 9.6% of the total population at the same global development level. The proportion of added value of their manufacturing industry to GDP and the economic growth rate in the years 2010-2015 are similar to those countries with the same level in the world.

Comparing countries along the Belt and Road with countries at the same level of development

in the world can accurately describe the basic characteristics of those countries along the Belt and Road: the medium-low income population is the main body, the development of manufacturing industry is relatively inadequate, economic development is rapid. Therefore, the main goal of the Belt and Road construction

can be set for turning the 2.4 billion low-income population into higher income population of those countries along the routes, i.e. raising the per capita GNI US\$2300 up to US\$4126, or doubling to US\$4600.

Table 1. Development stages of countries along the Belt and Road (2010-2015)

No.	Groups	Per capita GNI	Population (million)	Proportion of added value of manufacturing industry to GDP	Economic growth rate in years 2010-2015 (%)
1	The United States	55980	321	12.3	2.2
2	High income countries	41925	1187	14.8	1.9
3	High income countries along the routes	27702	195	16.8	3
4	Medium-High income countries	8255	2593	21	5.1
5	China	7930	1371	29.7	8.3
6	Medium-High income countries along the routes	7123	529	14.7	3.5
7	Medium-low income countries	4508	2927	16.4	5.7
8	Medium-low income countries along the routes	2309	2399	14.8	5.9
9	Low income countries	2032	638	8.2	5.4
10	Low income countries along the routes	670	61	9.2	4.9
11	World	10548	7346	15	3

Notes: (1) High income countries along the Belt and Road include: Qatar, Singapore, United Arab Emirates, Kuwait, Brunei, Israel, South Korea, Cyprus, Saudi Arabia, Slovenia, Bahrain, Estonia, Czech, Slovakia, Lithuania, Oman, Latvia, Poland, Hungary, Croatia totaling 20 countries; medium-high income countries along the routes include Russia, Kazakhstan, Malaysia, Turkey, Romania, Lebanon, Bulgaria, Montenegro, Turkmenistan, Maldives, Azerbaijan, Belarus, Iraq, Thailand, Serbia, Jordan, Macedonia, Bosnia and Herzegovina, Georgia, Albania totaling 21 countries; Medium-low income countries along the routes include: Armenia, Mongolia, Sri Lanka, the Philippines, Egypt, Indonesia, Ukraine, Bhutan, East Timor, Uzbekistan, Vietnam, Laos, India, Pakistan, Tajikistan, Bangladesh, Kyrgyzstan, Burma, Cambodia totaling 19 countries; low income countries along the routes include Nepal and Afghanistan. There are 62 countries in total.

(2) The manufacturing data of the United States and the high-income countries are all in the year 2014. The manufacturing data of China and the medium-high income countries are in the year 2013, and the rest are in the year 2015. Data of a number of countries are unavailable.

(3) According to the World Bank data released in 2017, the latest standards of 2015 income are categorized as follows: defining per capita gross national income less than US\$1025 as low income countries, between US\$1026-4035 as medium-low income countries, between US\$4126-12476 as medium-high income countries, more than US\$12476 as high income countries.

Source: the author makes some rearrangements based on the data of the World Bank.

In the aspect of transforming the population with medium-low income into the population with medium-high income, the achievements of China's rapid development in the past 30 years are universally acknowledged. In the year 1998, China rose from a low-income country to a medium-low income country. In the year 2010, China became a medium-high income country. From the years 1990 to 2011, China had relieved out of poverty a population of 439 million and made a great contribution to the global poverty reduction cause. China's policy experience is of great significance for many low-income developing countries.⁹ Ever since the World Bank in the year 1989 for the first time divided countries into income categories according to the 1987 national income, in the past 30 years not many countries stepped onto medium-high income level from low income level. In addition to China, there are only 5 countries including Equatorial Guinea in Africa, Guyana in South America, Georgia and Azerbaijan in Central Asia, Bosnia and Herzegovina in Eastern Europe. The population of Azerbaijan is close to 10 million, while the population and economic scale of other four countries are not large. For these rapidly developing countries, Equatorial Guinea has become a high income country in a few years depending on oil development. In addition to Azerbaijan, the income of other three countries has basically stopped growing. It can be seen that after having crossed the "low income trap", how to further raise the income level and cross over the "middle income trap" is still a huge challenge. In this respect, China also has accumulated a good experience.

According to the summary by Robert Barro, a macro economist at Harvard University, the Western countries achieved 2% of the average annual growth rate in two hundred years since the industrial revolution. If a developing country wants to catch up and surpass, especially to successfully cross over the two income traps, it will take 25 years and an average annual growth rate of 2.9% in every income stage category.¹⁰ According to the World Bank data, during years 1990-2015, 43 economies recorded more than 3% of average annual growth rate in the world, 28 of which

are along the Belt and Road (Table. 1). In theory, in years to come, these countries have the opportunity to raise further the per capita income level. China and the East Asia-Pacific region excluding high income economies have growth rate of 8.9% and 7.2% respectively since 1990, and belong to the fast growing economies. In addition, it is necessary to point out that the South China Sea Peninsula and most of the countries in South Asia along the 21st Century Maritime Silk Road are also in the forefront of growth.

China spent 12 years at an annual average growth rate of 10% to realize a shift from a medium-low income country to a medium-high income country (during 1998-2010). During the period, the GNI per capita increased from US\$800 to US\$ 4340, which has redoubled. In view of the average annual growth rate of 5.9% by the countries between 2010-2015 along the Belt and Road, if this growth rate can be maintained, so in theory their per capita income can double in about 12 years, that is to say, by the year 2030, there is a possibility for the vast majority of countries along the Belt and Road to achieve the medium-high income level.

II. New Understanding of the medium-low income countries development along the Belt and Road

The above analysis shows that the recent round of globalization promoted by the developed countries have only pushed up the income level of a few countries and failed to increase the income of the vast majority of population. Although China is an important beneficiary of this round of globalization, yet the Western summary in development based on China's success is not to the point, and advocates a policy of neo-liberalism for a long time. And many developing countries have the understanding of development by learning Western experience. If the Western summary is not to the point or misleading, then, it is easy for developing countries to ignore China's value and their own potential strength. Therefore, we need to review the new experiences and new views of countries in the recent round of development, look at the

reference value of these new experience for promoting the development of the Belt and Road construction.

