NEO-MERCANTILISM AND GLOBALISATION:
A CASE STUDY OF CHINA’S BELT AND ROAD INITIATIVE

Dr. Khalid Mahmood Shafi, Mr. Muhammad Tariq Niaz and Mr. Rizwan Ali

Abstract

The quirks and flaws in the current global system are causing economic inequalities, uneven development, moulding of cultures and power imbalance. China is pursuing global rebalancing by initiating two grand projects, i.e., BRI and Asian Infrastructure Investment Bank. One is related to infrastructure, and the other is to counter Western dominated lending institutions. BRI serves as a comprehensive template for a new version of globalisation based on a new set of cultural, political and economic ideas—BRI-led globalisation is termed the Eastern version of modern globalisation, which is qualitatively and quantitatively dissimilar from the current US-led global order. This paper explains the concept of Neo-mercantilism and relates it to China’s economic and political influence. It also elaborates on the role of BRI in the new form of globalisation and how South Asia is engaged in this global project. It elaborates on how CPEC has become the flagship project of BRI to internationalise the Eastern concept and advance Chinese national interests. It links China to other countries in three continents, i.e. Asia, Africa and Europe, with China as a centre.

Keywords: Belt and Road Initiative, BRI-led Globalisation, Neo-mercantilism, South Asia, CPEC.

Introduction

China’s Belt and Road Initiative (BRI) mainly promotes a new form of globalisation dissimilar to the existing world order in several ways, given its theoretical and practical vision of economic and political governance. BRI-led globalisation is a set of ideas and institutions that seek to fill the loopholes and alter the current international system established after World War II by the Western powers. The most critical element involved is to rebuild the confidence and trust between developed and developing countries. This belief has gained momentum by initiating structural reforms and efforts to redesign the dominant regimes’ role.
BRI promotes connectivity and economic integration among countries and may create a new form of regional economic integration not fully aligned with the existing global economic order. In a speech at the Bo’ao Forum for Asia in 2018, President Xi Jinping emphasised the need to ensure that BRI projects, including China-Pakistan Economic Corridor (CPEC), are economically viable and financially sustainable. He stated, "We should ensure that when we pursue Belt and Road cooperation, we achieve win-win outcomes and common development, avoid fragmentation and exclusion, and build open, balanced and inclusive regional cooperation architecture." CPEC is considered the most significant project under BRI, while Bangladesh gets the second highest investment through BRI. It shows the importance of South Asia in the Chinese-led Globalization project BRI.

BRI-led globalisation is not seen as the complete amelioration of classical globalisation. Still, it is seen as an advancement in the present international system under the BRI-led institutions and ideas. The economic institutions under the liberal world order, including World Bank and International Monetary Fund (IMF), have a policy of interference in the domestic affairs of sovereign countries. It is taken very seriously and negatively, especially in the countries of the Global South. In contrast, the BRI-led institution, Asian Infrastructure Investment Bank (AIIB), has a firm non-intervention policy. Although solo efforts can hardly accomplish reforms and amendments in international institutions, BRI and AIIB are being promoted as an alternative to Western-led institutions. One hundred forty countries have joined and signed MoU with China, which brings diversity and inclusivity to the approach.

The research examines BRI-led globalisation as a substitute for globalisation established on clusters of political, cultural and economic ideas at odds with the US-led international system. A precise overview and analysis of the significance of BRI and its flagship project CPEC along with possible challenges from classical globalists’ perspectives, are given in this paper. BRI’s role in global governance has also been dilated as it is the economic growth platform with a global governance framework that connects the different regions of the world, such as Sub-Saharan Africa, South Asia, Southeast Asia and Europe. Moreover, this paper details BRI as an instrument for internationalising Chinese national interests and standards.

China’s Neo-mercantilist Approach

The theory of Neo-mercantilism explains China’s new approaches in the globalised era under BRI institutions and ideas. This theory is a revival of the Mercantilism doctrine, based on political and economic indicators developed in Western countries during the modern era. It is right to say that the European countries made progress and development and became wealthier by adopting the
mercantilism doctrine. Neo-mercantilism includes the promotion of patriotism, nationalism, technology, etc. The Neo-mercantilist theory argues that states promote their homemade products and subsidise their national industries to compete with foreign companies rather than stop foreign products from entering domestic markets. States attach the element of nationalism to their products by promoting their product. For example, if a product is manufactured in China, it will be announced as MADE IN CHINA to attract domestic customers. States subsidise their infant industries to compete with foreign enterprises. States give massive subsidies to national firms. In addition, conditions increase import taxes on foreign products to increase prices compared to domestic products. Hence, it is essential to observe that this theory has different variables that China uses to expand its sphere of influence under BRI.

