JOURNAL FÜR ENTWICKLUNGSPOLITIK

vol. XXXV 4-2019

CHINA: CAPITALIST EXPANSION IN THE XI ERA

Special Issue Guest Editors: Daniel Fuchs, Frido Wenten

Published by:
Mattersburger Kreis für Entwicklungspolitik
an den österreichischen Universitäten

Contents

Journal für Entwicklungspolitik XXXV, 4-2019, S. 39–62

Uwe Hoering

Globalisation with Chinese Characteristics:
The Role of the State in China's Belt and Road Initiative

Abstract *By looking at the Belt and Road Initiative (BRI) as an expansion of the Chinese development path, this article is trying to elaborate some of the distinctive characteristics of the role of the state in this development, its relevance for the shape of the BRI and the impacts for the development perspectives of the participating countries. Starting from the description of the Chinese development strategy as a variant of the developmental state and the localisation of the BRI in the current growth and structural crisis of the Chinese accumulation model, three short country case studies illustrate how BRI is designed as a response to the crisis and what the sometimes conflict-laden repercussions can be for the participating countries.*

Keywords *Belt and Road Initiative, developmental state, China, South-South cooperation, spatial fix*

It is not unusual that in huge infrastructure projects the state plays a crucial role in framing and implementation, often in varying forms of cooperation with private companies, such as Public Private Partnerships. Because of its distinctive regime character and relation with Chinese enterprises, the role that the Chinese state plays in the implementation of the ambitious infrastructure initiative "Belt and Road" (BRI), popularly known as the New Silk Roads, seems to be clearly different from similar initiatives. This contributes significantly to the broad attention, the initial successes and the high expectations that participating countries associate with it, not least against the background of China's own rise to the status of a leading economic power. By analysing the BRI as an expansion of the

Chinese development path in the past 40 years, this article attempts to elaborate some of the distinctive characteristics of the role of the state in this development, its relevance for the shape of the BRI, and the impacts for the development perspectives of the participating countries. This will also be decisive for the further implementation of BRI, which will be faced with a variety of challenges. Starting from the description of the Chinese development strategy as a variant of the developmental state and the localisation of the BRI in the current growth and structural crisis of the Chinese accumulation model, exposed by the global financial crisis of 2007/2008, a brief look at impacts of the BRI in three countries (Kazakhstan, Sri Lanka and Bangladesh) will illustrate how the BRI is shaped as a response to the crisis, resulting in economic, ecological and political repercussions in participating countries and for the Chinese government itself.

1. The developmental state with Chinese characteristics

With the unprecedented rise of the People's Republic of China (Cho 2005; Garnaut/Song/Cai 2018; Schmalz 2018), the debate about the developmental state has been given new substance. I am using the term 'developmental state' in a rather general way to designate a planned growth-oriented development strategy by a more or less authoritarian state (Linz 1975) to catch up with advanced industrialised countries, being aware that the debate about the Asian capitalist developmental state, which started from the experience of late industrialising countries in East Asia (Johnson 1982) is vague and controversial (Ataç/Fischer 2018). The literature largely agrees that there are numerous similarities between the ascent of East Asian countries such as Japan, South Korea and Taiwan in the 1960s and 1970s and the policies of the People's Republic of China since 1979, such as macroeconomic planning, close cooperation between elites and bureaucracy, strong focus on the objective of rapid economic growth, installing a set of institutions and incentives to promote it, strong state intervention in the economy and markets, and the promotion of globally competitive corporations (Knight 2012, 2015; ten Brink 2013; Chu 2016). As in most East Asian 'Tiger states', the export-oriented development and modernisation strategy has been implemented in an authoritarian manner marked by the dominance of bureaucracy, centralisation of decisions, little scope for other political or social actors, and restriction of fundamental rights and opposition, especially of the working class (Lauth 2012).

At the same time, the Chinese developmental state differs fundamentally from other East Asian developmental states, most notably expressed through its official definition as "Socialism with Chinese characteristics", characterised by the existence of a comprehensive ideology and the claim of a socialist policy and social order, the legitimation resulting from the history of the Communist Party of China (CPC), a well-knit cadre party, and its broad anchoring in the population by means of mass organisations. This applies firstly to its political constitution and decision-making structures, with a much greater presence in all areas, and the central role of the Communist Party. Secondly, it applies to the associated far-reaching proactive possibilities for intervention (planning, control, and promotion), both internally vis-à-vis social groups and classes such as entrepreneurs, the working class, and foreign investors in China, and in foreign trade, for example through protectionist measures and monetary regulation. The government can involve a substantial part of the state apparatus, including the People's Liberation Army, the economy, and large sectors of society in its development goals.

Starting with Deng Xiaoping in 1979, the economy was liberalised and decentralised step by step, opening it up to private capital, especially in non-strategic sectors, restructuring the state-owned industries such as energy, heavy industries and railways, allowing more autonomy and profit-seeking, and inviting foreign investors on a large scale, thus creating a "capitalism with Chinese characteristics" (Huang 2008). This export-oriented "market economy permeated by the state" (ten Brink/Nölke 2013: 21) was supported by favourable conditions including a vast, cheap labour force, the huge market potential and the next wave of globalisation in the 1990s, thereby supporting the ascent of China as the "workshop of the World". In spite of difficult initial conditions, within a few decades China has integrated into the world economy, with the accession to the World Trade Organisation (WTO) in 2001 as a cornerstone, and became one of the most successful developmental states, "establishing an alternative model to liberal Western capitalism with considerable development potential" (ten Brink/Nölke 2013: 29).

Nevertheless, there are many doubts about the real extent of the regulatory capacity of the central government (Knight 2015; ten Brink 2013). Fragmentation of authority to numerous agencies, ministries and regulators, and the decentralisation of power, resource control and implementation, would make China "de facto a federal state" (Bello 2019: 57) with competing subnational governments, corporations, institutions and authorities, and could create serious problems for economic decision-making (Knight 2015). After the initial phase of liberalisation and decentralisation there were attempts to strengthen the steering capacities of the state (ten Brink 2013). Examples are the recentralisation in the fiscal area since 1994 to generate financial resources for subsidies and investments, and the reorganisation of central state institutions for economic planning, such as the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM).