After World War II, there have been several big and phased thinking changes in how to realize the development of low income countries. According to Lin Yifu's summary, development economics see a big changing trend every 30 years: The first generation of development economics with industrialization as the objective implemented the import-substituting strategy and mainly embodied as the dependence theory in international political economic studies. The second generation of development economics was mainly affected by the "Washington Consensus", developing countries and countries in transition continue to reduce the government roles and seek marketization. Now entering the third period of development, one of landmark achievements is the new structural economics Lin Yifu proposed.¹¹ In Lin's view, his theory is mainly a concept of development with structural transformation as the core. According to this proposition, the key to development of a country is to rely on the best resource allocation function of market and the government should play a leading role according to circumstances in the industrial upgrading

In fact, Lin's theoretical summary mainly stems from the development experience of East Asia and China, but there are still many theories explaining the development of China and East Asia. Some people have put forward a cultural perspective, and believe that the traditional Confucian culture in East Asia lays a foundation for education and accumulation of abundant human capital, which is crucial for achieving sustained long-term economic growth.¹² Cai Fang believes that there is still a Lewis-summarized dual- economic development period between the traditional Malthus period and the period of neoclassical economics. At this stage, in addition to the adjustment of the economic structure and development mode, there is a task of transferring surplus labor. Therefore, in Cai Fang's view, the Chinese economists and policy circles lack a "theoretical framework for

long-term and short-term combination" to do still better work.¹³

For this problem, Tsinghua University Professor Wen Yi compares Chinese contemporary development with the UK development of in late 18th Century, comes up with Embryonic Development Theory for economic development, intending to keep unity with the original development theories.¹⁴ In his view, the development strategy from rural to urban, from light industry to heavy industry, from the government-led "market creation" to gradual industrial upgrading is a process that almost every country, including industrialized Western countries, must go through. Moreover, he argues that at every stage of development, there is a "trap". In the past few years, especially after the World Bank put forward the "medium income trap" proposition in 2007, the Chinese government and the academic community have carried out in-depth discussions. However, the study of the economic growth theory also shows that it is not easier to get across the "low income trap" than to get across the "medium income trap". Robert Barro even argues that the "medium income trap" is a myth, because getting across the "low income trap" also needs higher income growth for almost the same long period of time.¹⁵

In this sense, the new discussions of China's development by China's economic scholars provide a new insight into the development difficulties concerning the Belt and Road construction.

First, the industrialization with the manufacturing industry at the core is still the insuperable stage of development. Lin's great contribution of his new structuralist economics is to prove that developing manufacturing industry is a necessary indispensable way to promote structural transformation. This view is also an important part of international academia's re-visiting interest in manufacturing and structural transformation in recent years. Particularly noteworthy is that in medium-low income countries along the Belt and Road, the India-advocated development path to get across manufacturing development and dependence on development of the service industry for high

income has come to an end.¹⁶ After the international financial crisis in 2008, the reemphasis on manufacturing industry in western countries is also closely related to this understanding. Compared with the service industry, the manufacturing industry has a more complex forward and backward connections, and the development of modern service industry depends on the manufacturing industry. Therefore, re-industrialization with the development of manufacturing as the core has become an international consensus, and will gradually affect the countries along the Belt and Road.

Second, the export - oriented development model that East Asia and China used to rely on is coming to an end, and the structural transformation of developing countries needs new driving impetus. After the international financial crisis in 2008, the trend of protectionism in Western countries rises and multilateralism draws back. Because it is difficult for developed countries to solve the gap between the rich and the poor in short-term, stratum differentiation and political antagonism will exist for a long time, and this de-globalization is not a short-term phenomenon. In connection with this, the era of the export-oriented strategy relied on global trade rapid development is basically over. According to the data provided by IMF, the growth rate of world economy and global goods exports reached 3% and 6.4% respectively in the past years 1984 and 2011, which is the external basis for China and some East Asian countries to implement the export-oriented strategy. Since the year 2012, this external environment has changed dramatically. In the years 2012-2016, the growth of the world economy was 2.5%, and the growth rate of trade was only 2.8%. In the world economic outlook, IMF estimates that there will be no obvious change in the external environment by 2021.¹⁷ Therefore, this great crisis rare in the past century, especially the danger of developed countries falling into "long-term stagnation" will greatly restrict the possibility for developing countries' export oriented strategy to transform their economic structure. For China and countries along the

Belt and Road to seek cooperation among developing countries, open up new growth space, and promote each other's domestic development process are the policy to be implemented. Xi Jinping clearly states on May 14th this year at the Belt and Road Forum for International Cooperation to build the Belt and Road into a road of innovation. The innovative background is the Internet era. China is leading the world in this regard, and will create new space for the globalization of SMEs, which is significantly different from the globalization driven by giant companies of developed countries.

Third, a better external environment is still important for achieving rapid growth. For researchers of international political economics, this external environment can also be considered as a factor from the international system perspective. For a long time, the dependence theory describes the American - Latin American economic relations in the 1950s-1960s with the core - edge relationship. For Chinese readers, we need to keep in mind that the per capita GDP in Latin American countries was 40%-60% of that of the United States, and today China's is still less than 20% of the United States, and this income gap may be an important cause for China to attract foreign capital without massive outflows. Therefore, based on the experience of Latin American development, the dependence theory may be difficult to find empirical evidence in China. Hence, we cannot simply follow the international mainstream academia's explanations on negating the understanding by the dependence theory. In fact, in the coming period, as China's income gap with the United States is narrowing, we may still face the challenges that Latin American countries had encountered. As China is regarded as a driving force for the development of Eurasia, it is unavoidable for China to deal with the problem of how to treat countries economically dependent on China. In the past few years, as China imported large quantities of raw materials and Chinese enterprises invested in mineral resources exploration, in the international community also emerged a view that China pushes "new colonialism". China

has always advocated that all countries are equal, be they big or small, in terms of diplomatic philosophy, and emphasizes mutual benefit and win-win outcomes for foreign economic cooperation. In recent years, it even takes a new-type international relationship featuring mutual benefit and win-win outcome as a major task of diplomacy. To a certain extent, the Belt and Road Initiative also has this purpose, the Chinese exercises self-discipline, promotes cooperation with countries along the routes in a gradual manner, and reduces the impact on the outside world as far as possible.

