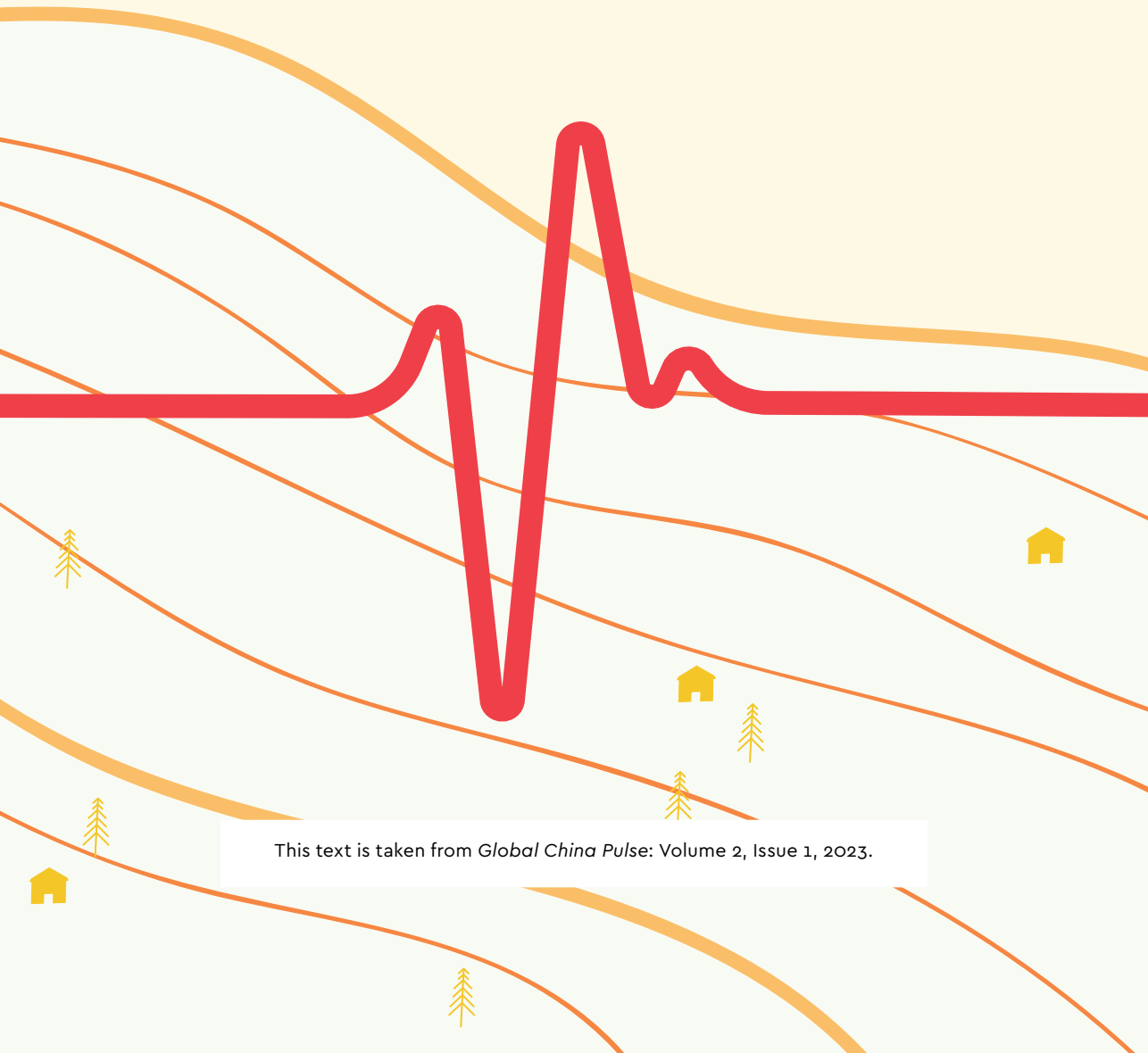


Global China

# pulse

volume 2 | Issue 1 | 2023



This text is taken from *Global China Pulse*: Volume 2, Issue 1, 2023.

