



BOOK REVIEW

# China's belt and road initiative: Changing the rules of globalization

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When Xi Jinping announced 'One Belt, One Road' in 2013, and when the action plan for the Belt and Road Initiative (BRI) was released by the National Development and Reform Commission (March 28, 2015), China undertook the most significant international programme of the twenty-first Century. Academic research performs well but the BRI is now subject to scrutiny and this edited collection presents an opportunity to begin serious analysis of the BRI, its impacts and challenges. This task has the usual problems of all international business scholarship: picking the correct level of analysis, holding other influences constant, confronting incomplete and untrustworthy data, and using appropriate theory. Moreover, there are a large number of potential viewpoints on the BRI. It can be seen geopolitically; from a macroeconomic perspective, as a manifestation of Chinese Outward Direct Investment (COFDI); as an extension of State Owned Enterprises (SOEs); in micro-economic terms as a set of projects; or in its immediate impact on single countries and locales.

This volume grapples with all these levels of analysis. The authors and editors are a diverse group of 31 working in mainland China (12), USA (10), Europe (6), Hong Kong (1) and 2 in the rest of Asia (this largely neglects the views of the host developing countries). In international business research, categories do not always travel internationally. BRI initiatives represent a mix (in 'western' categories) of aid, trade, foreign direct investment, soft loans, hard loans, and commercial and development bank lending. Given that these differing flows have very different effects, unravelling them is crucial. It has been widely alleged that 'debt servitude' is a consequence of BRI for host countries – the case quoted is usually Sri Lanka. Inability to repay debt can result in asset seizures by China (Sri Lanka again and Greece). The utility of some investments ('the road to nowhere' in the Balkans) is questioned. Many poor countries, desperate for investment, look to BRI for development, and several do so to counterbalance Western (US) influence geopolitically. The desire for investment, any investment, in poor countries is understandable, and the promise of soft loans is often irresistible. However, there are always consequences, sometimes unforeseen.



The examination of the contracts underpinning BRI projects is vital, and obtaining such contracts for analysis is a *sine qua non* of unravelling its effects. The multiplicity of contracts involved requires a great deal of research diligence. It is important for researchers to be close to the action, but it has to be pointed out that, in the increasingly authoritarian Peoples' Republic of China, it is difficult to be critical of government policy initiatives. Unfortunately, broad scrutiny is unlikely to occur because of secrecy and a lack of transparency. Even by Chinese standards, hard data on the BRI are difficult to come by.

As a result, there are many unanswered questions. It is unfair to expect an early, preliminary analysis to deal with all the outstanding issues. However, I found this volume somewhat light on critical analysis; additional in-depth investigation would have made the book more compelling. The Foreword speaks of BRI as 'a global ecosystem for long term symbiosis' (p.ix), and several authors focus mainly on the cooperative 'win-win' (in that awful phrase) nature of the BRI, uncritical of its competitive, exclusionary and debt-laden aspects. The geographical focus is wide, with chapters on 'the Arctic and Northern Europe' (a welcome extension), Eastern Europe and the 16 + 1 group, central Asia, Africa, New Zealand and US business connectivity. An array of topics is tackled – Free Trade Agreements and Multilateralism, Trade Facilitation Measures, Chinese OFDI, Business Groups, Agricultural Exports, Chinese Sovereign Wealth Funds, Dispute Resolution, and globalisation. This eclectic mix is welcome in a spirit of covering all the bases, but militates against in-depth analysis. I also looked in vain for detailed, insightful case studies.

The most important service of this volume is to produce a long list of unanswered questions about the BRI – a veritable cornucopia of a research agenda for IB scholarship. Among the unanswered (and researchable) topics are the following questions:

### Global/multilateral level

- What are the global competitive impacts of the BRI, given that foreign (non-Chinese) bidders are often excluded from BRI contracts?
  - What is likely to be the impact on world trade and FDI patterns?
  - What is the impact of BRI on the 'rules-based' global trade and investment system? (Is this simply a 'rebalancing' of rules towards China and possibly towards developing countries or is it the imposition of unilateral Chinese rules?)
- Does the BRI represent an institutional challenge to 'Western' (e.g., World Bank versus AIIB) or international (WTO) institutions?
  - In view of the alleged US and European (Brexit) withdrawals from globalisation, does BRI represent a bid for Chinese dominance of globalisation?
  - What are the legal, human rights and environmental implications of BRI for the global institutional framework?