It is still necessary for China and the countries along the Belt and Road to continuously promote the manufacturing industry, but cannot fully replicate the East Asia's and China's past development road under the backdrop of a great crisis. In this case, the principle of extensive consultation, shared benefits and joint contribution proposed by China is not a slogan, but a basic principle of building a new globalization. Simply because there is no fixed nor replicated model, China is at the same starting line with countries along the routes and needs to discuss with them how to seek further development. Though some Westerners believe that the spirit of consultative consensus is a specialty of the East Asian international community, whether it can be applied to other regions is not necessarily certain. But based on the achievements of Asian development, pragmatism is increasingly accepted as an effective way to tackle global challenges.¹⁸ We should also see that many countries that participated in the Bandung Conference in 1950s were not East Asian countries. However, the conference recorded a great achievement of the Five Principles of Peaceful Coexistence, which is different from Western countries dealing with state-to-state relations. Since 1960s, Southeast Asian countries have gradually developed the "ASEAN Way". In March 2015, President Xi Jinping extended it to a "Asian way" of mutual respect, consensus building and accommodation of each other's comfort level at the Boao Forum for Asia.¹⁹

From the perspective of China, whether the Belt and Road Initiative is of a success depends

on whether it can help China achieve a comprehensive moderately prosperous society in all respects, or even laid the foundation for China to become a moderately developed country by 2049. As for the international community, its evaluation standard should be whether the medium-low income population along the Belt and Road can greatly increase their incomes, and this standard is actually an important basis for China to implement the development strategy in the past. Particularly, as China moves towards a high income country at the next stage, the internal and external challenges facing China will be greatly changed.

III. China's advantages and strategies to promote development of medium-low income countries

Can China bring along the development of the medium-low income population? From the income level perspective, China is not a high income country. Since there is no theory about how a low-income country can drive the development of other countries, we need to look at this matter from another perspective. To some extent, China is equivalent to semi-peripheral countries proposed by world system theorist Wallerstein, which is between the core area and periphery area. Wallerstein stresses that in the capitalist world economic system, a few countries have entered the core area, while the other countries do not move to periphery area as explained by dependence theory researchers, but to a more advantages position than the periphery. The concept of "semi-periphery" by Wallerstein helps to understand some countries continuous economic growth in the 1970s, especially in East Asian countries. In 1991, South Africa is just the representative semi-periphery country Wallerstein tried to generalize.²⁰ According to the World Bank's classification, South Africa in 1991 is actually a medium-high income country, but after 20 years, South Africa has not become a high-income country. In other words, although South Africa is inside the West-constructed system, those highly developed countries are unable or unwilling to help South Africa to raise its income level.

Geographically, South Africa, far away from the central area, is also lack of physical connectivity, and it has great difficulties to access to the global growth centers -- the United States, Europe and East Asia. Wallerstein even thinks that on the eve of WWI Russia was a semi-peripheral country, and stresses that the Soviet Union until 1950s had achieved faster growth than developed countries.²¹

Therefore, the key to driver capacity is not only economic capacity, especially manufacturing capability, but also depending on the geographical proximity, especially the institutional framework that links economic engines with backward regions. The countries along the Belt and Road are connected to each other geographically, if the vast majority of these countries population can double their incomes, so then this institution design is appropriate. From the perspective of economic capability, making comparison with country as unit, China has a considerable driving power. Because of differences in population size, according to professor Wen Yi's understanding, the impact of China's rise to global economic power is 20 times that of the United States of America at the end of the 19th Century during it rising period, but 100 times that of the British empire at the beginning of 19th Century during its emerging period.²² Just from the perspective of population size, the proportion of the total population entering the developed countries rank in the world has not changed much since the industrial revolution and basically remained at 1/5. If China with 1.3 billion population can successfully enter the high-income country rank, it is a greater undertaking than the Western industrialization in the past two hundred years, and obviously has enough power to drive other countries to develop. As for the regional development effect caused by such a super- large scale, the Western estimates are inadequate.

China's advantages in the comprehensive competitiveness of the manufacturing industry are beyond doubt. In order to evaluate the competitiveness of a country's manufacturing industry, the United Nations Industrial Development Organization has built a

Competitive Industrial Performance Index in its Industrial Development Report 2016.²³ This Index is not to measure the potential of a country, but a comparison of the capabilities that are shown in the manufacturing industry. The CIP index consists of three first level indicators of production and export manufacturing capacity, technology deepening and upgrading, and impact on the world. China ranked fifth in the year 2013, next only to Germany, Japan, South Korea and the United States, and these 5 countries have 59% of the global added value in manufacturing. Germany's advantage lies in the complex creation chain of industrial value added, and its export of medium-high - tech products accounts for 73% of its manufactured products. The advantages of Japan are strong manufacturing bases, high technology export and higher per capita manufacturing value added. The industrial competitiveness of the United States also stems from strong manufacturing bases, but the U.S. manufactured products are not used for export as the Japanese products. China's disadvantages and advantages are equally obvious. The per capita trade volume and production capacity of manufacturing industry are relatively low, but it is leading the total global manufacturing trade volume (17%), and manufacturing industry accounts for more than 1/3 of GDP. In the year 2013, regarding the share of world trade in manufactured goods, China doubled that of the United States; regarding the impact on the world's manufacturing value-added, China was second only to the United States. Countries accounting for more than 1% of world trade in manufactured goods along the Belt and Road include South Korea, India, Russia, Thailand, Singapore, Malaysia, Poland, Czech and Turkey, 9 countries in all, with 18.57%, but their proportion of the world manufacturing value-added totaling only 13.64%, significantly lower than China's 17.55%.²⁴ Thus, China has the world's largest trade in manufactured goods, and significantly higher value added in manufacturing industry than the countries along the routes, which is a favorable condition for China to promote industrialization of countries along the Belt and Road.

China's strategic advantage also lies in the formation of high income coastal areas. In September 1988, having put forward the "two overall situations" thinking in analysis of China economic situation, Deng Xiaoping pointed out, coastal areas should accelerate the opening-up, so that these vast areas with a population of 200 million should quickly developed first, so as to promote the better development of the inland areas, this is a matter concerning the overall situation."²⁵ Deng Xiaoping's driver thinking has enlightenment significance for understanding the development of the countries along the Belt and Road. As shown in Table 2, the total population of 11 provinces and municipalities in China's coastal areas (Eastern region) in 2015 is 570 million, accounting for 41.4% of the country's total population. In terms of the total economy, the eastern coastal areas have reached 4.02 trillion Yuan RMB,

accounting for 58.6% of the country. In terms of per capita GDP, the average per capita GDP of 11 provinces and municipalities is US\$12110, which is very close to the level of high income countries defined by the World Bank. If to exclude Hebei and Hainan provinces, the per capita GDP of other 9 provinces and municipalities in the eastern coastal areas is already US\$13356, which is higher than the threshold of high income countries. In the year 2015, the total foreign trade volume of 11 provinces and cities accounted for 85.2% of the whole country, their absorbing foreign capital accounted for 80.8% of the whole country, and the outbound direct investment accounted for 81.1% of the local foreign direct investment. Therefore, the eastern coastal areas have great energy in China's political economy and foreign strategy.