# How the BRI Changed China

Hong ZHANG

**T**he rapidly expanding volume of global scholarship on the Belt and Road Initiative (BRI) has largely focused on the external impacts of this unprecedented initiative, be they geopolitical, economic, socio-spatial, environmental, historical-cultural, or conceptual, as highlighted in the other contributions to this forum. A much less discussed question, however, is how the BRI has changed China itself. While the BRI is widely recognised as driven by a search for ‘spatial fixes’ for China’s own excess capacity and accumulation crises (Gonzalez-Vicente 2019; Cheng and Apostolopoulou 2023), as well as the need to boost the economic prospects of the inland regions (Summers 2016, 2021; Ye 2020), much less analytical energy has been spent on exploring whether these domestic goals are being achieved, and how the motives and strategies to realise them have changed over time. Furthermore, as the BRI’s mode of operation is characterised by extensive mobilisation of subnational actors (Ang 2019; He 2019; Ye 2019, 2020), how has a decade of the BRI reshaped China’s political economy?

Based on a review of the still scant literature on the BRI’s domestic dynamics, this contribution puts forward two propositions with the intention of encouraging future research. First, I contend that the BRI has further elevated international exchanges as a key component of China’s domestic economic development strategy, thus consolidating a ‘constituency’ whose interests are dependent on continued open exchanges. How that will shape China’s overall policy preferences remains to be seen. Second, I argue that by intensifying the externally dependent local interests, the BRI poses challenges to the central state’s coordination capacity, which to date has been understudied.

One of the BRI’s stated goals is to ‘expand the opening up’ (扩大开放), building on the important role the Reform and Opening Policy has played in China’s economic growth since the late 1970s (Xinhua 2018). It especially seeks to replicate this successful development model in China’s inland regions, which lagged the coastal cities as the primary beneficiaries of China’s international exchanges. It is telling that the secretariat of the Leadership Group for the Advancement of the BRI, the decision-making body overseeing the BRI agenda, is physically located in the Department of Regional Opening under the National Development and Reform Commission (NDRC)—a department previously responsible for overseeing the development programs for China’s western hinterlands.

The BRI has intensified what Ye (2020) calls the ‘state-mobilised globalisation’ of Chinese bureaucratic and subnational actors—including central government ministries, local governments, and state-owned and private enterprises (Zhang 2021). This has led to the establishment of numerous economic initiatives seeking to enhance the internationalisation of these entities. However, so far only a small stream of BRI

scholarship has zoomed in to study these subnational actors. Focusing on the agency of specific provinces or cities, scholars have examined how localities respond to and (re)interpret the central government's agenda with the motivation of advancing local interests and carving out a greater space for themselves in China's international economic and political relations (Summers 2016, 2021; Yoshikawa 2016; Rippa 2017; Li 2019; Mierzejewski 2020, 2021; Ye 2020). Studies tend to concentrate on some of the most obvious subsets—in particular, China's border regions that have direct interactions with neighbouring countries (for instance, Yunnan and Guangxi provinces) and coastal regions that have already established extensive international networks (for instance, Guangdong and Zhejiang provinces)—two groups whose prominent roles in the BRI are hardly surprising. However, localities in central China whose ability to develop international linkages is far less obvious but have nonetheless demonstrated activism under the BRI (such as Chongqing and Hunan provinces), remain understudied—with some exceptions, including Rabe and Kostka (2022) and Chen (2023). Overall, we lack a clear picture of how regions in China have taken advantage of the BRI and developed new international linkages, how they benefited from it, and what explains the variation in those benefits.

A noteworthy case with which to explore these questions is China Railway Express (CRE, 中欧班列), the direct freight train services linking Chinese and European cities. Pioneered in the pre-BRI era by several of China's inland localities (the first such freight service was launched in the southwestern metropolis of Chongqing), the project was later scaled up under the BRI's framework of enhancing Eurasian connectivity. In 2016, the central government created the unified brand name 'China Railway Express' to standardise train services that were run by different cities and set out a five-year plan to guide further development (NDRC 2016). The central push led more local governments to launch similar freight services, even though the economic rationale was initially questionable (Tjia 2020). By late 2022, 108 Chinese cities were linked to CRE services, which then connected with 208 cities in 25 European countries (People's Daily 2023). The annual number of freight train services increased from 1,702 in 2016 to 15,183 in 2021 (Office of the Leadership Group for Advancing the Belt and Road and China State Railway Group 2022), and it is estimated that about 9 per cent of trade in goods between China and European countries is now transported on CRE lines (Li 2023).

The apparent success of the CRE suggests that the BRI created momentum for certain regional economic initiatives that might not have otherwise been possible. Several inland cities previously unknown for international trade, such as Xi'an in Shaanxi Province, have become major logistics hubs for freight train services, distributing goods across Eurasia, and serving clients not only from other Chinese cities but also from Japan and South Korea (Chen 2023).

