Workshop

The Political Economy of the Belt & Road Initiative and its Reflections

16-19 July, 2019 (specific date to be announced)
International Institute for Asian Studies (IIAS)
Rapenburg 59, 2311 GJ, Leiden

ICAS 11: Law Faculty building
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Introduction to the Workshop and the Individual Research Papers

It has been five years since the Chinese government launched the ambitious Belt and Road Initiative (BRI). In this workshop, we aim to discuss the origin, processes, and impacts of the BRI, with focus on the activities and the local and global-political economic responses of Chinese companies and multilateral institutions in a number of selected countries in Asia, Africa, and the European Union, based on a three-layer framework:

(i) At the bilateral layer: by examining the patterns of interaction and the mechanisms of Chinese companies and their involvement with national industry, their relationship to foreign investment projects and the extent to which they are embedded in the local economy of the selected host countries.

(ii) At a domestic layer: by looking at the impact of Chinese involvement (i.e. trade, investment and finance) on domestic economic development (i.e. economic growth, per capita income and employment) followed by the problems that may arise in the host countries as a result of Chinese involvement. We aim to examine domestic socio-economic, urban and environmental challenges, among others. These may result at a national level from loans and export credit strategies that affect the political constellation in the host country, but the problems may also refer to urban development, social stratification, employment, ethnic tensions, the search for the cultural and national roots of the host country, the direct relationship between members of the host society and foreign (Chinese) workers and specialists, and specific cooperation projects between China and Europe and their related risks and challenges.

(iii) At the global layer: we aim to examine the global layer through two interconnected foci. The first focus will examine the cooperation between Chinese National Oil Companies (NOCs) and International Oil Companies (IOCs), such as British Petroleum and Shell, as well as non-energy companies by the study of the construction of regional and transcontinental infrastructural projects, such as railways, highways, pipelines, share-holding and acquisition of the domestic energy industry.

The second focus aims to examine the emergence, the policies and geopolitical economic impact of the multilateral institutions set up by China. These include (i) the Shanghai Cooperation Organization (SCO), and (ii) the Asian Infrastructure Investment Bank (AIIB). We are interested in studying the regional and global impact and reception of such multilateral institutions, their relationship to the activities and policies of Chinese companies and how these institutions could alter the existing regional and global order.

Our central question is: How do Chinese companies and institutions entering into relations with national and local institutions, stakeholders and societies, within the Belt and Road Initiative, affect those institutions, stakeholders and societies, and how do Chinese companies and institutions respond to the demands, challenges and problems raised by the host countries and their population? This central question is broken down into three lines of investigation, with associated sub-questions:

1) Descriptive and classificatory. What patterns of Chinese company involvement with local institutions in host countries can be distinguished? How have they evolved over time as trade and investment relations have intensified? To what extent are these companies embedded in and supported by a larger Chinese political and economic framework that differs from the existing
Western ones? How is local society affected by the BRI, and what are the local responses?

2) Descriptive and analytical. Who have been the main actors in Chinese investments and trade, both in China and overseas? What have been the driving forces in their decision-making processes? How responsive have they been to (changes in) local political conditions and international markets? What is the impact of the BRI on global governance?

3) Analytical and conclusive. What differences in company behaviour do the governments, media, businesses and communities in resource-rich countries perceive between Chinese and Western (European and/or American) companies? What factors, both internal and external to Chinese companies, are responsible for such differences, insofar as these perceived differences have a factual basis?

This workshop will introduce the first results of the joint research programme between the Institute of World Economy and Politics (IWEP) of the Chinese Academy of Social Sciences (CASS), Beijing, and International Institute of Asian Studies (IIAS) of Leiden University, and a number of Chinese and Dutch research centres and universities. After an introduction to the workshop, case studies and thematic papers will be presented in four sessions. The workshop will result in a published book volume and a special issue of a peer-reviewed journal.
Programme

09.30 Coffee

Morning Session I

Chair: Lin Ren,
Welcome by Willem Vogelsang

10:00 Towards Theorizing and Conceptualization of the Belt and Road Initiative

Mehdi Amineh

The main focus of this introductory presentation is to theorize and conceptualize China's Belt and Road Initiative in the context of the global system.

