Is the Belt and Road Initiative a Chinese-style Regionalism?

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In the last two decades, bilateral and regional trade agreements (RTAs) have been considered a primary force to advance the world trading system because the Doha Development Agenda of the WTO has stagnated since its launch in 2001. The continuous expansion of the European Union and the American-led NAFTA and TPP as well as bilateral FTAs between the United States and EU and their partners best exemplified this phenomenon. However, such an approach is facing serious challenges from rising anti-globalization sentiment originating in the EU and United States in recent years. In June 2016, the United Kingdom decided to exit the EU as a result of a referendum. This is the first time a EU member chose to leave. On January 23, 2017, at the start of his presidency, Donald Trump signed as his first executive order the withdrawal from TPP, which his predecessor spent years concluding with 11 partners. These two consecutive dramatic actions of the previous and current world leaders shocked the globe. Next to the WTO, regionalism is seen as the second-best choice in promoting globalization. Now, two regional initiatives led by developed countries are facing a serious backlash. The world is concerned that this means the end and a reversal of globalization.

Since its WTO accession in 2001, China has also been actively negotiating FTAs with its neighbors as well as some remote partners such as Iceland and New Zealand. While its WTO accession package was praised for its ambition and courage, it is difficult to defend Chinese FTAs as comparable to those of developed countries in terms of market access and institutional changes. One explanation for that is China has made very high-level multilateral commitments. Another one is China is not in such a comfortable strategic and economic position as the United States in negotiating FTAs with either developed or developing countries. The former want to obtain more market access concessions and institutional reforms from China, while the latter are afraid to expose their domestic industries to China's overwhelming competitiveness in manufacturing. In addition, the Chinese government seems more confident in its own institutions and unwilling to change them due to outside pressure, especially after the 2008 global financial crisis.

President Xi Jinping proposed the Belt and Road Initiative (BRI) during his state visits to Kazakhstan and Indonesia in September and October 2013, which soon was made a top national priority and even included in the Constitution of the Communist Party of China at the 19th Party Congress in 2017. Nadege Rolland labels this China's Grand Strategy[1] and the organizing foreign policy concept in the Xi Jinping era.[2] One key feature of BRI in comparison with RTAs is that BRI focuses more on improving physical connectivity rather than reducing institutional barriers. The logic of physical connectivity is undoubtedly powerful, especially for developing countries with poor infrastructure. The impact of more and better international links on the regional landscape could be huge, not only by boosting trade and commerce but also by easing flows of energy and other resources, stimulating technological innovation, influencing culture and politics, and shaping strategic choices. Given the fact that RTAs are facing serious difficulties, the BRI looks like an attractive and feasible alternative to promote regional economic integration and globalization. However, there are also plenty of uncertainties and ambiguities surrounding the BRI, particularly due to China's centrality as well as its direction of economic and strategic development. Hence, this chapter explores BRI characteristics in promoting regional economic integration and whether it could become an alternative approach to regionalism and globalization for China as well as the world.

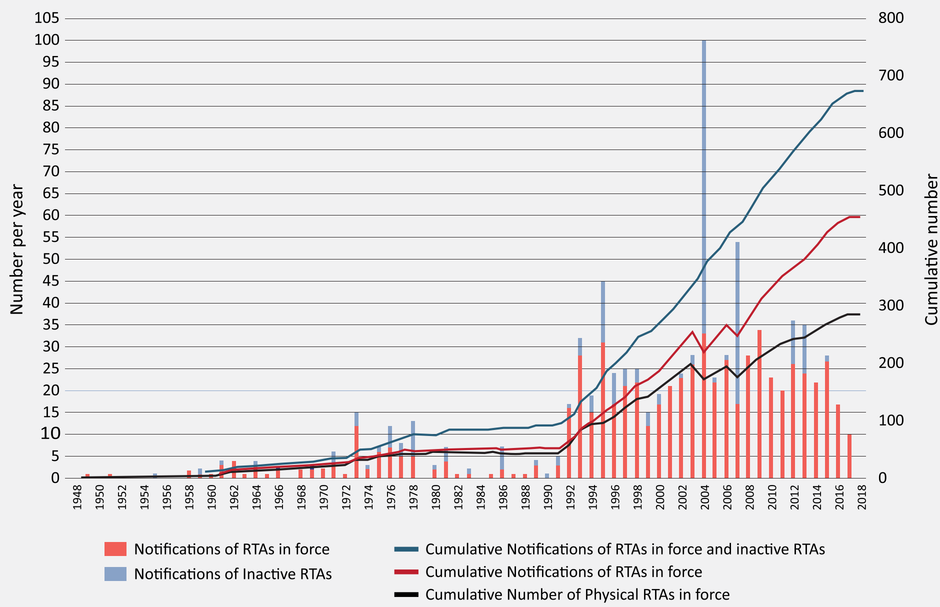
The Embarrassment of Regionalism in the Era of Anti-globalization