A similar case can be observed in Zhengzhou, the capital of Henan Province. In the mid 2000s, the city authorities attempted to develop an airport-based logistics hub with direct links with European cities. However, it was not until a decade later under the BRI that the central government endorsed the initiative (Rabe and Kostka 2022). As in the case of the CRE, the central government only recently started to scale up this locally initiated notion of an ‘air Silk Road’ after its potential was proven, as cargo flights operated between Zhengzhou and Luxembourg were further connected to 200 European cities in 24 countries, as well as another 90 Chinese cities (CAAC 2022, 2023). The growing importance of inland cities in China’s national economic programs suggests the rise of a new economic geography, in which what used to be a disadvantage in international trade—remote and inland location—is reinterpreted as an advantage. Under such circumstances, the position of less developed areas is reframed as untapped potential.

Not only are new nodes in China’s international trade and investment flows emerging, but also actors that have already developed international networks in the coastal regions are seeking new opportunities. China’s coastal administrations increasingly send their provincial or municipal state-owned enterprises (SOEs) to invest in overseas ports (Chen et al. 2019), as they seek to secure their share of the international shipping business. Quite often, provincial SOEs team up with the central SOEs that have been ‘going out’ for decades and already possess an expansive global footprint. For instance, in 2020, Fujian Provincial Communication Transportation Group acquired a 23.5 per cent stake in the subsidiary of China Merchants Port Holdings (CMPort), which holds 85 per cent of Sri Lanka’s Hambantota International Port Group (CMPort 2020). This was three years after CMPort obtained a 99-year lease on the port in a controversial transaction (People’s Map of Global China 2021). Fujian’s provincial authorities brand it as an important measure to facilitate international logistics for the province’s key industries, such as textiles and garments (Fujian Province Department of Communications and Transportation 2023).

Two inferences can be drawn from these changes. First, as previously insular localities join their coastal peers to become embedded in international trade and investment networks, and as old players step up and change their games, the ‘constituency’ for open international exchanges in the Chinese political economy has both expanded and consolidated. While there is growing concern about the current inward-looking tendencies of the Chinese Government and its growing emphasis on security over economic openness, these local interests could potentially be a source of resistance to these trends. Second, as more localities compete to become logistics hubs and connection points with external markets, this will test the central state’s capacity to regulate and coordinate regional initiatives.

On this last point, some early observers of the BRI have pointed out the danger of exacerbated fragmentation (Jones and Zeng 2019; Ye 2019), especially the fact that decentralised interests and implementation could overstretch the BRI, which could

undermine the central state's strategic interests. After all, 'fragmented authoritarianism' has long been identified as a characteristic of the Chinese bureaucracy (Lieberthal and Oksenberg 1988). However, the central government is hardly toothless in this 'reiterative game' with local governments, and there are reasons to expect that the central authorities will institute mechanisms to rein in excessive local activism. Based on some of the most extensive research on the role of Chinese provinces in the BRI, Mierzejewski (2021) remains convinced that the central government is the 'paramount arbitrator' for interprovincial competition in relation-building with foreign governments. He argues that '[b]y integrating the regional and city development strategy with the country's diplomatic strategy, the BRI has become a vital vehicle for national integration' (Mierzejewski 2021: 35). Other scholars have also argued that a key feature of China's economic statecraft is 'orchestration' (Reilly 2021), in which the nested power structure of its administrative hierarchy provides a strong mechanism for coordinating, incentivising, and aligning interests.

Therefore, whether the BRI leads to fragmentation or even disintegration, or if the central state can minimise detrimental local attempts and leverage promising ones, is an empirical question that requires more investigation. The above cases of the CRE and the 'air Silk Road' are perhaps some of the more successful provincial or locally motivated initiatives, even though their visibility in China's state media coverage and the available official statistics should be understood as a kind of 'survivor bias'. There are likely other examples that failed to take off, so digging into these cases would provide greater insight into the policy mechanisms of the BRI and China's governance in general.

To conclude, the BRI has pushed Chinese regions to look for new ways to integrate into global trade and investment networks, leading to 10 years of experimentation that have initiated clear changes in China's economic geography. With inland regions gearing up for international exchanges, there is reason to believe they will collectively shape China's future globalisation policy trajectory. At the same time, the tension between the central state's authoritarian control and decentralised local interests has intensified under the BRI, warranting in-depth scholarly attention as the initiative heads into its second decade. ●