10:05 The Belt and Road Initiative, Global Governance, and China

Xiujun Xu

Under tensions between globalization and de-globalization, and integration and fragmentation, with Brexit, America First policies, and US-China trade tensions, the divergence of economic policy orientations and views of global governance around the world has become apparent. In this proposed presentation, China’s Belt and Road Initiative, its background, and guiding vision will be analyzed to understand the BRI in the context of today’s global economic order and China’s economic policy orientation. In short, China’s primary economic policy goals are to smoothly transition from high levels of growth to medium-high growth, enable an orderly environment for investment domestically, and foster an external environment of opening up for common development abroad. The BRI’s five cooperation priorities: policy coordination, facilitating connectivity in transport and communications, unimpeded trade, financial integration, and building people-to-people bonds reflect China’s economic policy orientation. At the global level, it is in China’s interest to build an open world economy and rebalance economic globalization and make it more inclusive and equitable. On the national level, policy is designed to take new ground in pursuing opening up on all fronts. Despite the suspicions of some regarding China’s intentions with the BRI, it will be argued that the export of production and construction capacity is not only in the interest of China but also in the interest of trading partners and those countries whose financial resources and infrastructure are insufficient at present. The BRI, as a reflection of China’s economic policy orientation, demonstrates China’s vision of an integrated and inclusive economic order.

10:25 Discussion

10:35 Case Study on the Political and Economic Impact of Chinese Investments in Ethiopia

Jeroen van Wijk

The Chinese Belt and Road Initiative (BRI) comprises a network of overland and maritime transportation routes that especially also encompass the Horn of Africa, including Ethiopia. This country has been a Chinese ally for over two decades, and Chinese investments provide Ethiopia with the badly needed physical infrastructure and manufacturing plants that bring along technology and jobs. But there is a flip side. While Ethiopia’s economy has been growing for years, government debt – largely in foreign currency – is 60% of GDP, and imports exceed exports by far. Ethiopia now struggles with a critical shortage of foreign exchange. This paper’s main question is to what extent the alliance with China has helped Ethiopia develop its economy.
The paper covers three related topics. First, it empirically looks into the ways in which Chinese investments have been supporting Ethiopian industrialization policies over the past decade. The Chinese involvement in the creation of industrial parks in Ethiopia will be highlighted. The second topic covers the price for the Chinese support, and analyses the domestic support for the Ethiopian options to pay back the Chinese partners. The third topic is about the recent change in Ethiopian government and discusses whether or not there are indications that this change is impacting the relationship with China. The paper will be largely based on desk research, complemented by interviews with experts and stakeholders from particularly Ethiopia and China.

10:55  Discussion

11:05  Facts and Risks of China’s Outward Energy Investment under BRI
Yongzhong Wang

The Belt and Road region is a main source of China's energy supply. Based on the data of Dealogic and FDI Intelligence, the paper will firstly analyzes the industrial structure and country distribution of China's cross-border M&A activities and greenfield investment in energy sector under the Belt and Road Initiative. Secondly, it will discuss the risks and challenges of Chinese overseas investment in terms of failed projects, debt burden of host nations, and criticisms and responses of western countries. Finally, it will puts forward suggestions for Chinese authorities and enterprises for the smooth advancement of BRI.

11:25  Discussion

11:25-11:40  Break

Morning Session II  Chair: Jeroen van Wijk

11:40  The Trilateral Relations Among China, the US, and Europe under the Framework of Global Governance
Lin Ren

This paper will examine the trilateral relations between China, the US, and Europe, under the framework of global governance.

12:00  Discussion

12:10  Evaluating the Hungarian Partnership in the Chinese BRI Project
Laszlo Maracz

In June 2015, an agreement was concluded between China and Hungary for Hungary to become a partner in the China’s ‘One Belt One Road (OBOR) Initiative’, the so-called ‘New Silk Road’. OBOR was launched by the Chinese president Xi Jinping in 2013 representing Beijing’s ambitious strategy of connecting China to Eurasia and beyond through a network overland and maritime routes and rail lines. OBOR ties in with the Hungarian government adopting the shifting of global power and trade in the 21st century as the starting point of its central doctrine of foreign policies. The main objective of the intensification of the Hungarian-Chinese cooperation within China’s ‘One Belt One Road’ strategy is to boost trade relations between these two countries, and neighboring countries involved in the regions of Central European and the Balkans. An important asset in Chinese-Hungarian cooperation is creating new infrastructure. In this paper, we will argue that Hungary has become the most important political,
logistical and trade bridgehead in Central and Eastern Europe for China resulting into the following three consequences: (1) the partnership with Hungary will positively boost Chinese economy, and indirectly global and European economy; (2) contribute to the social-economic development of Central and Eastern European regions; (3) grant Hungary as the main Chinese port to Central and Eastern Europe a marked status providing the country advantageous financial loans, and investments.