Regionalism is not a new phenomenon in world trade history. Preferential trade agreements (PTAs) or RTAs have been around for centuries—long before the creation of the General Agreement on Tariffs and Trade (GATT) in 1947. Throughout modern history, countries have secured and strengthened their trade relations through various arrangements—from colonial preferences to bilateral commercial treaties to broader regional agreements. However, the "Great Depression" of the early 1930s helped fuel the spread of defensive and increasingly hostile trade blocs in the inter-war period. A main justification for creating the GATT in the postwar period was the widely held belief that hostile trade blocs had contributed directly to the economic chaos of the 1930s and the outbreak of WWII.

Nonetheless, the establishment of the postwar multilateral trading system did not diminish the attraction of bilateral or regional approaches to trade arrangements and led instead to a period of creative interaction and sometimes tension between multilateralism and regionalism. The first wave of regionalism in the late 1950s and 1960s was driven by Western Europe's push for continental integration, leading to the establishment of the European Economic Community (EEC) in 1957 and the European Free Trade Agreement (EFTA) in 1960. Subsequent waves of regionalism, from the mid-1980s, reflected an increasing embrace of such arrangements in the Americas, Asia, and Africa, as well as in Europe. The continuing proliferation of regional agreements over the last three decades involves diverse networks—including bilateral, plurilateral, and cross-regional initiatives—and encompasses countries at different levels of economic development. However, a rising concern with the proliferation of RTAs is whether burgeoning regionalism signals a weakening of international commitment to open trade and foreshadows a return to a more fragmented trading system. An alternative view is that RTAs may be part of a broad pattern since WWII—where some countries want to move "further and faster" in trade rule-making than others, where bilateral and regional agreements can have a positive, "domino effect," encouraging the pace of multilateral cooperation, and where regional and multilateral agreements are becoming coherent, not conflicting, approaches to managing a more complex and integrated world trading order.

In practice, countries seem ignorant of which side of the debate is right. They have been quite determined to pursue as many RTAs as possible with partners around the world. Figure 1 shows that the number of RTAs has kept increasing. Nearly all WTO members participate in one or more RTAs. In recent years, the most prominent development of regionalism is the emergence of so-called mega-regional agreements, which are deep integration partnerships between countries or regions with a major share of world trade and foreign direct investment (FDI), and in which two or more of the parties are in the driver position, or serve as hubs, in global value chains. Beyond market access, emphasis in this integration is on the quest for regulatory compatibility and a rules basket aimed at ironing out differences in investment and business climates.[3] TPP and TTIP are the most important and indicative mega-regional agreements.

Figure 1: Evolution of Regional Trade Agreements in the World, 1948-2018



Note: Notifications of RTAs: goods, services and accessions to an RTA are counted separately. Physical RTAs goods, services and accessions to an RTA are counted together. The cumulative lines show the number of notifications/physical RTAs that were in force for a given year.
Source: RTA Section, WTO Secretariat, 25-Jan-18.