Table 2. China's Eastern coastal areas as the growth engine for the Belt and Road Initiative

Province or Municipality	Per capita GDP(US\$)	GDP(Yuan RMB)	Population (million)	Foreign trade (100 million US\$)	Absorbing foreign funds (10000 US\$)	Direct outbound investment (Million US\$)
Beijing	17329	23014	2171	3194	3810	38799
Tianjin	17094	16538	1547	1143	1813	10942
Shanghai	16660	25123	12415	4492	6613	58362
Jiangsu	14124	70116	7976	5456	7822	22614
Zhejiang	12462	42886	5539	3468	2918	22365
Fujian	10909	25980	3839	1688	1967	8203
Guangdong	10835	72813	10849	10225	6443	68655
Liaoning	10490	28669	4382	9595	2066	11319
Shandong	10299	63002	9847	2406	2193	27305
Hainan	6551	3703	911	140	312	4894
Hebei	6461	29806	7425	515	736	5725
total	12110	401651	56901	33687	36693	279184
Proportion at national level	142.1%	58.6%	41.4%	83.6%	80.8%	81.1%

Notes: outbound direct investment in stock.

Data source: China Statistical Yearbook by National Bureau of Statistics of the People's Republic of China, China Statistical Press, 2016.

What kind of global impact will be shaped by the eastern coastal high income areas with nearly 500 million population? Making a simple historical analogy may help to understand this strength. In the international political economy, the Western society has long advocated the 19th Century Pax Britanica and

the 20th Century Pax Americana, actually, it commended the industrialization of the whole Western society promoted by the United Kingdom and the United States. Then, what kind of capacity did these two countries have when they initiated industrialization and brought along other Western countries?

According to data provided by A. Maddison, the UK total population was 21.24 million in the year 1820, accounting for 18.3% of the 12 countries in Western Europe. With such a proportion, the United Kingdom had the ability to drive the whole regional industrialization of Western Europe. In the year 1872, the total economic volume of the United States surpassed that of the United Kingdom, but the U.S. per capita GDP did not exceed that of the United Kingdom until the year 1918. During that period, the percentage of the U.S. population in the West increased from 15.5% to 24.1%. In the year 1951, the United States signed the San Francisco Peace Treaty with other Western countries without the participation of the former Soviet Union, and shaping the political security order in the Asia-Pacific region after World War II. Then, the population of the United States accounted for 27% of the western population, and 6% of the world total, with a per capita GDP of 10100 international dollars.²⁶ Therefore, we can also say that after the Second World War, the United States took over from the United Kingdom and became the leader of the Western world, which is supported by its population and market size. In the year 2009, China's population accounted for 19.7% of the world total, and could still reach 17.4% by the year 2030. In the years 2009-2030, this Chinese population percentage is about the same as the UK population ratio to that of Western Europe at the time of the rising (18.3%). In the year 2015, the population ratio and the per capita GDP level in the eastern coastal areas of China were equivalent to that of the United States in the 1950s and 1960s. It is based on the population proportion and economic scale that the eastern coastal areas have driver capacity to bring along the low income countries along the Belt and Road, while by the year 2049 China will have capacity to promote the world development.

If we take into consideration connecting the eastern coastal areas of China and the South China Peninsula and South Asia region as the 21st Century Maritime Silk Road passes, we will see a coherent growth pole in the northwestern Pacific Ocean and the northern

coast of India Ocean. Because of its geographical proximity, China is more powerful and has a stronger ability to drive the development of countries along the routes than manufacturing strong powers such as Germany, South Korea, Japan and the United States. Although China's per capita income is far lower than those of the four countries mentioned above, yet its driver force of industrial development has an advantage for the countries along the routes. Yifu Lin's new structural economics believes that it is often difficult for two countries with too large per capita GNI gap to carry out the most effective technology absorption and industrial transfer.²⁷ While, Rostow, who advocates the theory of modernization, also said on the eve of the end of the Cold War that (countries with a maturing technology) play an important role in patiently helping those backward countries eager for progress, they are closer to the primary stage of development and should be able to provide effective technical assistance.²⁸ From the transnational and transregional relations perspective, to get closer to their regional growth poles and setting this as the goal to plan development policies and foreign strategy are also pragmatic arrangements, which has been shown in the East Asia development model.

In this sense, the regions along the Belt and Road that can be the easiest to achieve industrial upgrading and raise per capita income should be a region with all development levels, i.e., low income, medium-low income, medium-high income and high income countries. When Reviewing the success of Marshall Plan, Rostow points out that the Marshall Plan that is not very well known perspective is to have built the trade routes between Western Europe, the United States and developing trading partners.²⁹ In fact, from the end of 1949, the United States applied the experience of Marshall Plan to East Asia, and designed the triangular trade routes among the United States (core area), Japan (semi-peripheral area) and Southeast Asian countries (peripheral area).³⁰ In this regard, the Chinese Government promotes the Belt and Road six economic corridors, and China-proposed China-ASEAN Community of shared

future also helps to promote this development growth pole.

In October 2013, President Xi Jinping proposed the building of China-ASEAN Community of Shared Future in Indonesia's parliament speech, which contains a phrase "mutual affinity to each other".³¹ While in August 1977, Japanese Prime Minister Fukuda put forward the Fukuda doctrine on the "mutual affinity" relationship with Southeast Asia in Manila, the Philippines, to strengthen the mutual beneficial relations between Japan and Southeast Asia. Then, Japan's per capita GDP was only 68.7% of that of the United States, but 15-17 times that of countries of China South Peninsula. At this stage, the rapid growth of Japan's economy is basically over. As shown in Table 3, big changes between China and Southeast Asia can be seen in terms of per capita GDP calculated at purchasing power

parity. In the late 1970s, China was basically at the same level of development with the Southeast Asian countries, and the current per capita GDP is 2-4 times that of them. But it is important to note that the gap with Japan then is very large. In the year 2013, China's per capita GDP was 23.4% of that of the United States, and also lagging behind Singapore, Malaysia and Thailand. If putting the four provinces of 160 million population of Beijing, Tianjin, Shanghai and Jiangsu together, then there will be a large change in this relationship, which is significantly meaningful to understand the local government ability to promote the Belt and Road. In the year 2015, the average per capita GDP of the four provinces was US\$16300, which was converted into US\$28000 in purchasing power parity, 8 times that of Cambodia.