12:30 Discussion
12:40 West Balkans: How to Coordinate the Belt and Road Initiative
Xu Tian

Against the backdrop of intensifying global protectionism, a stable China-EU relationship serves as the precondition for the steady development of the Belt and Road Initiative (BRI) in Europe. When China and the EU meet in the West Balkans, whether they will engage in regional competition or deepen cooperation will have a great bearing on the future evolution of their relations. Based on analysis of the EU’s strategy in West Balkans and China’s BRI projects in the same region, the article argues that China’s investment and China-financed infrastructure projects play a positive role in pushing West Balkans to join the EU. Chinese funds and technologies not only promote the livelihood of the people in the region, but help integrate the region’s transport and energy networks into the existing Trans-European Networks and Pan-European Corridors. In addition, there exists ample room for China and the EU to further their cooperation in terms of rule-setting, standards, funding and planning.

13:00 Discussion
13:00 Lunch
Noon session I Chair: Mehdi Amineh
14:00 Afghan-Chinese Relations: Another Quagmire?
Willem Vogelsang

This paper aims at discussing the growing role of China in the affairs of Afghanistan, against the backdrop of the Belt and Road Initiative and the development of the China-Pakistan Economic Corridor. While inevitably paying attention to the volatile relationship between Afghanistan and Pakistan and the Chinese attempts to bring the two parties together, the paper will mainly focus on the Chinese relationship with the Afghan government, the armed Taliban opposition, and the many Afghan entities that make up the fragmented state of Afghanistan. Afghanistan has a chequered history of failed foreign involvement. The communist regime, with Soviet support, failed in building up a strong government in the 1980s; the Taliban movement, with Pakistani support, could never build a state structure that covered all of the country, and the Western-supported government in Kabul after 9/11, in spite of massive military assistance and aid, has also failed. With growing Chinese investments in Afghanistan and an alleged military presence, the question is whether the Chinese government can succeed where so many others have failed.

14:20 Discussion
14:30 China’s Belt & Road Projects in Iran: Environment and Labor Rights
Mohammad Forough
Iran matters for China’s Belt and Road Initiative (BRI) in more ways than one. The country is significant for this initiative for energy security, trade, counterterrorism security, military relations, and the centrality of Iranian geography at the heart of the Middle East, which makes it indispensable for BRI’s West Asia Corridor. In this paper, China’s infrastructure projects in Iran will be examined by taking into considerations two factors involved in these projects: environmental sustainability and labor rights. These two factors will be examined in the two stages of ‘conception’ and ‘construction’ of an infrastructure project. Tehran-Isfahan High-Speed Railway (THSR) will be the main case study that will be examined. Data pertaining to Chinese infrastructure projects in Iran (especially THSR) from the Iranian Chamber of Commerce, The Iranian Department of Environment, Roads and Urban Development Ministry (responsible for the Railways of the Islamic Republic of Iran, RAI), available records from Chinese and Iranian companies involved, labor unions and civil society organizations focused on labor and environment will be consulted. Semi-structured interviews with officials and workers involved in these organizations and unions will be carried out. Understanding the level at which environment and labor rights are integrated in the conception and construction of such projects in Iran can be illustrative of China’s record with regard to these two categories in BRI’s Middle Eastern infrastructure projects.

14:50

Discussion

15:00

The Chinese are Coming! BRI and Geopolitical Shifts in South and Central Asia

Allard Wagemaker

The Chinese are Coming! is about the Belt Road Initiative: the Chinese March West and, particularly, the Silk Road Economic Belt for which the control of Central and South Asia is fundamental. BRI is a grand design for cooperation and the implementation of a grand strategy that focuses on safeguarding crucial economic attributes – raw materials, minerals, energy, markets and transit zones. The current situation in Central Asia – a region that is known for the Great Game – seems to be favorable to execute BRI, though China will face resistance, if not strong opposition, from other regional powers. The control of this troubled country is essential for the success of the China-Pakistan Economic Corridor; with some $60 billion, the most prestigious BRI-project. CPEC is a major economic corridor that connects northwestern China with the Indian Ocean and, therefore, affects South Asia in a major way and the strategic balance in Asia. This paper argues that the crux of the success in BRI is the stability and accessibility of Afghanistan. First, I will take a closer look at security as a concept: I will use the Security Dilemma approach to understand China’s security challenges. Secondly, I will zoom in on the Chinese challenges and how they affect the geopolitical dynamics in South and Central Asia combined with the suggestion to use a smart power approach to secure China’s interests. Finally, I will take a close look at the crux: the Chinese strategic interests in and connected to Afghanistan.