TPP was intended to be a comprehensive accord that encompasses provisions on lowering barriers to trade and investment in goods and services and covers critical new issues such as digital trade, state-owned enterprises, intellectual property rights, regulatory coherence, labor, and environment. Like all trade pacts, TPP elicited praise and criticism from economic interests in the United States and the other 11 participating countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Although it was originally a small four-way FTA between Brunei, Chile, New Zealand, and Singapore, U.S. participation in 2009 and the subsequent joining of Japan, Canada, and others led to its members accounting for nearly 40 percent of global GDP. The United States was undoubtedly the leader of the group. President Obama strongly supported the TPP and argued that it would strengthen the American economy and national security. He said to opponents of trade liberalization that "I understand the skepticism people have about trade agreements, particularly in communities where the effects of automation and globalization have hit workers and families the hardest. But building walls to isolate ourselves from the global economy would only isolate us from the incredible opportunities it provides."[4] TTIP negotiations were launched in June 2013 by the United States and EU, aiming for a far-reaching trade agreement focusing on trade liberalization and behind-the-border and other non-tariff barriers, as well as seeking a "high standards" approach to alignment, compatibility, and possible harmonization of regulations and standards governing the goods, services, investment, and public procurement markets.

The rise of TPP and TTIP can be perceived as a continuation of the regional cooperation trend from the mid-1990s, with the United States and EU as the driving economies. Lack of agreement at the WTO Doha negotiations reinforced the perception of inefficiency of policy-making in the multilateral trading system. Mega-regional agreements aim to meet the liberalization needs of developed members of the WTO. With the WTO seemingly stymied by a governance structure that enables a handful of members to impede consensus and block all but the lowest common denominator outcomes, mega-regionals provide the opportunity for like-minded countries to work together to achieve higher order agreements. With the slow pace of WTO negotiations, the rules-based multilateral trading system has fallen woefully behind the reality of global trade and emerging protectionist practices. The longer a given set of trade-distorting practices has to get entrenched, the greater the challenge of creating disciplines to address them later. Issues related to e-commerce, forced localization, data privacy, competition policy, and levelling the playing field between state-owned and private enterprises are all examples of topics under consideration in various mega-regionals, with a view to finding potential formulations that might eventually be adopted by a broader WTO membership.

The United States along with the EU promoted mega-regionals because they were dissatisfied with the slow pace of multilateral trade liberalization and tried to keep the lead in globalization through these high-standard mega-regional agreements. Ironically, while these agreements have yet to yield the intended outcome, their originators disrupted their progress by themselves. Though the TPP negotiations ended in February 2016, Trump withdrew from it as soon as he could. Obama's biggest trade liberalization success was totally destroyed shortly after leaving office. The next victim was the TTIP. Though it was already under attack during Obama's term, TTIP was fully frozen by Trump.[5] Furthermore, Trump started the renegotiation of NAFTA, the milestone of North American regional economic integration, although that is considered a retreat from his original threat to terminate it.[6]

In comparison with Trump's "America First" targeting external partners, the EU, arguably the most courageous and successful experiment in human history to combine a number of sovereign countries under the same institutions, started its breakdown internally. It was awarded the Nobel Peace Prize in 2012, in recognition of efforts to promote peace and democracy in Europe. It achieved the deepest and widest regional economic integration in history. Although Article 50 of the EU Treaty allowed for withdrawal, nobody expected any member to invoke it. As a result, when the UK referendum in 2016 led to the Brexit decision, both sides were not prepared for the enormous complexity of the departure, meaning that there was no clear plan nor the technical resources to meet that challenge. Many believe that Brexit is likely to damage the UK and EU economically and the transatlantic alliance.[7]

Mega-regional agreements such as TPP and TTIP were once considered an alternative solution to further globalization in case the WTO stagnated due to the diverse views of 164 heterogeneous members. Few expected that such like-minded groups would lose their way one after the other with the historical leaders of globalization, the United States and UK, suddenly turning inward. Therefore, finding a new driver of or approach to globalization is really a big question for the world.