2. The expansion of the developmental state

Several characteristics of this state-driven development seem to be replicated in the BRI, which was officially proclaimed in autumn 2013 by President and CPC-Chairman Xi Jinping (2013) with a speech in Astana, Kazakhstan, making it look almost like a straight expansion of the successful Chinese development model:

- Flexible and adaptive governmental and political intervention options: The interventions of the state changed depending on economic and political circumstances, aptly formulated in the statement of "crossing the river by feeling the stones", attributed to Deng Xiaoping. This is repeated in the vagueness of official statements and documents of the BRI (NDRC et al. 2015; Xi Jinping 2017), making it look like a trial and error approach, without a detailed plan, not to speak of a cohesive strategy.
- Manifold support from state agencies for investments, mainly for state owned or controlled enterprises (SOEs) from sectors such as energy, heavy industry, construction, and transport, but also attempts of (re) regulation, for example to steer investments into politically desired areas.

- The strong focus of state-financed investment on infrastructure, which together with new industries shall create powerful pull effects for the economy.
- The process of gradual geographical expansion: Domestically, the investments moved from the coastal areas in the Southeast at the end of the 1990s to more interior regions ("Go West"), opening up access to markets, cheap labour and natural resources and reducing potentially destabilising social and economic disparities. Internationally, it broadened the selective integration into world markets by Chinese corporations ("Going Global"), which was initially strongly geared towards the markets of the industrialised countries and to the procurement of raw materials from Africa (Brautigam 2010) and the Gulf states.

Similar to its national development strategy, the Chinese state also plays the dominant role in the ambitious investment programme, Belt and Road (NDRC et al. 2015; Hoering 2018; Cai 2017; Rolland 2017; Miller 2017; Jones 2019), combining political and economic instruments to expand China's global reach in both areas. Huge funds for investments, estimated to be up to several hundred billion US Dollars and offered to far more than 100 countries, are provided mainly by state controlled Policy Banks such as the China Development Bank, the Agricultural Development Bank and the Export-Import Bank, by the multilateral Asian Infrastructure Investment Bank (AIIB), set up by Beijing in 2015, or by financial instruments including the "Silk Road Fund". It exceeds similar infrastructure initiatives, such as the Master Plan for ASEAN Connectivity 2025 for Southeast Asia, supported, among others, by Japan and the Asian Development Bank (ADB).[1] Economically, SOEs are the 'dragon heads', building or modernising highways, railway lines, telecommunications and pipelines, ports, power stations and transmission lines. Projects are embedded in bilateral trade and investment agreements, flanked by a massive diplomatic, political and public relations engagement promoted by the Beijing government, by provincial governments, and other state institutions such as MOFCOM. Elevating the BRI to a "signature project" of President Xi Jinping and its inclusion in the Party charter in November 2017 underlined its high-ranking significance for the state. Additionally, it is closely linked to nationalist connotations of a rebirth of China's former greatness and power.

In contrast to Chinese investments in high-tech industries of industrialised countries (Zenglein/Holzmann 2019), BRI investments mainly target infrastructure, natural resources, including agriculture, and to some extent manufacturing in Special Economic Zones and Economic Corridors in developing and emerging economies, promising catch-up opportunities through integration into global value chains, starting from the closure of the 'infrastructure gap'. The fact that many partner governments, especially in Southeast Asia and Central Asia, are more or less authoritarian regimes, also fits into the history of the developmental state, facilitates the bilateral negotiations of terms and projects, and improves the prospects of acceptance, cooperation and implementation of intergovernmental credit, trade and investment agreements. Chinese loans provide an alternative to Western dominated international financial institutions such as the IMF, ADB and World Bank. Chinese state owned companies have considerable competitive advantages over corporations from other countries. The BRI therefore also offers to participating governments the opportunity to, on the one hand, escape Western demands for Human Rights, political and institutional reforms, and on the other hand the chance to stabilise their rule economically and politically, which in turn promises to stabilise and promote the initiative and to deliver quick positive results.

3. The BRI as a "spatial fix"

Several authors (Rolland 2017; Zhang 2017; Cai 2017; Bello 2019) highlight that, in spite of China's impressive progress, its economic and political stability is threatened by several "vulnerabilities" (Bello 2019), such as regional disparities, industrial overcapacities, huge debts of private households, SOEs and provincial governments, the environmental crisis, social inequalities, and social protest. The global crisis of 2007/2008 brought a period of slower growth rates and indicated "that capital accumulation and expansion under the old models in China is no longer sustainable" (Zhang 2016). Because of the close alliance of state, industry and labour, mediated by the Communist Party, the state apparatus increasingly became structurally dependent on successful accumulation (ten Brink 2013). However, single-digit growth rates and widespread problems that challenged the welfare promise, accompanied by social protests, jeopardised the legitimacy of the state and the party. This initiated intensified governmental efforts to 'rebalance' the economy (Deepak 2018) and thus introduced a new stage in China's capitalist development. However, the massive stimulus programme of $585 billion in 2008 to reaccelerate domestic-led growth also fuelled further challenges such as the housing bubble and industrial overcapacities – it thus merely "postponed the day of reckoning" (Rolland 2017: 95).

More fundamentally, the government has enacted a far-reaching restructuring and modernisation strategy, supposedly inspired by the German concept of 'Industry 4.0', under the slogan 'Made in China 2025' (Zenglein/Holzmann 2019). As a response to the structural problems, central government institutions enhanced their steering capacities further: this included, for instance, the attempt to curb the alarmingly growing outflow of capital, including private capital, as well as the merger of SOEs to ensure that they continue to "play a dominant role in sectors and areas that affect national security and the commanding heights of the economy" (Xi Jinping, cited by Rolland 2017: 102). In particular, SOE reforms should further strengthen their systemic relevance ("too big to fail"), improve their international competitiveness, and thereby allow for the channelling of public and private investments into areas that can promote China's modernisation and rise in global value chains (Hoering 2018: 31).