China is considered the most successful Neo-mercantilist nation in the contemporary era. China's economic-related policies are also defined under the Neo-mercantilist paradigm. Most importantly, it has controlled population growth for social control and national development. BRI and AIIB counter Western influence in the Eastern sphere, particularly the American. China uses its industries and companies related to infrastructure in other countries. It promotes its initiatives and technology using them under BRI-related projects across continents. The essential element of Chinese investments in other countries is that it does not put conditions and restrictions on them. China does not ask them about domestic affairs or intervene in their domestic politics. Whereas, Western-led order under the US placed sanctions on states that violate human rights in domestic affairs. It also gives importance to the political system that must be democratic to get investments. On the other hand, China invests in other states irrespective of their political system. It is a new system of order that China is creating.

a) Patriotism and Nationalism

Both the characteristics, patriotism and nationalism, have deep roots in China's monarchical history. China's patriotism and nationalism had many ups and downs, and it was exploited to divert people's intentions from domestic affairs and corrupt leadership. In 1979, Deng Xiaoping adopted an 'open-door policy' through which Chinese people experienced Westernisation and democracy. As a result, China confronted different problems related to the economic paradigm; corruption and uneven development in other parts of the country. Afterwards, the Chinese government questioned the Western political system and products. Chinese leaders argue that Westernisation is the real threat to Chinese national identity and culture. Moreover, Chinese growth, modernisation and progress should be based on 'Chinesenization,' different from Westernisation.
In 2012, President Xi Jinping articulated China’s national development framework, the Chinese Dream. This dream was acted out through the One Belt and One Road (OBOR) initiative, aimed at economic development, reclaiming national pride and being free from foreign interference and domination. Subsequently, China’s financial results and progress portray the success of the authoritarian governance model. It might not apply to advanced countries, but a majority of nations where education and democratic maturity is lacking may be inclined to this model. China requires an economic boom to meet its national objectives. One of the objectives of the CCP is to maintain economic growth. With the help of BRI, China is giving employment opportunities to its people and increasing its reach to other continents. China is expanding its political as well as social influence. Many African states now have Confucius institutes and are teaching the Chinese language.

b) Tariffs

The most crucial element of Neo-mercantilism is tariffs to achieve a trade balance. Despite being World Trade Organization (WTO) members, China and the US imposed significant taxes on each other in 2018. Sixty-four per cent of the Chinese products exported to the US are subjected to US tariffs, while 58.3 per cent of the US products shipped to China have subjected to taxes in Beijing.

c) Strategic Expansion

China is pursuing a China-style globalisation approach to make economic progress. It has come out of its erstwhile policy of a non-confrontationist process. The merger of Hong Kong and the advances made for Taiwan reflect the new policy. BRI is the central pillar of the Chinese strategy to create a new order. Under this strategy, there are China-led economic institutions, including AIIB etc. BRI is the project that elevates China’s soft image. This initiative connects different regions through rails, roads and alternative sea routes. Some scholars argue that the BRI project is the outcome of neo-mercantilist contemplation. Therefore, BRI may serve to establish new international and political order.

AIIB was established in 2015 to provide financial support for infrastructure development in developing states and promote economic integration and connectivity between regions like South Asia, Europe, Africa and Latin America. China has established AIIB because it wants to lessen the strain on its economic policy at the international level. So far, the US and EU have hegemony over global institutions such as IMF, WTO and Asian Development Bank (ADB). China is using AIIB to strengthen its voice in the international community to counter the US-led global economic order. AIIB works with BRI to provide loans to countries that are part of BRI. China uses its economic statecraft to influence the foreign policy
decisions of other states. BRI is a grand strategy, while institutions like AIIB and ADB are tools working under BRI. China is also expanding its strategic influence in different world regions under the BRI domain, such as political, economic, humanitarian and environmental. Foreign aid, infrastructure investments and medical assistance during COVID-19 reflect this policy.

BRI-led Globalisation

BRI's inauguration took place in 2013. It has had a significant influence at the global level. So far, 140 countries have joined and signed MoU with China under BRI projects. Qualitatively, this project has achieved global coverage, with private and public entities from different sectors, such as business, education, diplomacy, etc. Analysing BRI concerning quantity and quality is essential to argue that it establishes an order led by China. Many private companies, mostly connected with the Chinese state, including education institutes, are working in different countries that are part of BRI. Chinese Confucius institutes work in African countries to promote Chinese culture and language and promote cultural and educational diplomacy between China and the host states. This correlation of other sectors is testimony to BRI countries’ growing political, cultural and economic interaction.