Evaluations of China's FTA Strategy: Gains and Limitations

China is a latecomer in pursuing an FTA strategy. But since the signing of the Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN in November 2002, China has made steady progress in FTA development. By the end of 2017, China had signed 16 FTAs with 24 countries and regions spreading over Asia, Latin America, Oceania, and Europe. In 2015, China's trade volume with its FTA partners accounted for approximately 34 percent of its total trade volume. There are 11 FTAs under negotiation and 11 in the exploratory stage.[8]

Compared with the United States, the EU, and some East Asian countries, China lags behind in its number of FTAs, total trade covered by FTAs, and the economic weight of FTA partners. This is firstly because China was the newest member of the WTO among them. Without WTO membership, it is simply unfeasible to negotiate FTAs with WTO members. However, the main reason for China's slowness in pursuing FTAs lies with its unclear FTA strategies. Simply put, China was unsure about its objectives and possible partners for developing FTAs. After its reform and opening up in the end of 1970s, China actively promoted bilateral and regional economic cooperation. However, it was in favor of traditional cooperation arrangements with regional partners and neighboring countries rather than legally binding trade agreements. It was already a big jump for China to apply to join the GATT/WTO, which would require it to systematically transform its trade laws and regulations. Only after China concluded its bilateral WTO accession negotiations with the United States in 1999 did the government start to explore the necessity and feasibility of making further trade liberalization agreements with its partners, given that it had accepted high-standard and far-reaching WTO rules. ASEAN was the natural top choice. Politically, China wanted to stabilize relations with Asian neighbors. Economically, Southeast Asia could be complementary and helpful to China's trade and economic development.

It is debatable whether political intentions prevail over economic ones or not. China's FTA strategy has not focused on its major trading partners. Theoretically, the first economic purpose of FTAs is to expand one's exports to one's top partners. In 2016, the top 10 exporting markets for China were the United States, EU, Hong Kong, ASEAN, Japan, Korea, Chinese Taiwan, Russia, Australia, Canada, and Brazil. China has FTAs with only four of them. Moreover, Hong Kong is a special case, which is part of China and a transit hub of China's trade with the rest of the world. Taiwan is also a special part of China, and the Chinese government does not recognize the ECFA with Taiwan as an FTA. The second economic purpose is usually to promote domestic marketization through reciprocal exchange with FTA partners. However, the liberalization level of China's FTAs is moderate at best. The progress of FTAs in comparison to WTO concessions is limited. In the China-Korea FTA signed in 2015, China's zero-tariff ratio in terms of volume is only 85 percent with a 20-year implementation period. Some sensitive products like automobiles and parts are exempted from tariff reduction. There are only a few WTO-plus and WTO-extra clauses, such as those on environmental protection and competition policy, in a few newly concluded FTAs with small advanced economies such as Switzerland on the condition that most of them are not legally enforceable. In this sense, FTAs are not as helpful as WTO accession to promote domestic reform through opening up.

Table 1: The implementation of China's FTA strategy				
FTA in Force	**Year Negotiations Began**	**Year Agreement in Force**	**FTA Currently Under Negotiation**	**Year Negotiations Began**
Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)		2003	China-GCC FTA	2004
China-ASEAN FTA	2002	2010	China-Norway FTA	2008
China-Chile FTA	2004	2005	China-Pakistan Upgrade	2011
China-Pakistan FTA	2005	2006	RCEP	2013
China-New Zealand FTA	2004	2007	China-Japan-Korea FTA	2013
China-Singapore FTA	2006	2008	China-Sri Lanka FTA	2014
China-Peru FTA	2007	2008	China-Israel FTA	2015
China-Costa Rica FTA	2009	2010	China-New Zealand FTA Upgrade	2015
China-Iceland FTA	2008	2013	China-Singapore FTA Upgrade	2015
China-Switzerland FTA	2011	2013	China-Moldova FTA	2017
China-Korea FTA	2012	2015		
China-Australia FTA	2005	2015		
China-ASEAN FTA Upgrade	2014	2015		
China-Georgia FTA	2015	2017		
China-Maldives FTA	2015	2017		
China-Chile FTA Upgrade	2016	2017		