Table 3. The per capita GDP level as China and Japan put forward the mutual affinity relations with Southeast Asian nations the Fukuda doctrine

1977			2013		
	per capita GDP	Japan/country listed		per capita GDP	China/country listed
Japan	12064	100%	China	12368	100%
The United States	17567	68.7%	The United States	52750	23.4%
Singapore	7223	1.7	Singapore	80768	15.3%
Malaysia	3076	3.9	Malaysia	24231	51.0%
Thailand	2249	5.4	Thailand	15435	80.1%
The Philippines	2210	5.5	The Philippines	10010	1.2
Indonesia	1675	7.2	Indonesia	6587	1.9
Laos	812	14.7	Laos	5300	2.3
Viet Nam	818	14.7	Viet Nam	4954	2.5
Myanmar	-	-	Myanmar	4479	2.8
Cambodia	717	16.8	Cambodia	3058	4.1
China	894	13.5	Japan	39023	31.7%

Sources: 1977 data is from A Madison, 2013 data is from World Bank, both of which are in PPP value.

The reason that China's choice of putting forward the idea of community of shared future in Indonesia is indeed that since 1970s, Indonesia's growth rate and regional influence far exceed that of the Philippines. The Philippines was a developing country

equivalent to Thailand then, and was also the "window" for the United States to carry out democratic reform in Asia. But as shown in Table -1, the average annual growth rate of per capita GDP of the Philippines is less than 2.2% in the years 1990-2015, while Indonesia saw

more than 3.6% growth, and the influence of Indonesia is far beyond that of Southeast Asia and has become a member of G20. Table -3 also shows that China is much richer than the China South Peninsula countries after China becomes the second largest economy in the world. At the end of 2015 Chinese Government initiates to build the Lancang - Mekong River cooperation mechanism, and officially launched in March 2016, the mechanism will become a new model of landmark regional cooperation for a period to come in the future to promote the Belt and Road construction. The study of international trade economics has proved that the countries that are similar to China's per capita income are facing severe competition pressure, the main beneficiaries of China's economic rise are at both ends, i.e., the countries with income higher than that of China and the countries with a significantly lower income than that of China.³² Therefore, targeting at the low income countries to design new institutions, and benefiting them from rising China should be the urgent efforts by the Belt and Road construction.

IV. Relationship between China with high income and other major countries

The China-proposed Belt and Road Initiative is to benefit countries along the routes, and the successful Belt and Road construction will also help China to achieve its second century goal, i.e. completely becoming a high income country. While the gap of its per capita income with that of the United States is narrowing, China's technology will also become more and more advanced, and is more conducive to transform the economic strength into political influence, which is indeed a major challenge to the United States. The Chinese Government recognizes that the enhanced strength will have an impact on the international order, and insists that China will still need a good external environment when it becomes a real major country, especially to consolidate a unique surrounding environment. Therefore, we can also take the Belt and Road Initiative as a diplomatic strategy, i.e. how can a rising China further construct its development

environment, can China avoid the Thucydides Trap. In this regard, we can give an overall consideration to the three typical arguments on the Belt and Road Initiative by Chinese scholars – a domestic development strategy, a foreign economic strategy and an international strategy, the three arguments can form a coherent chain in logical and time sequence.

To shape an external environment conducive to its national development is the characteristics of China's great strategy. Since the reform and opening up, China's diplomacy has basically been guided by this goal, and we have also achieved the goal of quadrupling the average per capita income set by Deng Xiaoping on schedule. However, while China in 2010 became a medium-high income country and moving steadily to a high income level, can the development environment supportive of its low per capita income adapt to the request for a higher stage? In this regard, there are some different domestic arguments. In fact, for a developing country, a peaceful environment is often exogenous. This peaceful environment is generally not provided by the developing countries themselves, often determined by the international order shaped by major leadership states. The history of U.S.'s shaping the international order after the Second World War shows that the participants in the U.S. system need to provide support, for example, Germany, Japan and South Korea provide the cost of U.S. overseas troops garrisons. At the same time, there is no denying that a considerable number of countries are free riders. So the question is, when the hegemony is unable to provide the public security products, and several major powers are unwilling to share, what will happen to the world? This situation will result in Joseph Nye-summarized Kindleberger Trap.

The Chinese government plans to build a moderately prosperous society in all respects by 2021, and become a member of the high income countries club. The international community has full psychological expectation that China's total economic volume will surpass that of the United States sometime in the future. Long before having proposed the Belt and Road Initiative, China began using new form relations to describe its relationship with the

United States, one of the reasons is based on the fact that as China's economy is becoming still larger, but its military strength is still far less than that of the United States. From the theory of international relations, a great power's military strength means a lot.³³ According to Global Presence Index by the Spanish Royal Elcano Research Institute, for the year 2015 the world's major powers are in the following order: the United States (1100), China (414), Germany (404), the UK (404), Russia (320), France (317) and Japan (248). Compared with the United States, China's economy is second and military third, but the soft power is ranked fifth, lower than the UK, Germany and France.³⁴ Obviously, China is trying to build a new form of major-country relations to maintain a sound international environment.

China's efforts to build a new form of major countries relations are accompanied by the whole process of its rise. As a country that suffered western aggression and gained political independence in modern times, China has a unique feature in a batch of new countries after World War II. One of the notable connotations of this uniqueness is that China has tried to improve the international order in a revolutionary way, and naturally held that China should make greater contributions to the development of human society. In this process, it had made three significant efforts to build a new-form relationship with the major powers. The first one was in the 1950s, and the landmark outcome was the Bandung Conference, and the main object for solidarity was the newly independent states of Asia and Africa in the peripheral areas. The second time is in the late 1970s, the partners are still in the peripheral and semi-peripheral areas of Latin American countries, and the landmark event is to promote the signing of the United Nations Convention on the Law of the Sea. The third is the direct response to Western countries after the outbreak of the international financial crisis in 2008. At this time, China is already the maintainer and supporter of the existing international order. Despite China's efforts to build a new-form major-country relationship with the United States, the interest of the

Obama Administration only focused on the absence of confrontation and conflict between China and the United States China proposed. Having taken over the presidency of the United States, Trump worries more about whether China could carry out a new-form major-country relationship. On April 8, 2017, meeting President Trump in the United States, President Xi Jinping mentioned that China welcomes the U.S. participation in the Belt and Road framework cooperation.³⁵ On May 14th, Matthew Pottinger, special assistant to President Trump, and senior director for East Asian Affairs of the White House National Security Council led the team to attend the Belt and Road Forum for International Cooperation. Concerning this, a comment published by Breitbart, the American right-wing website, called Trump's move "the most Nixon - style move".³⁶ It is worth noting that, when China was still relatively weak, and had proposed to build a new-type state-to-state relations with the United States and the former Soviet Union, but made little progress.