Second, qualitatively, the BRI project has introduced reforms in the current world order and promoted peaceful co-existence, equality and mutual benefits. Hence, BRI reflects global characteristics of the international system's cultural, political and economic factors. Therefore, BRI is considered an alternative to the world order.¹²

The linchpin of BRI-led globalisation aims to address flaws in the current global order that are observed in economic inequalities, uneven developments, moulding of cultures and power imbalance.¹³ Economically, US-led globalisation has caused inequalities between developed and developing countries. As a result, the collective benefit of humanity is lacking. Industrialised nations are exploiting the resources of underdeveloped nations. It is observed that coastal areas are more designed for trade; thus, inland regions are devoid of investment and capital.¹⁴ This economic disparity leads to uneven development in coastal and inland areas. Coastal regions of underdeveloped nations are used as a platform to transport raw materials to industrialised Western nations and deprive the benefits to locals. Nearly most developing countries are experiencing this situation in the present global system. Culturally, globalisation has been blamed for weeding out cultural diversity developed through centuries of experiences, practices, and customs.¹⁵

Moreover, it is moulding all cultural diversities into a universal culture. Western cultural imperialism has significantly impacted different cultures and languages in the East. Western cultural imperialism has eliminated several cultures
and moulded various cultures established through centuries of practices and experiences. Power imbalance most importantly, globalisation is charged with creating power imbalance. Unfortunately, developed nations, which are economically and militarily advanced countries, dictate interference in domestic affairs and sometimes regime change in developing countries to secure their interests. Unfortunately, the current world order facilitates the influence of sovereign nations and globalisation efficiently exploits underdeveloped countries. As a result, globalisation is observed as inequality in political capacities and power.

**BRI – Politics, Culture and Economy**

More than 140 states and 30 institutions have joined BRI, directly and indirectly. It also includes investments in 80 nations that address the more significant part of the global population. These are less-developed nations in different regions of Central and West Asia, Europe, and Africa. Thus, BRI is an endeavour in theoretical and practical paradigms. Above 60% of the world's population comprises BRI member states. If further magnified, this population, in turn, represents 70% of identified worldwide energy reserves and around 33% of global GDP and exchange. Apart from this, there is a chance of BRI serving as a turning point in both marine-based globalisation and complete globalisation, which will, in turn, interrelate coastal and inland regions of countries and regions.

BRI can improve infrastructure, trade development and financial performance because of connectivity between developing and developed countries. It will be ensured in all member states by guaranteeing better regional connectivity. It will help in transportation, dwindling taxes costs and improving infrastructure. In addition, BRI intends to present a non-hegemonic structure on how social varieties are dealt with in space provided for self-articulation, endurance and political differences.

It is believed that globalisation has neglected the consideration of truth and common social and political frameworks, especially those that fail to fit into the Western elite's prevailing discourses—leading to social infiltration and political interference. In this way, BRI is contended to be more immune to the differences of this category. It advances sovereignty of qualities like power, genuine appreciation of the variety and devastating domestic issues. China thinks of global governance as a space in which it is growing in economic and political influence, and it has enabled China to play a more significant role in global governance through BRI-led globalisation. The developing BRI-led new form of globalisation has several worldwide economic, cultural and political visions. These are based on cooperation instead of competition for the benefit of all. In South Asia, factors like inadequate
infrastructure, lack of trade initiatives, flawed economic policies and insecurity, there are bleak chances of regional cooperation and integration unless a paradigm shift is brought about in how the state of affairs is being handled.24

**BRI and Global Governance**

BRI contributed to global governance by helping states in hard times to distribute humanitarian aid, especially medical tools and vaccines, during the COVID-19 pandemic and providing information to the international community.25 There are certain institutions of Global governance, such as the UN, WHO and World Bank, etc. China connects states by creating its form of Institutions, such as AIIB and ADB. To counter the world economic forum that discusses the economy of the globe, China has initiated the Bo’ao Forum. These tools are working along with BRI constituting a new system of governance whose epicentre is China. Although BRI is an idea of the Chinese, it is inclusive. It incorporates other countries involved in the initiative to implement a Belt and Road system across Asia and Europe. BRI will help coordinate the convergence of economies of Asia, Europe and Africa and increase trade among them. It is a part of China’s effort to address broader global concerns and to facilitate regional integration within the context of a more integrated East-West world.26 BRI is a vast infrastructure planning, construction, operation, and maintenance project. It is also a way to bridge economies across the Pacific and to promote mutual economic development in Asia and Europe aimed at global uplift. This project will help increase trade between East and West, connecting the world and enhancing good global governance.27