The Chinese government is not driven primarily by economic concerns when pushing its FTA agenda; political factors play just as important a role, especially with its neighbors. In essence, China has been trying to use its FTA network to foster and reward strategic allies as part of its strategy to build an international environment conducive to China's goal of "peaceful rise."[9] Though the government has persistently portrayed itself as "rising peacefully," not all of its neighbors have been charmed. For example, Beijing's rise as a regional and global power has aroused both economic and strategic fears among its ASEAN neighbors, to varying degrees. Some of these fears stem from historic mistrust and have been exacerbated by recent tensions in the South China Sea. The Chinese government has long been trying to diminish mistrust like this and build closer political ties by offering its neighbors economic benefits through FTAs.[10] China's intention to negotiate a bilateral FTA with Australia also could be viewed through a political lens: China views Australia as an important country in the South Pacific and feels that Sino-Australian bilateral relations are not close enough, which may reflect its concern with Australia's strategic alliance with the United States and Japan.[11]

Thus, China's intentions with its FTA strategy are largely strategic rather than economic. It does not mainly intend to promote trade liberalization both internally and externally through negotiating FTAs with partners. This could explain why China would like to join RCEP but rejects TPP. Nonetheless, it does not mean the Chinese government opposes further trade liberalization, but FTAs are not a proper approach for China. China's position is quite distinct from the advanced economies or those developing counterparts like Brazil and India. As the Middle Kingdom in the past, China is currently in the middle in many aspects, an awkward position to promote trade liberalization in general and to negotiate FTAs in particular.

China has emerged as the world's second largest economy and trading nation, yet it is still very distant from a developed country. GDP per capita is still below the world average. If measured by Human Development Index (HDI), China only ranks 90th, between Ecuador and Fiji. According to the 2017-2018 Global Competitive Index constructed by the World Economic Forum, a comprehensive measurement of national competitiveness, China only ranks 27th, lower than many developed economies. Even though China is one of the largest trading countries of the world, the center of globalization has recently shifted away from negotiations on trade rules to negotiations on investment rules. China has a large amount of FDI inflows and outflows; yet China's stock of inward and outward FDI as a percentage of GDP is far below the average level of developing countries. Chinese firms are also much less internationalized. The top 100 Chinese multinational firms own an average of 15.55 percent foreign assets, 19.71 percent foreign sales, and 7.64 percent foreign employment, dwarfed by those of the top 100 multinational enterprises in the world. Chinese multinational firms are not able to serve as an engine to steer a new wave of globalization, as MNCs of the advanced economies did in the past. Furthermore, globalization is not only driven by global trade and investment liberalizing policies but also by a more liberalized and open domestic market. China has a lot to reform before it can meet the requirements or make commitments as those made by developed countries in the high standard economic integration agreements. For example, its service industry is not yet very open to the global community. China has a much higher level of FDI regulatory restrictiveness compared with advanced economies in almost all sectors.

In summary, as a major trading nation unlike India and Brazil, China is truly in need of further trade and investment liberalization. Yet, as a less open and market-oriented economy, China is not in as comfortable a position as the United States and EU, which only need to require other partners to accept their demands while making few changes to their own institutions. Therefore, it would be difficult for China to negotiate FTAs with big advanced economies because they would compel China to make significant and fundamental institutional reforms and opening up.[12] It is also unrealistic for China to negotiate with big developing countries because they are afraid of its overwhelming competitiveness in manufacturing. Therefore, it is only feasible for China to negotiate FTAs with small and medium-sized advanced and developing countries because China would be unafraid to give them concessions and able to refuse calls for institutional changes from them. With so many limitations, the FTA approach is seen as, not yet at least, very suitable for China to achieve relevant economic objectives.

The Belt and Road Initiative: An Economic Project or a Grand Strategy?