The BRI is a complementary part of this internal crisis resolution approach by combining the restructuring of production conditions with new geographical spaces for action and accumulation for Chinese corporations as another "spatial fix" (Jones 2019). It "arose in connection with the joint efforts of the state and representatives of Chinese capital to promote capital accumulation and expansion into new geographical and spatial dimensions" (Zhang 2017: 323). Driven by political interests and economic contradictions and endowed with enormous power, based on financial strength and the weight of Chinese multinational corporations, the BRI thus also represents a gradual expansion and internationalisation of China's own development strategy (Schmalz 2015). At the same time, it opens up access to natural resources such as energy, agricultural raw materials and minerals (for example, lithium), needed for the modernisation strategy 'Made in China 2025'.

In China's official narrative, this crisis resolution approach is communicated as a contribution to the development of participating countries, but also as a means to a new 'Golden age' for the global system. The BRI would initiate an "inclusive phase of globalisation" (Liu/Dunford 2016: 325), different from the neoliberal globalisation, with its crises and disadvantages for many countries in the Global South and rising protectionism. This is accompanied by a special emphasis on South-South cooperation, expressed for example by setting up the New Development Bank, also called BRICS-Bank, in July 2014. Catchwords such as equal partnership, solidarity and "community of common destiny" (President Xi Jinping at the UN summit in 2015) evoke a development-oriented identity of interests. The shortcomings of neoliberal globalisation are to be avoided and the countries are to be given a new perspective of economic development, modernisation and prosperity, as well as a strategy for political stability and, in particular, an antidote against the "three forces" of terrorism, separatism and extremism in the region, as Xi Jinping said in his speech in Astana (Xi Jinping 2013).

4. The BRI in practice: Three brief country case studies

Although still in its initial phase and with information often inadequate and contradictory, specifically regarding the highly non-transparent agreements and activities of state and government institutions, first outcomes of the implementation of the BRI have already become visible (Hillman 2018, Ekman et al. 2017; Hoering 2018), especially with regards to material infrastructure such as ports, transport links, and energy projects. What is less clear so far is what other benefits they bring for the economic development of the countries. This will be scrutinised in the following by a brief look at some BRI activities in Kazakhstan, Sri Lanka, and Bangladesh.

4.1 Energy policy: Positioning in Central Asia

Over the last two decades, China has rapidly turned from an energy sufficient country, mainly based on coal, to a net oil and gas importer

(Smith Stegen 2015; Downs et al. 2017). The world's second largest economy currently accounts for 20 per cent of the world's total energy consumption and imports over 60 per cent of its crude oil, having overtaken the United States as the largest crude oil importer. Increasingly worried about its energy security, China focussed on diversification of energy suppliers and alternative supply chains to potentially vulnerable sea lanes, such as pipelines from Gwadar in Pakistan, close to the Gulf states, to the province of Xinjiang in Western China.

One of the main targets has been Kazakhstan, benefitting from its strategic role in Central Asia and between China and Europe, for several infrastructure projects including railways lines and highways. Like other Central Asian countries, it has large deposits of fossil fuels, especially oil, and considerable offshore reserves, and is an important cornerstone in the competition between the EU, Russia and China in the successor countries to the Soviet Union on the redistribution of resources, especially oil and gas (International Crisis Group 2017; Smith Stegen/Kusznir 2015). In recent years, former Soviet republics such as Kazakhstan have gained more independence from Russia and greater national control over resources, and have become "autonomous actors" in the new distribution poker (Smith Stegen/Kusznir 2015: 103). In order to modernise the extractive industries, which were geared to supplying the Soviet Union, to increase exports and to diversify the economy, they are looking for new solvent buyers and investments. China helped them as a financier and counterweight against Russia. New oil pipelines between Kazakhstan and China have broken the export monopoly of Russian companies. Investors such as the China National Petroleum Company (CNPC) control many companies in Kazakhstan's oil sector (Nabiyeva 2019). Not surprisingly, Kazakhstan's major exports to China are natural resources, including crude oil, natural gas and metals. In the meantime, China has replaced Russia as its largest trading partner and is the most important investor, lender and buyer of energy resources. The new Silk Road Initiative is now "the culmination of several years of careful and strategic positioning by China to be able to secure both the cooperation and the resources of several Central Asian states" (Smith Stegen 2015: 100).

This cooperation is a cornerstone of Kazakhstan's own ambitious state infrastructure development programme *Nurly Zhol* ("A Road to the Future"), which is officially integrated into the BRI. The programme is also part of the modernisation strategy "Kazakhstan 2050", launched by former President Nursultan Nazarbayev, to reduce its dependency on oil. The strategy should bring the country into the top 30 most developed countries by 2050, based on the transition into a green economy. Yet, so far no joint projects in the renewable energy sector have been announced or implemented in the framework of the BRI. Instead, Kazakh Invest, a national agency aimed at attracting foreign investment, reported on plans to move production capacities of 51 plants to Kazakhstan, apparently exclusively in the mining, engineering and petro chemistry sector (Nabiyeva 2019). "One of the biggest problems is that Kazakh authorities do not make a strategic environmental assessment of the planned large projects in the country. There are no information and public hearings for Chinese projects", Sergey Solyanik from the NGO "Crude Accountability" commented (cited in: Nabiyeva 2019).

4.2 "Debt-trap diplomacy" in Sri Lanka

With its central location in the Indian Ocean, halfway between China, the Middle East and Africa, Sri Lanka has an important position on the Maritime Silk Road (Blanchard 2017; Szechenyi 2018), the counterpart to the overland routes, i.e. the 'Belt'. As early as during the regime of former president Mahindra Rajapaksa, who due to his authoritarian-dictatorial politics found otherwise little foreign support for the reconstruction of the country after a long civil war, China generously provided funds, including huge construction projects. These were mainly used for prestige projects, such as the expansion of Colombo Port City in the capital, executed by the China Harbour Engineering Company (CHEC). Further loans went to build Matala airport and another deep-sea port in Hambantota, both becoming 'white elephants', because hardly any ships dock or planes land there.

The dredging work for Colombo Port City led to fierce protests from environmentalists and fishermen who saw their fishing grounds and livelihoods threatened. Along with allegations of mismanagement and corruption, they contributed to the removal of President Mahinda Rajapaksa in 2015 and the election of Ranil Wickremesinghe as prime minister. The latter tried to fulfil his campaign promise and put the construction of the port city on hold after taking office, but it appears that the new, democratic government had done the math without the Chinese. The construction stop had to be lifted after a few months because the Chinese construction company threatened to demand compensation. The country's high debts, with – according to official figures – a 10 per cent share to China by the end of 2017, do not leave much room for manoeuvre. When the International Monetary Fund (IMF) called for privatisation as a precondition for a new financial aid package, Chinese investors were ready. In July 2017, the management company CMPort took over 80 per cent of the shares in the port of Hambantota for $1.12 billion – with an almost colonial lease of 99 years. Sri Lanka thus became a showcase for the so-called "Debt-Trap Diplomacy" (Moramudali 2019).