15:20

Discussion

15:20-15:35

Break

Noon Session II

Chair: Xiujun Xu

15:35

The Role and Position of Resource-Rich Countries in the BRI: Iran, Iraq, Kazakhstan, and Turkmenistan

Melanie van Driel & Mehdi Amineh
The Belt & Road initiative has been deemed a Chinese strategy aimed at stimulating the countries in Central Asia, the Middle East and even Europe to become part of a multidimensional network which in turn might maintain China’s domestic economic growth, political stability and security. An important question raised by the ambitious Belt & Road initiative is if China will thereby be allowed to gain access to much needed resources, investment opportunities, and intensified diplomatic and security relations. Furthermore, not much is known about the economic and environmental impact of the Belt & Road initiative on the countries that are currently becoming part of it. To be able to answer the first question, an empirical study will be used to analyze the extent to which the implementation of the Belt and Road initiative has been able to inter/transnationalize China’s economic, security and diplomatic relations. To answer the second question, impact will be measured through both economic – for instance changes in Gross Domestic Product, Per Capita Income, sectoral economy and employment and economic sustainability – as well as environmental indicators. This research will focus on the resource-rich regions of Central Asia (Turkmenistan and Kazakhstan) and the Middle-East (Iran and Iraq), that form the backbone of the Belt & Road Initiative.

15:55 Discussion

16:05 The Political Economy of the Belt and Road Initiative

Weijiang Fang

This paper presentation will focus on the political economy of the Belt and Road Initiative.

16:25 Discussion

16:35 The Belt and Road Initiative in Russia and Eurasia

Sarah Poss

Belt and Road Initiative (BRI) projects are underway across the post-Soviet space. Despite past frictions and a keen interest in defending its sphere of influence, Russia has deepened its ties with China as it bristles against the expansion of Western institutions and influence. This paper will examine the state and course of Russia-China relations in the post-Cold War era and how they are reflected in the Belt and Road Initiative, focusing on the underlying interests bringing China and Russia closer together, particularly with regard to economic interests and curbing US hegemony, and the divergent interests that limit the scope of cooperation, namely growing asymmetry and different degrees of economic interdependence with the US. Russia was initially wary of China’s initiatives in the former Soviet states of Central Asia, however, as Russia, resource-rich and in need of infrastructure, remains under sanctions led by the US and EU, cooperation with China has resulted in the development of mutually-beneficial projects and tighter institutional cooperation between Russian and Chinese-backed organizations such as the Eurasian Economic Union and the Shanghai Cooperation Organization. It will be argued that contentious relations between Russia and China in the past reflected divergent interests, however, great power dynamics in the Post-Soviet era have created the opportunity for Russia and China to cooperate in areas of mutual interest, including BRI projects.

16:55 Discussion

17:00 Industrial Structural Change in China and Industry Incentives to Participate in BRI—— From the Perspective of the Supply Side

Song Jin
The increase of labor productivity is the foundation of long-term economic growth. This paper aims to examine the sources of economic growth in China over a 20-year period, analyze the characteristics of economic growth in China, illustrate the necessity of China's presenting the Belt and Road Initiative (BRI), and deduce the differences in incentives of the industries participating in BRI. The paper uses Brown decomposition method to attribute the income growth in China to productivity changes in individuals, an improved marketization environment, changes in labor characteristics, structural change, and exogenous factors caused by industrial transformation and upgrading. The domestic market-oriented reform has been the key factor that supports economic growth in China. The large, low-skilled labor force incentivized the development of low-skill jobs during the 2000s until 2012. However, with significant demographic change underway, among other factors, the contribution of domestic market-oriented reform to economic growth gradually has decreased as industrial upgrading plays a more prominent role in the Chinese economy. A change in major trade partners becomes inevitable as a result. The finding of the paper shows that economic cooperation with BRI-involved countries has strong economic logic. The BRI is a part of the solution that China has to adopt to continue economic transformation.

17:20 Discussion

18:00 Dinner