The official narrative of the Chinese government on BRI always looks selfless. In several instances, Xi Jinping has argued that it is only natural that China, after having itself benefited from its integration into the international system, has now started to make its own contribution to global development by providing "more public goods to the international community." China will do so, Xi has repeatedly claimed, not to pursue its own purposes (as a "one-man show") or to establish an exclusive sphere of influence, but rather to produce mutually beneficial outcomes and prosperity for all. Up to now, the Chinese government has released two programmatic documents regarding the BRI. The first one is *Vision and Actions on Jointly Building Silk Road* Economic Belt and 21st-Century Maritime Silk Road jointly released by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce in March 2015.[13] The second one is *Building the Belt and Road: Concept, Practice and China's Contribution* issued by the Office of the Leading Group for the BRI in May 2017.[14] In both, all objectives of the initiative are described as peaceful cooperation and common development.

Although some observers assert that the BRI appears to be entirely a mercantile endeavor, designed to fortify China's economic interests around the world and open business opportunities for Chinese companies enduring a slowdown at home,[15] most believe that the Chinese government has three complementary objectives. While no one would deny that BRI would benefit participants, China would certainly and legitimately be one of the biggest beneficiaries since it was initially proposed and mainly financed by China.

Is BRI Indispensable in Economic Terms?

The economic rationale behind China's BRI proposal usually refers to three dimensions. The first objective is to boost exports of overbuilt sectors such as machinery, steel, and cement by infrastructure building in BRI partner countries. According to Chinese official documents, boosting infrastructure development to enhance transnational and cross-regional connectivity is a priority for cooperation and has the most potential benefit for Chinese companies. At the same time, infrastructure development in Eurasia is truly helpful to economic growth. According to China's own experience, physical obstacles are often more relevant than institutional barriers.

The second objective is to encourage Chinese companies to invest abroad, enhance their international competitiveness, and become China's "national champions." In this sense, the initiative is a continuation of the "going global" strategy formulated in 2000. The difference is now China is already the second largest source of outbound investments in the world.[16] The Chinese government encourages its strong industries to go global, invest in various ways in the BRI countries, introduce their high technological and environmental protection standards, and foster new growth points for bilateral economic cooperation. Again, the internationalization of Chinese companies is an important goal of the government. China would like to share this valuable Chinese experience with other developing countries through Chinese investments into them. This is, of course, helpful to these recipient countries. Simultaneously, China has a strong belief that making use of foreign investments is extremely important for economic growth.

The third objective is to expand the internationalization of the renminbi.[17] The People's Bank of China seems to favor the gradual internationalization of the RMB through the creation of a global network of offshore renminbi clearing banks, currency-swap agreements, and integrated electronic infrastructure. BRI can help serve as a stimulus for all these developments by creating opportunities for greater use of the renminbi in international transactions, especially those related to energy development and investment in infrastructure. The internationalization of the RMB is an international economic policy priority, but an additional currency choice other than the US dollar is also good for other countries.

In summary, although the Chinese government, of course, attaches self-interested goals to the BRI, it does not mean that participants would pay for rather than benefit from it. The economic logic of the BRI looks sound. However, there is one question seemingly never raised: Could China pursue these economic goals without launching BRI? The answer makes a difference in understanding China's actual intentions.

The so-called five connectivities as the core program of BRI include policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds. In fact, all of them are the daily jobs of relevant ministries such as the Ministry of Commerce (MOFCOM,) Ministry of Education, and Ministry of Foreign Affairs. According to MOFCOM, China had signed a variety of trade agreements and economic cooperation agreements with 156 countries by the end of 2016. Before the launch of BRI, China had signed 10 FTAs. China's overseas project contracting operations had been steadily rising earlier with a 10.5 percent annual growth rate from 2010-2015.[18] BRI is largely a network of China-centered bilateral arrangements rather than a multilateral framework simultaneously covering all participant countries. It is not intended to or able to form a more institutionally or economically integrated Eurasia. One flagship project of BRI is the China-Europe Rail Routes which had connected 28 cities in China and 14 cities in Europe by the end of 2016. But these trains carry cargo either from China or from Europe, passing Asian countries en route without any additional loads. In comparison with maritime routes, these rail routes are more expensive and largely dependent on subsidies of local governments. Therefore, many individual projects under BRI are not organically connected with each other and could be operated separately. The value of the brand of BRI in economic terms for Chinese and foreign stakeholders is more about getting easier access to Chinese government attention and money. Of course, for the Chinese government, such a top-down umbrella could help to create positive network effects and to reduce organizational costs.