4.3 Power generation for development in Bangladesh

While huge construction projects for ports, airports and other infrastructure around the world provide outlets for overcapacities of the Chinese construction, cement and steel industries, the BRI also paves the way for Chinese energy companies in the highly contested market for power generation. Reacting to domestic pressure to relinquish coal (Tracy et al. 2017), they are increasingly looking for new business areas, in strong competition with Japan, South Korea and India. And many low and middle-income countries, such as Bangladesh, are in dire need.

If the government's plans are successful, Bangladesh is expected to join the group of middle-income countries as early as 2021, and the Chinese state leadership has promised to coordinate the projects of the new Silk Roads with these development goals (Siddique 2019). During a visit to the capital Dhaka in spring 2016, President Xi Jinping signed numerous agreements with a credit and investment volume of the equivalent of 24 billion US dollars. Bangladesh is now the second largest recipient of BRI loans in South Asia for state-coordinated infrastructure projects and investments after Pakistan, while China is the largest foreign investor and the most important trading partner – and also the largest arms supplier. The projects include the port and an industrial zone in the second largest city of Chittagong, numerous transport links that Western donors had previously refused to finance – partly because of environmental concerns, such as the Rampal coal-fired power plant, partly because of allegations of corruption – and the expansion of the digital infrastructure with the participation of the Chinese telecommunication giant Huawei.

Most of the money, however, goes to the energy sector, which Bangladesh wants to expand at an accelerated rate in order to support its ambitious development goals. Greenpeace estimates that coal-fired power plants with a planned capacity of 18 gigawatts are planned, compared with 500 megawatts from renewable energy . Construction companies, suppliers, operators and shareholders of the numerous new coal-fired power plants are mainly from China, which will thus gain control of Bangladesh's energy sector. Coal must be imported, also from China.[2]

Similar to the case of Bangladesh, China also invests in coal-fired plants in countries such as Pakistan, Egypt, Kenya and Serbia, thus promoting an energy model based on fossil fuels (Ren/Liu/Zhang 2017; Zhou et al. 2018; Gallagher et al. 2016). So far, only few of the plants are being equipped with modern 'clean coal' technology. Chinese money is thus filling a gap, as Western financial institutions are withdrawing from the financing of coal, partly under pressure from climate activists, and partly because coal is becoming increasingly unprofitable compared to renewable energies. This means that these countries are committed to coal as their energy source for decades to come. In view of China's contribution to expand capacity, underpinned by excessive growth and demand forecasts, there is already a threat of overcapacity, making the plants uneconomical (Li/Wang 2019).

5. The repercussions of expansion and externalisation

These three brief case studies illustrate how the BRI is instrumental for China's access to resources and as an outlet for areas of overcapacity in the Chinese economy such as the construction industry and power generation. Moreover, the case studies also provide examples of two crucial repercussions that are threatening the sustainability of the BRI – the debt issue and environmental concerns.

Providing loans with easier access and fewer strings regarding, for example, human rights or popular participation attached, compared to Western financial institutions such as the World Bank or the ADB, has become one of the main entry points for Chinese investors. They act as a kind of political bait or enticement, helping recipient governments to hold their ground through showcase economic or infrastructure projects. At the same time, they are a vehicle for Beijing to pursue economic interests: "Financing is providing the opportunity to extract diplomatic concessions, reward supporters, shape project plans, access resources, and gain operational control […] and sets the terms not only for repayment but often for what follows in the construction and operation phase" (Hillman 2019: 2). Examples are the control of crucial infrastructure networks, of emerging technologies and of standard setting like 5G in telecommunication, that will open further avenues for influence and restrict others. And they have become a major point of criticism, namely that China – like Western countries – is driving countries into the debt trap (Dreher et al. 2017; Hurley et al. 2018; Kratz et al. 2019).

But this is only partly true: the debt situation in most cases has earlier and different causes and so far it is only in a few countries really exacerbated by Chinese loans (Kratz et al. 2019). And there have been generous debt reductions and renegotiations, as the China Africa Research Initiative reports.[3] However, at least in the medium term, the debt issue could be an explosive device, as it becomes a focal point for protests and resistance both against the governments of the countries involved and against China. Connected to it are fears of dependency, loss of sovereignty, and anti-Chinese sentiments, especially in countries with longstanding experiences with Chinese politics and investments like Vietnam or Myanmar. With financial strings, economic dominance increases: Most of the BRI investments come from Chinese companies (Hillman 2018: 3), while companies from other countries – with a few exceptions – seem to be more afraid of the risks. In addition, there are a number of reports on doubts about the economic feasibility and profitability of many projects, complaints about overpriced contracts, corruption and preferential treatment for Chinese companies, delays and postponements (Hillman 2018; Jones 2019).

In addition, repercussions on China itself due to unreliable borrowers and excessive debt defaults cannot be ruled out, and there are warnings about an "overstretching" of limited resources as a result of the BRI (Pei 2018). Even large Chinese banks and corporations cannot afford unlimited loan defaults, especially since the indebtedness of private households, municipalities, SOEs and central and provincial governments is already substantial (Duceux 2018; Huang 2019). Therefore, the BRI might also become a debt trap for China itself (Huang 2019).

Environmental repercussions could become an even bigger challenge. According to reports evaluating Chinese investments in the energy and transportation sector in BRI countries, most will finance the development and use of fossil fuels such as oil, gas and coal (Zhou et al. 2018, Tracy et al. 2017; Gallagher et al. 2016, Ren et al. 2017). This means that there is a contradiction between Beijing's Silk Road policy and its proclaimed position on global climate challenges. The massive investments are driving up the CO2 emissions of the target countries. By externalising environmental costs and shifting its own ecological footprint abroad and thus working on its climate-friendly profile, China is endangering the implementation of the Paris climate agreement, which it signed itself as well as many of the countries involved (Shearer et al. 2019; Ma/Zadek 2019; Tracy et al. 2017).