The concerns of the Western society about China pushing the Belt and Road Initiative are mainly reflected in the geopolitical terms.³⁷ According to the Americans, the date when the Belt and Road construction succeeds is when the Eurasian continents will be controlled by a single power, and will seriously affect the national security of the United States. In view of the Belt and Road construction still in the primary stage, it is difficult to obtain direct evidence to confirm or deny the above-mentioned forecast. From the perspective of the push for new-form international relations and new-form major-country relations since the founding of new China, the period that China had made a great impact on the international system is when it works closely with other countries. When coming to second period of building a new relationship with the semi-peripheral areas, its impact on the international system is very short. Now at the third stage, it intends to reach consensus with all the core countries on the key issues. The core of these key issues is whether to possibly find a new cooperative mechanism to ensure the Chinese and Americans together

with others to become richer in the future.

The Belt and Road Initiative is not going around the core nations, and launches the drive across the peripheral regions. One of the hard evidence is that the countries participating in the Asian Infrastructure Investment Bank (AIIB) are distributed globally, and particularly, many of its member countries are the developed European countries in the core area. The success of AIIB also shows that a rising China can create some institutions and also get well with the rich countries. In this regard, China's path to win a major country position is different from that of Germany and Japan historically, both of which built exclusive "pan-areas" under their control, and forced the political and economic integration of the "pan-areas" militarily. But the countries along the Belt and Road, especially countries with the total population up to 2.4 billion at medium-low income level, are distributed across Central Asia, South Asia and Southeast Asia. These vast regions can hardly become politically unified, nor form a more complete integrated area in short term. Even by the year 2030, the population of these areas are able to transit from medium-low income to medium-high income, but still unable to achieve a political and economic integration. The diversity and complexity of the region also indicate that it is rather difficult for China to control or dominate such broad areas, let alone integrate them into a unified political and economic strength, and then impose an impact on the core area. Therefore, it is unnecessary for the United States to worry about the geopolitical impact of Chinese phased goal after their realization of the Belt and Road construction, especially China continuously adheres to the principle of non-interference and adheres to extensive consultation, joint contribution and shared benefits principles, and fully respects sovereignty of countries along the Belt and Road.

The majority of countries along the Belt and Road are still in large-scale technology absorption stage, only a few of them start moving to the mass consumption stage, and could not constitute a hit to the forefront industrial sectors of developed countries. China

has promoted industrial innovation in a large scale, especially the 4.0 edition of manufacturing industry, one meaning of which is to enhance the international competitiveness of China's industry, and in addition can provide help for technology upgrade of countries along the Belt and Road. The Chinese government has also realized that although China is in leading position in some industrial sectors, many regions in China even have heavy tasks to accomplish the first stage of the industrial revolution. The coexistence of several stages of industrial revolution is not unique to China, but common in many developing countries. Davos World Economic Forum chairman Schwab in his Fourth Industrial Revolution points out that in the world in some regions, the previous industrial revolution is still ongoing. There are still 1.3 billion people around the world who can't get electricity, i.e., 17% of the world population still have not yet fully enjoyed the second industrial revolution. The same is true with the third industrial revolution. About half of the world's population, that i.e., 4.0 billion people, is still unable to have access to the Internet, and most of them live in developing countries.³⁸

For countries along the Belt and Road, China's capacity can be made use of. At present, the western developed countries cannot compete with China for absorbing the second industrial revolution achievements, and the trade proportion of global manufacturing of western countries is far lower than that of China. Of course, in terms of scale, no country along the Belt and Road alone can completely undertake the Chinese industrial transfer. Only through cooperation of number of countries, can China achieve industrial transfer by new regional cooperation, either through economic corridor, or China's overseas processing parks, it is necessary for China to work together with countries along the routes to march forward. At the same time, China must create and maintain the infrastructure capacity and political atmosphere needed for regional cooperation. Because the regional cooperation mechanism should be created at multiple levels, the Belt and Road construction itself contains the new meaning of common development. For China,

to enhance the industrial capacity of these countries is to expand market economically, but more importantly, economic development of countries along the Belt and Road will require them to pay attention to political stability and increase safety input, and improve the security situation in the corresponding regions, which will contribute to the Chinese realizing their dream.

If the cooperation is very productive, those countries with medium- low income will have extremely obvious benefits, i.e. becoming medium-high income countries along the Belt and Road, which may promote the global transformation and regional transformation. If this is really achieved, we can also say that developing countries create a history and achieve the goal that Western industrialized countries failed to achieve in the past two hundred years, helping the Eurasian continents leapfrog from the second industrial revolution to the third industrial revolution.

Theoretically, the importance of a government role in the process of industrialization is proved again, and the national governance ability is very important for construction of the market economy. This can at least correct the misunderstandings of the developing world blindly following the most advanced economic models. The future development policies and the center of external relations will be teams composed of the most suitable developing countries rather than relationship between the most developed countries and least developed countries. For developing countries, which will return to the classical political economics tradition of Adam Smith and Marx in the next period, i.e., attaching importance to impact of non-economic factors on economic development.

Therefore, China puts a huge input into promoting the Belt and Road construction, whose important strategic goal is to stabilize the surrounding environment and create a good international environment for China's rise. In this sense, the Belt and Road Initiative and a new form of major-country relations are essentially identical, are to lay a solid foundation for China's next stage of

development.

V. Conclusion

The Belt and Road Initiative is a development blueprint for common participation of countries along the routes, instead of China's unilateral offering assistance. The basic premise of understanding all relevant arguments about the Belt and Road Initiative is to identify the present development levels of countries along the routes and give full attention to their needs, not just pay attention to the starting point and purpose of China. The paper argues that from the perspective of per capita GDP, more than 80% of the world's medium-low income population living along the Belt and Road. Moreover, among countries along the Belt and Road, the manufacturing capacity level of medium-low income countries is significantly lower than the global average. For countries at this development level, it is essential to raise their income level. In view of their 5.9% GDP growth during 2010-2015, the main goals of the Belt and Road construction can be set for the next 12-15 years to come to raise the medium-low income level to medium-high income level of the 2.4 billion population along the routes, i.e. the per capita GDP doubled to US\$4600.