BRI meets the 2030 SDGs agenda standards, which validates China’s soft image as a responsible state in the international governance domain. BRI could reduce poverty by promoting economic development and job creation in participating countries. It includes investments in renewable energy projects, such as solar and wind power, which could help increase access to affordable and clean energy. BRI invests in infrastructure projects, such as highways, railways and ports, which could promote economic growth and improve connectivity in participating countries. It could help reduce inequalities by promoting economic development in less-developed regions and creating opportunities for marginalised communities. BRI includes investments in green projects and infrastructure, which could help mitigate the effects of climate change and promote sustainable development. These are a few SDG goals that BRI is complying with.28 In its 2016 SDGs execution launch, China tended to linkages unequivocally. China’s public SDGs execution plan expressly views the 2030 Agenda as a principal guideline that contributes not exclusively to China’s effect on economic advancement broadly but in addition to its commitment abroad, especially all through BRI. China has supported its
responsibility and perceived the 2030 Agenda as a critical characterising segment for sensing the accomplishment of BRI. While the 2030 Agenda ought to be seen as a general system to be applied to BRI, articulating an administration design will help guarantee the similarity of both.

**BRI and the Chinese Government**

According to official data of the Chinese government on BRI, the project consistently looks benevolent. In a few addresses, President Xi Jinping has said that it is natural that China has profited by aligning with the world, resulting in the concept of "China’s development is an opportunity for the world. China has not only benefited from economic globalization but also contributed to it." China will do as such; President Xi has repeatedly asserted not to seek after its motivations or to build up an elite range of prominence but instead to deliver commonly valuable results and developments for all. Now, the Chinese government has provided two official documents concerning BRI. The first is Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, delivered by the National Development and Reform Commission, Ministry of Commerce, and Ministry of Foreign Affairs in March 2015. The subsequent one is Building the Belt and Road: Concept, Practice and China’s Contribution, given by the Office of the Leading Group for the BRI in May 2017. Most accept that the Chinese government has shared common goals, and all project targets are portrayed as peaceful collaboration and an average turn of events. Hence, BRI is a mercantilist approach to creating economic opportunities for China under BRI institutions and ideas. For China, BRI is the instrument to increase its influence in the international community and set standards in BRI-led globalisation to strengthen China’s monetary advantages throughout the planet and open business openings for Chinese organisations bearing a log jam at home. While nobody would reject that BRI would be profitable for the member countries, China would positively and indeed be probably the most significant recipient since it was proposed and financed mainly by China, i.e., AIIB.

**BRI and South Asia**

Based upon the objective to increase regional connectivity and China's connectivity with other nations to endure mutual development and prosperity, President Xi Jinping announced two connectivity projects, i.e., the Economic Belt and the Maritime Silk Route. In the upcoming decade, BRI will become vast enough to encompass Eurasia, South and Southeast Asia, the Middle East and many parts of Africa. However, this expansion was termed by many critics as a strategic vision of its historical Middle Kingdom Hierarchy or a strategic move to gain geopolitical power.
to dominate smaller states permanently. Still, a precise conclusion cannot be made. The success or failure of BRI depends upon the perception of recipient countries as a source of political or economic benefits, as it determines the recipient's response in the long run. US researchers have called China's economic and military network in different countries a 'String of Pearls'. Apart from this, CPEC is a crown jewel of BRI as it will offer the shortest access to South Asian, Central Asian, African, Middle Eastern and European markets through the deep-sea Gwadar port. “We need to seek win-win results through greater openness and cooperation, avoid fragmentation, refrain from setting inhibitive thresholds for cooperation or pursuing exclusive arrangements and reject protectionism.”

South Asia is an intersecting point in the BRI project, connecting three continents, Asia, Europe and Africa, via road and the Indian Ocean. BRI helps China to secure an alternative trade route to the Straits of Malacca. This trade route, if fully functional, can prove to be a game changer for South Asian countries and also could challenge the influence of the US in the region. South Asia lacks cross-border connectivity despite the similar cultural and ethnic presence in many countries, e.g., Pakistan and Bangladesh. This trade route can boost homogeneity in the South Asian region based on trade integration. South Asia's growing market, with its 2.5 billion population, is a good place to invest and engage, which could provide an excellent anchorage to this Chinese project. World Bank mentioned that "BRI transport infrastructure can reduce travel times for economies along the affected transport corridors by up to 12 per cent, reducing trade costs and increasing trade by an estimated 2.8% to 9.7% for corridor economies and 1.7–6.2% for the world." China is trying to counter US influence near its border. India has now become a strategic US partner and defence ally. All these states want to reduce their dependence on India in the domain of economy and security. Therefore, all of these countries in South Asia see China as a counter-power to India because China is increasingly becoming a vital economic and defence partner.