### National level (home and host countries)

- Is 'debt servitude' a consequence of BRI? What are the costs and benefits of BRI for the host countries?
- What impact does BRI have on COFDI? What (exclusionary) impact does it have on third country FDI?
- What is the content of the contracts that host countries have signed in the BRI? (Division between investment, debt, aid, and trade)
- Does investment in physical infrastructure accelerate or delay investment in digital connectivity?
- Are vulnerable and small states targeted and, if so, can their bargaining power vis-à-vis China be strengthened?
- What are the legal implications of BRI (particularly for host countries)? Does this extend Chinese legal extraterritoriality?
- What are the human rights implications of BRI?
- What are the environmental impacts in host countries and in China of BRI?

### Firm level

- What are the business models behind BRI? (Joint ventures, mergers and acquisitions, build-operate-transfer (BOT) or franchises?)
- How does BRI affect Chinese SOEs? (Is this merely a means of solving Chinese SOEs' overcapacity problems?)

A rich research agenda, indeed! The challenge that BRI poses for research undoubtedly requires an interdisciplinary agenda – the implications for political science, international relations, economics and cultural studies are enormous. The impact on legal studies is potentially momentous as Chinese law becomes enshrined extraterritorially through investor state intermediation and arbitration. The choice of law to cover contracts is critical, and the potential clash of legal domains has wide-ranging implications as Chinese institutions, including the Chinese International Commercial Court ('the BRI court'), become



embedded in host countries. The conventions that cover these practices are a similarly open research agenda. It is, however, IB scholars who have the most to offer. IB research is multi-level and multidisciplinary, and has the ability to integrate the local (BRI micro- and host-country impact) with the global (economic geography and international relations implications). Analyses of the MNEs, SOEs, national and regional institutions come naturally to IB scholars, and recent work on Chinese expansionism, both economic and political, in IB scholarship means that the BRI can more easily be analysed in the IB domain than any other.

The BRI represents a large-scale shift in the multilateral regime – the focus of BRI is largely bilateral, not multilateral – and these significant changes mean that those IB researchers who concentrate on the firm level can no longer take the global institutional framework as given. An explicit focus on the global trade and investment regime is now required as a new factor in IB research. This reinforces the need for a multi-level approach to research programmes ('grand challenges'; Buckley, Doh and Benischke 2017). For instance, the human rights implications of BRI have far-reaching implications across all the levels of analysis.

The BRI is an amorphous concept. It is a dynamic entity, too, China being willing to rethink the BRI strategy in the face of 'pushback'. It is a challenge to conventional modes of thinking and requires a great deal of conceptual preparation before serious investigative research can begin. Consequently, it also allows international business researchers to explore the efficacy of their thinking, their categorisation of stocks and flows in the global economy, and the utility of wider theorising. In other words, it is a new challenge to international business thinking in the way that emerging country multinationals were over a decade ago.

### REFERENCES

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Researchers wishing to take up this challenge would be well advised to adopt a definite theoretical stance – unclear anchoring in theory will only lead to confusion or mere description. Theory must be consistent across the global/national and firm levels of analysis and be flexible enough to encompass the multifaceted nature of BRI. Aspects of the BRI can be placed within the matrix, with 'level of analysis' on one axis and 'theoretical lens' on the other (Buckley & Lessard, 2005). This enables consistency and precision of analysis within a single explanatory framework. The research design needs to be framed to focus on a clear issue: the impact on the host country, financial (debt) implications and geopolitical questions are top of the urgency requirements. The level of analysis must be appropriate for the theoretical frame, the explicandum and the appropriate (and available) data. A remaining doubt is the veracity of the data. Coase (1988) recommended to researchers that they focus on the content and consequences of actual contracts.<sup>1</sup> Access to contracts may be the only way of securing reliable information. Freedom of information in BRI will be limited, so this is a test of researchers' ingenuity (and bravery). The enormous potential consequences of BRI for host countries, China, the global economy and China's major competitors (the USA, India and Japan) make this research critical for all our futures.

### NOTES

- <sup>1</sup>Coase (1988: 74) states: "studies should be made of the contractual arrangements between firms (long-term contracts, leasing, licencing arrangements of various kinds, including franchising and so on), since market arrangements are the alternative to organization within the firm".

- Coase, R. H. 1988. *The firm, the market and the law*. Chicago: University of Chicago Press.