Decades of experiences prove that building infrastructure, determined by economic and political interests, and with little popular democratic control, lacking in many of the participating states, create manifold problems such as environmental destruction by opening up ecological sensitive areas to ruthless exploitation and displacement of local livelihoods. Thus, ecological and related social concerns have already become one of the main issues mobilising local populations, environmental and human rights groups in the participating countries against the BRI (Stiftung Asienhaus/chinadialogue 2017).

6. Challenges for the role of the developmental state

Not only in Sri Lanka and Bangladesh, but also in many other countries around the world, perceptions of the BRI are diverse and contested (García-Herrero/Xu 2019). Expectations of benefits from investments, such as improved infrastructure or increased trade opportunities, are contrasted with a wide range of worries, including geopolitical concerns. Contrary to the high-flying rhetoric and promises, six years after its official inauguration, the BRI is running into a multiplicity of problems, doubts and troubles, often resembling earlier – justified or unjustified – criticism of

Chinese investments abroad, but now on a much broader scale due to the wide range of investments.

There have certainly been some achievements of the BRI: in the logistics sector in particular, there are success stories such as the ports of Piraeus and Duisburg, the construction of railway lines, for example to the Ethiopian capital Addis Ababa, highways through Kazakhstan to Russia and the transnational China-Asia central gas pipeline, spanning across Turkmenistan, Uzbekistan and Kazakhstan and linking up with the westernmost Chinese province of Xinjiang. Some transhipment centres are rated as well placed to generate, add value to, or play roles as fulcrums for economic corridors (Derudder et al. 2018) and could contribute to decentralisation and new growth poles (Bluhm et al. 2018). Coal-fired power plants and large dams improve the often-precarious energy situation and open up opportunities for exporting electricity to China. Countries such as Bangladesh, Cambodia, Indonesia, Thailand, and Vietnam, belonging to the fast-growing emerging economies, as well as some of the Central Asian countries, have been able to increase exports to China.

Nevertheless, except for some of the neighbouring countries in Asia such as the Philippines or Cambodia, where processing industries and exports of manufactured goods emerged, and Ethiopia, where Chinese Special Economic Zones for manufacturing were established (Brautigam/Tang 2011), many participating countries remain for the time being as exporters of natural resources, often dependent on Chinese investors and infrastructure, stuck in an out-dated development model of resource extractivism – with all the known problems related to it, such as increasing debts, environmental degradation and dependency. With its own pursuit of economic and political interests, which are presented as the interests of a global community, China tends to undermine, constrain and dominate the development aspirations of other countries. Instead, they are being bound into a re-globalisation project with most of the features of neoliberal globalisation.

As a result, growing concerns about the BRI can be found at the level of governments and national businesses, torn between opportunities for cooperation and risks of dependency. Local media reports and the voices of political opposition parties, as well of affected populations (García-Herrero/Xu 2019, Annex 4), are even more critical, and BRI projects have already fuelled protests and, in the case of Pakistan for instance, even militant opposition. Beijing lost several staunch government supporters in Sri Lanka, the Maldives and Malaysia as a result of democratic elections. In some cases, fears culminate in accusations of neo-colonialism, for example by Malaysia's prime minister Mahathir Mohamad during his visit to Beijing in August 2018. Others like the Indian government blamed BRI for undermining national sovereignty (Hussain 2017). This is a potentially fatal contradiction to the narrative of inclusive globalisation and partnership, of non-interference from the government in Beijing and prosperity and stability. Moreover, it challenges South-South solidarity by antagonising important regional powers such as India, for which China's engagement in Sri Lanka, Bangladesh and Pakistan fuels the impression of an encirclement, thereby further stimulating mistrust about the geopolitical ambitions of the BRI (Blanchard/Flint 2017).

7. Perspectives

Against the background of these challenges, the issue of whether the Chinese state and the participating governments have the capacity for a successful implementation, to balance diverging interests and to constructively solve conflicts and resistance, becomes decisive. This will depend a lot on whether these turbulences and repercussions are just teething troubles or whether they are rooted in the state driven, top-down, non-transparent, technocratic, "neo-developmentalist" approach (Bello 2019: 65), with pronounced power asymmetries between participating states and Chinese state institutions, businesses and financial actors.

Participating states, mostly middle to low-income countries, hardly have the means and preconditions for a successful implementation of capitalist developmental state policies, such as a large domestic market and good supply-side conditions, an efficient bureaucracy and a qualified labour force, a diverse infrastructure and related institutional or legal frameworks. Hopes that China's development strategy would be appropriate for a replication in developing countries thus become illusionary (Kennedy 2010). For most of these states, the BRI merely offers some selective development perspectives and promises, such as the improvement of infrastructure or energy supply conditions, and some trade opportunities – but not necessarily the perspective of a sustainable development. At the same time, they are no pawns: "Beijing is not some all-powerful force that dictates the terms of participation in the BRI" (Bello 2019: 59), but has to reckon with ambitions for sovereign decisions regarding development priorities, regional conflicts and alliances, and hostile national sentiments, as well as social and political opposition, which all determine government behaviour. In fact, several countries, including Pakistan, Malaysia, Myanmar, the Maldives and Bangladesh, have successfully sought to review, re-negotiate, cancel or scale-down BRI commitments, citing concerns over cost overrun, erosion of sovereignty and corruption.

The government in Beijing may have far-reaching financial, economic and political capacities and leverages to make its mark on the new Silk Roads (Hillman 2019). At the same time, by crossing borders and externalising the Chinese development trajectory, the model of the Chinese developmental state loses some of its power. The basic difference for the Chinese central state is that, despite its considerable repertoire of state instruments, the government is by no means omnipotent, but dependent on the willingness of other governments to cooperate. It is obvious that many crucial elements of the Chinese development model are neither available to the Chinese state in other countries – such as control over the working class, the far-reaching steering capacities of the state and the organisational structures of the CPC – nor do they exist on the side of national partner governments. The success of the BRI thus becomes dependent on factors beyond the control of the Beijing government.