Since the 1990s, China has a good record of rapid per capita GDP growth. Having achieved this progress is related to China's promotion of industrialization centered on manufacturing, focusing on export-oriented development strategy and attaching importance to maintaining and developing sound external environment. However, the above favorable factors are also changing while great changes have taken place in the global trade environment. China with countries along the Belt and Road should jointly discuss new development strategies, promote the construction of infrastructure, achieve interoperability and interconnectivity at higher level, carry out the industrial transfer and deepen cooperation among developing countries. In a word, as China becomes a medium-high income country, its coastal areas have become a high- income areas with a population of 570 million. In terms of

population scale and per capita GDP, China's eastern coastal areas in 2015 are the same as that of the United States in 1965, but the total GDP of 11 provinces and municipalities in the eastern coastal area is double that of the United States. If taking into consideration that China has the world's largest manufacturing ability, plus China-proposed principle of extensive consultation, joint contribution and shared benefits, then, China's coastal areas indeed have the capacity to drive development of countries with medium-low income along the Belt and Road. As they will significantly increase their national income because of the Belt and Road cooperation strategy, these countries along the routes will voluntarily increase input in security, and maintain regional stability, which will reduce the impact of the non-traditional security on China.

The prospect for China to plan common development with countries along the Belt and Road is bound to affect the hegemony's judgment on China's policy intention. China has a clear understanding for the relationship between a rising country and a defending country, proposed to build new form of major-

country relations, intending to prevent a conflict with the United States, and trying to guide the United States to recognize the Chinese development road. Although the United States responds coldly, yet as the countries along the Belt and Road significantly raise the income of majority of their people, this situation will also change correspondingly. More developing countries will realize that the development policies put forward by those with per capita income of more than US\$ 4-50000 can hardly be directly used to elevate their development levels. The countries with medium-low income along the routes will more frequently seek to discuss development plans with China. So China and countries along the Belt and Road are fully capable of shaping a new-type globalization based on the regional background. A richer Belt and Road also can fully improve the possibility for the United States to deal with its domestic political and economic problems, thus, China and the United States share long-term common interests in building the Belt and Road.

(Excerpts of the articles in China's Foreign Policy, No. 10, 2017, pp3-17)

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Producing a "New Name Card" for the Belt and Road Capacity Cooperation

By Chen Heng and Zhang Yi, Guangming Daily

One side is Europe, and the other side is Asia. Atyrau, across the Ural River, is destined to be a convergent city. One thousand years ago, this place was an important station of the ancient Silk Road. To this day, there are still legends passing down on the land about the Silk Road.

About one thousand years later, it is here in the world's largest inland country that President Xi Jinping proposed the Belt and Road construction. Policy connectivity, road connectivity, trade connectivity, currency connectivity, peoples-to-people connectivity ... have awakened the dust-covered memory of the city's "Silk Road".



Birds-eyes view of Atyrau Refinery

I. A team from China has helped this oil-rich country to end the history of high standard gasoline depending on import

In 1984, when Kenkim graduated from Kazakhstan, he was confronted with a country without an independent oil industry.

But 33 years later, the then young man has grown up to be the first deputy director of the Atyrau oil refinery. And under his command is the largest refinery on this 2.72 million square kilometers land.

Kazakhstan has rich oil resources, but a large amount of oil products is imported for a long time, mainly due to its serious shortage of domestic oil refining capacity. Built in 1945, Atyrau Refinery, with an annual processing capacity of 4.3 million tons, is the largest refinery in Kazakhstan. However, with

technology and equipment very outdated, the refinery not only produced product with poor quality, but also a single product, and was once on the verge of bankruptcy.

Since the year 2009, according to the needs of Kazakhstan innovation planning and refinery modernization, Atyrau refinery has implemented two modernization upgrade projects -- the aromatics project and oil in-depth processing project. The two projects were completed by the Sinopec Luoyang Engineering Co., Ltd. (Sinopec SEG, a wholly owned subsidiary engineering group of Sinopec), in accordance with the EPCC "turn-key project" contract mode, with a total investment of US\$ 2.72 billion.

The Atyrau refinery is the first large petrochemical project built in 22 years in

Kazakhstan since its founding, which will be renovated and upgraded. Atyrau refinery director Arman Turlin said, before signing the contract, we went to visit Chinese refineries, which confirmed that China could build and design equipments in line with the world's advanced level. After the completed transformation, Atyrau refinery can reach the advanced level in the world.

At present, the aromatics project is completed and put into production in December 2015, is the only aromatic device in Kazakhstan, having greatly eased the Kazakhstan domestic oil supply shortage, and dependence on imports, created a Kazakhstan history of manufacturing oil products in line with international environmental standards and high quality.

The oil deep-processing project is composed of 60 units including a 2.4 million tons / year catalytic cracking device. After completion of the project, oil deep-processing can reach 85%, gasoline and diesel products meeting the Euro IV and Euro V emission

standards could be produced, will effectively reduce the dependence on import of Kazakhstan high standard oil, consistent with the Kazakhstan strategic development priorities, and will further promote industrial upgrading of the Kazakhstan petrochemical industry.

Currently, under the promotion of aromatics project and oil deep processing project of SEG Atyrau Refinery, SEG Kazakhstan branch ranks third in the amount of tax payment in Atyrau, and has paid taxes in Kazakhstan for about US\$180 million in accumulation term. Meantime, SEG and several Kazakhstan equipment manufacturers, steel structure manufacturers, material suppliers have reached and signed cooperation projects worth more than US\$300 million in total, having promoted the establishment of high quality manufacturers and suppliers resources in Kazakhstan and the CIS at large; used subcontractors more than 200, and created the accumulated jobs of more than 6700, and enriched the local employment.



The team of both Chinese and Kazakhs discussing the construction planning

The Belt and Road Initiative has actively promoted international capacity cooperation and manufacturing cooperation by advancing information and infrastructure connectivity and interoperability, extensively establishing cooperation mechanisms, improving service system and guiding industrial sectors to

cooperate with mutual benefits, thus, has yielded fruitful outcomes. From the year 2013 to 2016, Chinese enterprises invested more than US\$60 billion in countries along the routes; and by the end of 2016, established 56 economic-trade cooperation areas with countries concerned along the routes.

II. Overseas projects progressing in difficulties, but upgrading the enterprise's international ability

In retrospect, the first large-scale refinery project contracted by SEG company in Central Asia -- Atyrau Refinery was not smooth-going at the early stage of the project.

Deputy general manager of SEG Kazakhstan branch, Atyrau former deputy governor Gerdous told reporters that at the beginning of the project construction, the government did not have confidence in various aspects of the huge project by the Chinese enterprises concerning technology, laws, taxation, labor, etc.. The difficulties are reflected not only in the confidence of capability, but also in the standard, technology, personnel and policy for engineering design and construction.