What Are the Strategic Goals of BRI?

While the necessity of BRI for achieving the economic benefits of projects under its rubric is open to question, the strategic value of BRI cannot be replaced by any other initiatives. The Chinese government has kept a low-profile in international affairs since 1979 with most resources and attention to economic development. Though some observers suggest that it had been thinking about a grand strategy for a long time, we have not seen any authoritative and publicly-announced grand strategy from it.[19] Since the 18th Party Congress and Xi Jinping coming to power, the situation seems to be changing quickly. China's foreign policy is more self-confident than it ever was, implying that the time of keeping a low profile seems to be over. Xi states that he would lead the nation and people to realize the "China Dream," which is described as resurrecting China's ancient power, i.e., to become No. 1 in the world again. To gain such a position, it is obviously not good enough to be a follower or rule-taker. China is expected to be a rule-maker or a creator of new public goods for the world. This does not imply that China is going to give up the existing international regimes such as the World Bank, IMF, and WTO, but that it would try to establish some new frameworks to complement or compete with the current institutions. The AIIB is a good example of this on the basis of existing practices established by the West. Therefore, BRI could be viewed as a Chinese model based on its traditional culture competing with the Western style. With its secular and materialistic culture, China prefers to prioritize economic cooperation with beneficial prospects rather than ideological commonalities or institutional integration. Chinese funds and contractors will help to improve infrastructure connectivity between BRI countries and reinforce China's influence there. Chinese investors will take advantage of the infrastructure and make profits from and contributions to host countries as well, establishing a more benign and powerful image of China. Although quiet investments could achieve similar economic profits, with the striking logo of BRI, China could maximize its political influence along with material benefits.

China's economic and political model will go along with Chinese development funds and foreign investments. Though the government always claims that BRI is for common prosperity and shared destiny, the official documents never forget to emphasize that BRI is a Chinese program with significant Chinese characteristics and different from the previous and existing international regimes. BRI does not only promote these Chinese characteristics through infrastructure connectivity and economic cooperation, but also spreads Chinese traditional culture and current politics through a variety of educational, cultural, communication projects generously funded by relevant government organs.

Some argue that one strategic goal of China is pivoting westward to counter the U.S. pivot to Asia.[20] But the fact is the U.S. is everywhere, and there is nowhere for China to pivot. BRI is not pivoting at all. The five routes, especially the two maritime ones, could reach the whole world. The Chinese government has not made an exhaustive list of participants and has been claiming that BRI is open to everyone who is interested. In the end, the government has realized that the competition between China and the United States is inescapable and will happen everywhere.

China intends to achieve strategic purposes from BRI through economic approaches. There is no need to deny these selfish benefits. However, it is unreasonable to suspect that China is plotting to exploit countries due to self-interest because there is truly potential for common interests. As Adam Smith said, the best economic benefit for all can usually be accomplished when individuals act in their own self-interest. Although the Chinese government is ambitious to spread China's influence, China has no imperialist tradition and does not try to compel other countries to accept China's model, funds, or investments. As seen from China, China's goodwill to others is as authentic as its self-interest with regard to BRI.

The Relationship between BRI and FTA Strategy

This chapter concludes that both FTA strategy and BRI are more for strategic purposes than economic goals. BRI is designed to increase economic integration between China and BRI countries through improving infrastructure connectivity, enhancing policy coordination, promoting trade and investment cooperation, facilitating financial flows, and reinforcing people-to-people communications. Promoting trade and investment cooperation is close to the usual concept of regional economic integration, which means dismantling trade and investment barriers between regional partners. Official documents of BRI endorse trade and investment facilitation and liberalization. One main target is to build a Belt and Road free trade area network.[21] Since the listed examples are all bilateral FTAs with BRI countries, the network is supposed to mean China's bilateral FTAs with BRI countries rather than an FTA covering all BRI countries or a FTA network including these FTAs without China. Therefore, it is hard to say that BRI is designed to promote regional economic integration in the Belt and Road region. It is only about further trade and investment facilitation and liberalization between China and BRI countries. Since many of China's FTA partners are not in East Asia or even Asia, it is debatable whether these FTAs are meant to promote regional economic integration.