In addition, the Beijing government is saddled with its own problems. Just as at home, the BRI is also shaped by competition and the self-interests of SOEs, private sector multinationals, provincial governments and ministries 'Going Global'. "China's central government lacks the ability to keep the BRI strategically tight and coordinated" – especially when it comes to the actual implementation of related projects (Bello 2019: 58). Moreover, among Chinese academics and think tank researchers, there are warnings of the overstretching of resources, of internal economic troubles within China itself, and of repercussions of the trade war with US (e.g. Feldshuh 2018).

It is not without irony that there is a reversal of means and goals taking place. The globalisation initiative, which promises to bring political and social stability, and peace and harmony through economic growth and prosperity (Xi Jinping 2017), can contribute to destabilisation and vulnerability, growing conflict and opposition, which would endanger the success of the initiative itself – and thus the legitimacy of the present political leadership elite in Beijing. In the words of Walden Bello (2019: 63), the "BRI is an attempt to solve the country's economic contradictions by externalizing them. In fact, it may end up exacerbating them." Economic and political stability thus become a crucial precondition for the success of the BRI.

As a reaction, the Chinese government, on the one hand, is showing signs of undergoing a process of "assessment and adaptation" (Rolland 2019). It has learned from experience, softening some of its positions, adapting to changing circumstances and reducing the speed of the BRI. According to a report cited by the South China Morning Post, the value of new projects spread across 61 BRI countries fell in 2018, as well as in the period up to August 2019 (Zhou 2019). While this could reflect implementation problems of BRI projects, it might additionally help to reduce the accusation of contributing to over-indebtedness. At the 2nd Belt & Road Forum on International Cooperation in Beijing in April 2019, President Xi Jinping offered to international investors more cooperation, further economic opening, and more transparency and adherence to international standards, inspiring media headlines such as "Belt and Road 2.0". And, with its programme of so-called "people-to-people contacts", the government explicitly approaches non-governmental organisations, civil society groups and the public in the participating countries in order to "provide support for implementing the Initiative" (NDRC et al. 2015).

Finally, however, another option with which to counter the international 'pushback' to the BRI would be to strengthen authoritarian statehood (Schaffar 2019). Beijing has already started to ensure stability and security by expanding security services (Legarda/Nouwens 2018) to protect Chinese investments, citizens and access to resources. Chinese surveillance technologies have become attractive for authoritarian governments, not only in Southeast Asia and Central Asia, but also in Africa. Organisations initiated by Beijing, such as the Shanghai Cooperation Organisation and the alliance of Eastern and South Eastern European States (17+1 Meetings) offer a new platform to illiberal, populist, nationalist and authoritarian regimes, and some independence from existing Western-dominated alliances (Benner et al 2018). Such an emerging alliance of authoritarian and national-populist states exploits the delegitimisation of Western bourgeois-liberal governance and the growing view, even in democratic core countries, that it is out-dated, dispensable, a hindrance to stability and rapid economic development. Politically, China thus becomes a "systemic rival promoting alternative models of governance", as the recently published strategy paper by the European Commission (2019: 1) states.

1 For the "Master Plan on ASEAN Connectivity 2025", see https://connectivity.asean.org.
2 For further information on Bangladesh's energy policy see https://www.thethirdpole.net/en/bangladesh/.
3 For related reports of the China Africa Research Initiative, see www.chinaafricarealstory.com.

References

Ataç, Ilker/Fischer, Karin (2018): Der Entwicklungsstaat: Geschichte, Konjunkturen, Widersprüche. In: Ataç, Ilker/Kraler, Albert/Schaffar, Wolfram/Ziai, Aram (eds.): Politik und Peripherie. Eine politikwissenschaftliche Einführung. Wien/Berlin: Mandelbaum Verlag, 135-152.

Bello, Walden (2019): China: An Imperial Power in the Image of the West? Bangkok: Focus on the Global South.

Benner, Thorsten/Gaspers, Jan/Ohlberg, Mareike/Poggetti, Lucrezia/Shi-Kupfer, Kristin (2018): Authoritarian Advance. Responding to China's Growing Political Influence in Europe. Berlin: Global Public Policy Institute/merics.

Blanchard, Jean-Mark F. (2017): Probing China's Twenty-First-Century Maritime Silk Road Initiative (MSRI): An Examination of MSRI Narratives. In: Geopolitics 22 (2), 246-268. https://doi.org/10.1080/14650045.2016.1267147

Blanchard, Jean-Marc F./Flint, Colin (eds., 2017): The Geopolitics of China's Maritime Silk Road Initiative [Special section]. Geopolitics 22 (2). https://doi.org/10.1080/14650045.2017.1291503

Bluhm, Richard/Dreher, Axel/Fuchs, Andreas/Parks, Bradley/Strange, Austin/Tierney, Michael (2018): Connective Financing: Chinese Infrastructure Projects and the Diffusion of Economic Activity in Developing Countries. Aid Data Working Paper 64, September 2018. https://www.aiddata.org/publications/connective-finance-chinese-infrastructure-projects, 16.10.2019. https://doi.org/10.2139/ssrn.3262101