For example, for the underground pipeline, Huang Xin, deputy general manager of Sinopec Luoyang Engineering Co., Ltd., said that Kazakhstan standards mostly adopted Russian standards, which had similarities with European standards, but also had some obvious differences. If we adopt the international standards other than that of Kazakhstan, we need to make standards comparison with that of Kazakhstan and submit them to the relevant departments of the Kazakhstan government for approval. What is more, in order to meet the needs of transnational procurement for the project, the design and procurement have also adopted a large number of international standards, European and American general standards."

In the face of a various standards in existence, the project team first organized task teams specially responsible for the Kazakhstan standards and Russian standards collection and translation, and teams responsible for project technology, piping, equipments, electrics, and engineering and make the project detailed design in strict accordance with the Kazakhstan standards requirements.

Although we encountered various problems, yet, due to various efforts, Atyrau refinery aromatics project is built the fastest in Kazakhstan petrochemical projects, the construction process is faster than other two

refining projects, thus, has won the owners satisfaction. Zheng Fuqiang, general manager of SEG Kazakhstan branch and aromatics project manager of Sinopec Luoyang Engineering Co., Ltd. said that it is not easy, but through our efforts from up to down, we have won recognition by our partners and built our business card for "going global".

When the owner's confidence in the Chinese team is gradually increasing, the company's popularity and market respect are also gradually increasing. Huang Xin said that after we have experienced many projects, we would accumulate a data system in all respects, and we would have plans to deal with difficulties that will be encountered in the future." The number of oil deep-processing projects is 1.5 times that of aromatics projects, but the project construction time has been shortening. This is the upgrade of international ability. "

III. Promoting international capacity cooperation to drive export of China's equipments and materials

The process of building a refinery is so difficult that it is not the business of the Chinese side after handing the "key", is it? Facing the reporter's question, Zheng Fuqiang shows a long-term consideration: this project not only promotes the development of local economy, but also drives the export of China's equipments in set and materials worth more than US\$600 million, and creates the new "business card" for China's refining technology.

In fact, Atyrau refinery project helps realize export of China petrochemical engineering design technology for the first time to Central Asian market, and provides the opportunity for the petrochemical engineering technology to build a new "national name card".

In the process of "going global", the project team is also responsible to introduce to the project owners its approved construction enterprises, equipment manufacturers, suppliers and others, so as to undertake the social responsibility to bring the entire national industrial sectors "going global".

In the process of implementing the project construction, the SEG Kazakhstan Branch

maximizes the adoption of the national standards and industrial standards of China, and maximizes the use of China's materials. Under the premise of compliance with the contract, all important equipment items are procured in the Chinese shops, accounting for about 52% of the total investment, which provides opportunities for China's 40 qualified suppliers and manufacturers to export to Central Asia, and successfully enter its market and won a reputation for "Made in China".

Zheng Dongfeng, director of the International Business Department of Sinopec Luoyang Engineering Corp. Ltd, said, with the Belt and Road construction pushed forward, in a period of time to come, the large state-owned enterprises or private enterprises will increase outbound investment. Therefore, we need to strengthen the cooperation with domestic private enterprises and the construction of information channels so as to jointly realize the Chinese enterprises to go global.

In addition to the refinery project, the Sinopec group had entered the oil and gas exploration and development field in Kazakhstan as early as in the year 2004. Kazakhstan Company of the International Petroleum Exploration and Development Co. Ltd. is one of the earliest overseas projects of Sinopec "going global". Currently, the Kazakhstan company International has two branches, FIOC and CIR, with 5 self-run companies and 4 joint ventures. Here, Sinopec has harvested "the first barrel of crude oil" overseas.

Zhang Wei, Chinese Consul General in Almaty, said that Kazakhstan is the strongest country in Central Asia, has abundant natural resources, but with single economic structure. After China-proposed the Belt and Road Initiative, Kazakhstan also proposed new economic policy such as a "Bright Road" to echo with the Chinese proposal, hoping to share with the Chinese Belt and Road Initiative bonus, and promote the transformation of its national energy industry.

IV. Exchanges between nations depend on amity among their peoples, the common participants in building a new Silk Road

The government of Kazakhstan stipulates that the introduction of 1 Chinese worker must be accompanied by employing 9 local workers. For every 3 Chinese managers visas, 7 local managers must be employed. And there are few technical personnel in the locality that meet the qualifications of employment, which for a time left construction of the project in trouble.

"Aromatics project of Atyrau Refinery project is so big that there should be about 2000 workers working on the construction site, but 3 years ago at the

start the construction site only saw about 100 people working, Zheng Fuqiang.

"At the beginning, we only have confidence in the employees we bring from home. But with the deepening cooperation, we turn passive into initiative, employ and train a large number of local staff, which enhances their trust in us, Zheng Fuqiang said that the company currently has 1197 Chinese employees and 2131 Kazakhstan employees; locals are employed for many key positions, etc. which has also helped Chinese enterprises to take root locally.

Exchanges between nations depend on amity among their peoples, amity among peoples relies on people-to-people connectivity. Aribick, deputy manager of SZK company of the Kazakhstan Exploration International, said that many Chinese colleagues in Kazakhstan can speak Russian fluently, which makes me feel good and feel that there is no difference between us, and we are among ourselves. The Kazakhstan subsidiary companies focus employment on the local people, Chinese employees are only 65, the local employment proportion is over 90%, having provided 2666 jobs for the local community, the accumulative training expenditure was about US\$8.98 million; having trained local staff totaled 18710 persons in Kazakhstan.

During a visit to the Daqing oil field, engineer Dulatt of the SZK subsidiary of Kazakhstan company, was deeply moved. "I'd rather shorten life by 20 years in order to win Daqing oil fields"; "to work with conditions available, work without conditions available because we should create conditions for ourselves"; "our work must stand the tests by our younger generations to come", these slogans are often on his ears. Returning home, he often told his colleagues about the unusual trip to Daqing. Taking Wang Jinxi as a role model, he works conscientiously in his post.

Algalin, deputy general manager of Foreign Affairs Department of SEG Kazakhstan branch, and having studied at Renmin University of China, told reporters that now young people in Kazakhstan find it fashionable to study in China. In Kazakhstan, Chinese is the third major foreign language in addition to Russian and English; this place is the path for the ancient Silk Road in the past, now we have become participants in the new Silk Road.

Reflecting by flow of the Ural River, the Millennium space and time witness intersection convergence here. Atyrau - the ancient city bridging Europe and Asia, the New Silk Road just writes down its first page of the story ...

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