China has already set up an FTA strategy which is partly incorporated into BRI and could be helpful to BRI. With or without BRI, China will still implement its FTA strategy to negotiate FTAs with selected partners all over the world. While BRI is almost boundless, China is cautious about including developed countries under the initiative, no matter whether its East Asian neighbors, West European countries, or North American countries. China's FTA strategy has even wider scope than BRI since China has concluded some FTAs with European countries like Switzerland, is negotiating with Japan, and is trying to negotiate with Canada. Therefore, whether FTA strategy or BRI should take the lead is a little confusing.

It is probably playing down BRI by comparing it with regional economic integration. While Beijing has not admitted it as the grand strategy of China's foreign policy, Xi Jinping and a lot of Chinese writers have connected BRI with globalization rather than regionalism. Some terms like the Chinese version of globalization, Chiglobalization, and Globalization 3.0 have been proposed to emphasize the extreme significance of BRI for the world.[22] The Chinese Academy of Social Sciences in 2017 published a book in both Chinese and English titled "Belt and Road Initiative: Exploring a new globalization."[23] While all the authors describe bright and benign visions of BRI in promoting globalization, it is difficult to define the new model of globalization on the basis of their analyses. The Chinese government and BRI itself deserve praise for their support for globalization when globalization is blamed and rejected in the U.S. and Europe, but more explanation is needed for how BRI specifically helps globalization.

Among the five cooperation areas of BRI, the most distinctive is connectivity of infrastructure and facilities. Many governments and international organizations provide development assistance for infrastructure and facilities construction in developing countries, but none have tried to make them internationally connected with each other. BRI helps to increase international economic integration and then globalization. In particular, this area has been neglected by previous efforts at regional economic integration, which focus on reducing trade and investment barriers. However, BRI is not a multilateral institution but a set of bilateral arrangements between China and BRI countries. It would be very difficult for China alone to coordinate relations between these countries. For now, most infrastructure projects under BRI are inside one country or between China and one country rather than connecting multiple countries.

Other than this special feature, BRI does not look so different from the existing models such as FDI, FTAs, and currency swaps. One general distinction of BRI might be its non-legalism. Official documents prefer using words like consultation, cooperation, consensus, discussion, collaboration, and coordination. The Chinese government wants to emphasize that BRI is not mandatory, legally-binding, or unilateral. China has signed 46 cooperative agreements with 39 countries and international organizations.[24] Most of these are joint statements indicating common goals and related work arrangements and have no clear obligations and rights. The most legalistic part of BRI are the FTAs between China and BRI countries. The positive side of this cooperative approach is a partner country may not feel compelled to do something. But the negative effect is when a government wants to overturn a previous consensus there is no way to stop or correct it. This will lead to more uncertainties.

Proposed by one single country and intended to combine many countries together, BRI is a new model never proposed in human history. It is also a new grand strategy for China to link many economic purposes with strategic intentions under one program. Whether BRI can establish a new mode of globalization is still open to debate.

Conclusion

Globalization is facing serious challenges. Not only has the multilateral trade order its momentum, but the dynamics of regionalism are at risk. Mega-regional agreements launched by the United States and EU to push forward globalization have stagnated as has the WTO Doha Round. It seems that the approach of negotiating binding agreements among governments is not workable anymore for furthering trade and investment liberalization. After joining the WTO, China has been actively negotiating FTAs with its partners. But it is questionable whether these FTAs have significantly contributed to reduce trade barriers or promote domestic market-driven reforms. Then hope was diverted to the new BRI for both fostering further opening up by China and sustaining globalization. By analyzing the economic and strategic logic behind BRI, this chapter concludes that it is more about fulfilling China's strategic objectives in world affairs. There are some encouraging ideas in BRI, but there are also some uncertainties about whether it can substantially promote globalization differently than existing models.

Endnotes

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