Brautigam, Deborah (2010): The Dragon's Gift: The Real Story of China in Africa. Oxford: Oxford University Press.
Brautigam, Deborah/Tang, Xiaoyang (2011): African Shenzhen: China's special economic zones in Africa. In: The Journal of Modern African Studies 49 (1), 27-54. https://doi.org/10.1017/S0022278X10000649
Cai, Peter (2017): Understanding China's Belt and Road Initiative. Sydney: Lowy Institute for International Policy.
Cho, Hyekyung (2005): Chinas langer Marsch in den Kapitalismus. Münster: Westfälisches Dampfboot.
Chu, Yin-wah (ed., 2016): The Asian Developmental State. Reexaminations and New Departures. London/New York/Shanghai: Palgrave Macmillan.
Deepak, B R (2018): China's global rebalancing and the New Silk Road. Singapore: Springer. https://doi.org/10.1007/978-981-10-5972-8
Derudder, Ben/Liu, Xingjian/Kunaka, Charles (2018): Connectivity Along Overland Corridors of the Belt and Road Initiative. Washington D.C.: The World Bank (Discussion Paper MIT Global Practice No 6, October 2018). https://doi.org/10.1596/30609
Downs, Erica/Herberg, Mikkal E./Kugelman, Michael/Len, Christopher/Yu, Kaho (2017): Asia's Energy Security and China's Belt and Road Initiative. Seattle: National Bureau of Asian Research.
Dreher, Axel/Fuchs, Andreas/Parks, Bradley/Strange, Austin M./Tierney, Michael J. (2017): Aid, China, and Growth: Evidence from a New Global Development Finance Dataset. AidData Working Paper 46. http://docs.aiddata.org/ad4/pdfs/WPS46_Aid_China_and_Growth.pdf, 16.10.2019. https://doi.org/10.2139/ssrn.3051044
Duceux, Alice Jetin (2018): An Overview of Chinese Debt. http://www.cadtm.org/An-Overview-of-Chinese-Debt, 16.10.2019.
Ekman, Alice/Nicolas, Françoise/Desarnaud, Gabrielle/Seaman, Jean/Kastouéva-Jean, Tatiana/Bahçecik, Serif Onur/Nallet, Claire (2017): Three Years of China's New Silk Roads: From Words to (Re)action? Paris: ifri.
European Commission (2019): EU-China – A strategic outlook. https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf, 16.10.2019.
Feldshuh, Hannah (2018): China Debates the Belt and Road. https://thediplomat.com/2018/09/china-debates-the-belt-and-road/, 16.10.2019.
Gallagher, Kevin P./Kamal, Rohini/Wang, Yongzhong (2016): Fueling Growth and Financing Risk: The benefits and risks of China's development finance in the global energy sector. Boston: Global Economic Governance Initiative.
García-Herrero, Alicia/Xu, Jianwei (2019): Countries Perceptions of China's Belt and Road Initiative: A Big Data Analysis. Brussels: Bruegel Working Paper 1/6, February 2019. https://doi.org/10.2139/ssrn.3430318

Garnaut, Ross/Song, Ligang/Cai Fang (eds, 2018): China's 40 Years of Reform and Development: 1978-2018. Acton: Australian National University Press. https://doi.org/10.22459/CYRD.07.2018
Hillman, Jonathan (2018): China's Belt and Road Initiative: Five Years Later. Statement Before the U.S.-China Economic and Security Review Commission. Washington D.C.: Center for Strategic and International Studies, CSIS.
Hillman, Jonathan (2019): Influence and Infrastructure. The Strategic Stakes of Foreign Projects. A Report of the CSIS Reconnecting Asia Project. Washington, D.C.
Hoering, Uwe (2018): Der Lange Marsch 2.0. Chinas Neue Seidenstraßen als Entwicklungsmodell. Hamburg: VSA Verlag. (English: https://www.asienhaus.de/archiv/asienhaus/publikationen/Hoering_Chinas_Long-March_2.0.pdf).
Huang, Yasheng (2008): Capitalism with Chinese Characteristics. Entrepreneurship and the State. Cambridge: Cambridge University Press.
Huang, Yasheng (2019): Can the Belt and Road Become a Trap for China? https://www.project-syndicate.org/commentary/china-belt-road-initiative-trap-by-yasheng-huang-2019-05, 16.10.2019.
Hurley, John/Morris, Scott/Portelance, Gailyn (2018): Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective. Center for Global Development Working Paper 121.
Hussain, Zahid (2017): The China-Pakistan Economic Corridor and the New Regional Geopolitics. Asie.Visions 94. Paris: ifri, Center for Asian Studies.
International Crisis Group (2017): Central Asia's Silk Road Rivalries. Brussels: Europe and Central Asia Report No. 245.
Johnson, Chalmers (1982): MITI and the Japanese Miracle. Stanford, CA: Stanford University Press.
Jones, Lee (2019): The Political Economy of China's Belt and Road Initiative. Paper presented at the Australian International Political Economy Network Workshop, Perth, Australia.
Kennedy, Scott (2010), The Myth of the Beijing Consensus. In: Journal of Contemporary China 19 (65), 461-477. https://doi.org/10.1080/10670561003666087
Knight, John (2012): China as a Developmental State. CSAE Working Paper WPS/2012-13.
Knight, John (2015): The Principal-Agent Problem, Economic Growth, Subjective Wellbeing and Social Instability: China's Effective but flawed Governance. https://www.economics.ox.ac.uk/materials/papers/14065/paper-758.pdf, 16.10.2019.
Kratz, Agatha/Feng, Allen/Wright, Logan (2019): New Data on the "Debt Trap" Question. Rhodium Group. https://rhg.com/research/new-data-on-the-debt-trap-question/, 16.10.2019.
Lauth, Hans-Joachim (2012): Authoritarian Regimes. InterAmerican Wiki: Terms - Concepts - Critical Perspectives. http://www.uni-bielefeld.de/cias/wiki/a_Authoritarian%20Regimes.html, 14.10.2019.

Legarda, Helena/Nouwens, Meia (2018). Guardians of the Belt and Road. The internationalization of China's private security companies. Berlin: Merics China Monitor, 16.8.2018.
Li, Danqing/Wang, Yan (2019): Bangladesh may suspend new power approvals. https://www.chinadialogue.net/article/show/single/en/11512-Bangladesh-may-suspend-new-power-plant-approvals, 8.11.2019.
Linz, Juan (1975): Totalitarian and Authoritarian Regimes. In: Greenstein, F.J. et al. (Ed.): Handbook of Political Science, Vol. 3: Macro-political Theory, Reading, Mass., 175–411.
Liu, Weidong/Dunford, Michael (2016): Inclusive Globalization; Unpacking China's Belt and Road Initiative. In: Area Development and Policy 1 (3), 323-340. https://doi.org/10.1080/23792949.2016.1232598
Ma, Jun/Zadek, Simon (2019): Decarbonizing the Belt and Road. A Green Finance Roadmap. https://www.climateworks.org/wp-content/uploads/2019/09/Decarbonizing-the-Belt-and-Road_report_final_lo-res.pdf, 16.10.2019.
Miller, Tom (2017): China's Asian Dream. Empire Building Along the Silk Road. London: ZED Books.
Moramudali, Umesh (2019): Is Sri Lanka Really a Victim of China's 'Debt Trap'? In: The Diplomat, 14.5.2019. https://thediplomat.com/2019/05/is-sri-lanka-really-a-victim-of-chinas-debt-trap/?allpages=yes&print=yes, 28.05.2019.
Nabiyeva, Komila (2019): China-Kazakhstan Energy Cooperation within the Belt and Road Initiative: Win-win or Win-lose? Köln: Stiftung Asienhaus.
NDRC (National Development and Reform Commission)/Ministry of Foreign Affairs/Ministry of Commerce of the People's Republic of China (2015): Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. March 2015. http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html, 1.2.2018.
Pei, Minxin (2018): Chinas imperiale Überdehnung. In: Blätter für deutsche und internationale Politik 12/2018, 37-38.
Ren, Peng/Liu, Chang/Zhang, Liwen (2017): China's involvement in Coal-Fired Power Projects along the Belt and Road. Beijing: Global Environmental Institute.
Rolland, Nadège (2017): China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative. Seattle: The National Bureau of Asian Research.
Rolland, Nadège (2019): Beijing's Response to the Belt and Road Initiative's "Pushback": A Story of Assessment and Adaptation. In: Asian Affairs 50 (2), 216-235. https://doi.org/10.1080/03068374.2019.1602385
Schaffar, Wolfram (2019): Globalisierung des Autoritarismus. Aspekte der weltweiten Krise der Demokratie. Rosa Luxemburg Stiftung, Studien 6/2019. Berlin.
Schmalz, Stefan (2015): An den Grenzen des American Empire. Geopolitische Folgen des chinesischen Aufstiegs. In: PROKLA 181, 45 (4), 545-562. https://doi.org/10.32387/prokla.v45i181.200