**BRI: An Amplitude for Internationalising Chinese Standards and Interest**

Internationalising Chinese priorities is part of Policy Coordination with countries along the Silk Road. Policy Coordination is one of the critical pillars of the BRI project. BRI is an ambitious global initiative to connect Chinese resources via land, sea and airspace trade routes to Europe and Asia. It has been a source of fascination for people worldwide. While it has not yet been realised, BRI is China's way of developing its economy while contributing to global growth. Many people believe BRI is a Chinese version of the Marshall Plan – the US-sponsored Marshall Plan in 1947 to rebuild Western Europe. China uses the same strategy to develop its
economy. Under BRI, China is using its own construction companies, which is giving employment to Chinese people and opportunities to its own companies. It is helping China to build an economy of its own. BRI is a vast project that will take decades to make. When BRI is completed, it will completely change international trade and travel. BRI is China’s attempt to create a global strategy for economic development. It is part of a new wave of Chinese diplomacy aimed at undertaking projects in the West, such as OBOR.35

BRI is a global strategy for economic development. China wants to rebuild its economy, and BRI is a plan for rebuilding China's economy. It can bring immense improvement to the world economy. China has included the development of technical standards as a sphere of action for its BRI project.36 Less visible than physical infrastructure development but essential criteria from basic connectivity components since they create a common language that facilitates various goods, services, technologies and infrastructure. As part of BRI, China is seeking to coordinate better the development of member countries’ standards with its own in many sectors such as transportation, energy infrastructure, telecommunication, agriculture, finance, medicine, etc.37 Establishing technical standards is one of the spheres of action for China’s BRI project. As part of BRI, the Standardization Administration of China (SAC) regularly prepares development plans and standards to encourage the adoption of Chinese standards abroad.

Conclusion

This study explains the declaration of BRI as the new form of globalisation under the theory of Neo-mercantilism. Compared to the existing world order, the emerging BRI-led paradigm has a new approach to international political, economic and cultural relations. The most significant part of the new form of globalisation is establishing confidence and trust between developed and emerging nations by initiating reforms and restructuring the existing global order established by Western powers. China is attempting to develop a new kind of globalisation, and it aims to foster trust between haves and have-nots and non-intervention in domestic affairs policy to offset the anti-globalisation rise.

Chinese leaders consider Westernization a viable threat to their national identity and culture and believe that Chinesenization and the Chinese vision should guide development, modernisation and advancement. China’s transformation from the ‘Workshop of the World’ to the ‘Architect of the World’ supports the nation’s presumed position in the global economy. According to some scholars, the BRI project results from Neo-mercantilist thought. The most critical region for the success of BRI is the South Asian region because it provides various trade routes to
connect China with Europe and Central Asian countries. CPEC is the flagship project under BRI. Pakistan is providing the shortest alternative route to China for trade purposes. That is why China invests in different sectors of Pakistan, such as infrastructure, energy, roads and railways. BRI-led globalisation largely depends on certain imperfections in the current international order, which have been identified as causing economic inequalities, uneven development, cultural shaping and power differential. CPEC is an important part which also impacts the politics of South Asia. Chinese massive investments in Pakistan raise concerns in India and the US. The US consider Pakistan’s enroute to becoming dependent on China because now 30% of external debt in Islamabad is from China.

BRI aims to build a non-hegemonic framework for dealing with social differences, space for self-articulation and endurance, and mutual respect for political viewpoints. BRI is part of China’s more significant effort to address global issues and foster regional integration in a more connected East-West world. It satisfies the 2030 Agenda’s requirements, enhancing China’s legitimacy and soft image as a responsible nation in international governance. Thus, in a nutshell, globalisation under the concept of BRI can be a real game-changer. It has the potential for the progress and prosperity of Pakistan, South Asia, and humanity.
References

4. Goh Brenda, Wong Sue-Lin. 2017 "UPDATE 2-China’s Xi says Belt and Road needs to reject protectionism" [http://www.reuters.com/article/china-silkroad-protectionism-idNL4N1If0YK]
5. KASTOUEVA ROCHER, and Tatiana KASTOUEVA COLAS, Céline PAJON, John SEAMAN, Isabelle SAINT NICOLAS, Céline PAJON, John SEAMAN, Isabelle SAINT. "Countries of the Belt and Road Initiative (BRI)." Green Belt and Road Initiative Center. 2022.
34. NDU Journal 2023 [73-84]
Neo-mercantilism and Globalization: Case Study of China’s Belt and Road Initiative