Schmalz, Stefan (2018): Machtverschiebungen im Weltsystem. Der Aufstieg Chinas und die große Krise. Frankfurt/New York: Campus.

Shearer, Christine/Brown, Melissa/Buckley, Tim (2019): China at a Crossroads: Continued Support for Coal Power Erodes Country's Clean Energy Leadership. Cleveland: Institute for Energy Economics and Financial Analysis, IEEFA.

Siddique, Abu (2019): Infrastructure and energy bind Bangladesh to China. https://www.thethirdpole.net/en/2019/05/13/infrastructure-and-energy-bind-bangladesh-to-china/, 14.10.2019.

Smith Stegen, Karen (2015): Understanding China's Global Energy Strategy. In: International Journal of Emerging Markets, 10 (2), 194-208. https://doi.org/10.1108/IJOEM-04-2014-0059

Smith Stegen, Karen/Kusznir, Julia (2015): Outcomes and strategies in the 'New Great Game': China and the Caspian states emerge as winners. In: Journal of Eurasian Studies 6 (2), 91-106. https://doi.org/10.1016/j.euras.2015.03.002

Stiftung Asienhaus/chinadialogue (eds.) (2017): Silk Road Bottom-Up. Regional voices on the Belt and Road Initiative. Cologne: Stiftung Asienhaus.

Szechenyi, Nicholas (ed) (2018): China's Maritime Silk Road. Strategic and Economic Implications for the Indo-Pacific Region. Washington DC: Center for Strategic & International Studies.

ten Brink, Tobias (2013): Wirtschaftsregulierung in China. Möglichkeiten und Grenzen staatlicher Steuerungskapazitäten in einem nicht-liberalen Kapitalismus. In: dms – der moderne staat – Zeitschrift für Public Policy, Recht und Management 6 (1), 65-84.

ten Brink, Tobias/Nölke, Andreas (2013): Staatskapitalismus 3.0. In: dms – der moderne staat – Zeitschrift für Public Policy, Recht und Management 6 (1), 21-32.

Tracy, Elena F./Shvarts, Evgeny/Simonov, Eugene/Babenko, Mikhail (2017): China's new Eurasian ambitions: the environmental risks of the Silk Road Economic Belt. In: Eurasian Geography and Economics 58 (1), 56-88. https://doi.org/10.1080/15387216.2017.1295876

Xi, Jinping (2013): Promote Friendship Between Our People and Work Together to Build a Bright Future. https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1078088.shtml, 16.10.2019.

Xi, Jinping (2017): Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road. http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm, 16.10.2019.

Zenglein, Max J./ Holzmann, Anna (2019): Evolving Made in China 2025: China's industrial policy in the quest for global tech leadership. Berlin: Merics Papers on China No. 8, July 2019.

Zhang, Xin (2016): Chinese Capitalism and the New Silk Roads. In: Aspen Review 4/2016. https://www.aspenreview.com/article/2017/chinese-capitalism-and-the-new-silk-roads/, 16.10.2019.

Zhang, Xin (2017): Chinese Capitalism and the Maritime Silk Road: A World-Systems Perspective. In: Geopolitics 22 (2), 310-331. https://doi.org/10.1080/14650045.2017.1289371
Zhou, Cissy (2019): China slimming down Belt and Road Initiative as new project value plunges in last 18 months, report shows. In: South China Morning Post, 10.10.2019. https://www.scmp.com/economy/global-economy/article/3032375/china-slimming-down-belt-and-road-initiative-new-project, 16.10.2019.
Zhou, Lihuan/Gilbert, Sean/Wang, Ye/Muñoz Cabré, Miquel/Gallagher, Kevin P. (2018): Moving the Green Belt and Road Initiative from Words to Actions. Washington D.C.: World Resources Institute. https://wriorg.s3.amazonaws.com/s3fs-public/moving-green-belt-and-road-initiative-from-words-to-actions.pdf, 16.10.2019.

Abstract *Am Beispiel der Belt and Road Initiative (BRI) als Expansion des chinesischen Entwicklungskonzepts untersucht dieser Artikel die Besonderheiten der Rolle des Staates in dieser Entwicklung, deren Einfluss auf die Ausprägung von BRI und die Auswirkungen auf die Entwicklungsperspektiven der teilnehmenden Länder. Ausgehend von der Beschreibung der chinesischen Entwicklungsstrategie als Variante des Entwicklungsstaates und der Verortung von BRI in der aktuellen Wachstums- und Strukturkrise des chinesischen Akkumulationsmodells illustrieren drei kurze Länderfallstudien, wie BRI als Reaktion auf die Krise gestaltet ist und welche teils konfliktträchtigen Rückwirkungen das für die teilnehmenden Länder haben kann.*

Uwe Hoering
hoering@globe-spotting.de