Chapter 2
BRI as China's Platform to Push for Economic Globalisation

2.1 Globalisation Characterised by Interconnection and Interconnectivity

Against the backdrop of global economic growth slowdown, rising unemployment and widening income disparities and de-industrialisation in some developed nations, in the West, there is growing resentment towards free trade and economic globalisation. In contrast, China has leveraged on the Belt and Road Initiative and other platforms to promote its approach and thinking on global economic development, free trade and economic globalisation.

Arguably, the ancient Silk Road was the first attempt at globalisation. People from different regions used the ancient Silk Road as a bridge for trading silk, china, tea, spices and porcelain and cultural exchange between the East and West.

The contemporary version of globalisation is characterised by trade facilitation, investment liberalisation and interconnection based on infrastructure connectivity improvement. In today's world, globalisation, based on interconnection and global industrial chains, is intensifying rapidly, and countries have become embedded in this process to varying degrees.

Never before have global economic activities been so highly interconnected and interdependent. As New York Times columnist Friedman (2020) said, "Our planet is now not only interconnected, but also interdependent, and even interconnected in many ways".

Since China opened its door to the outside world in the early 1980s, millions of Chinese workers have joined the global workforce to assemble and manufacture, firstly, toys, textiles, and garments, and later, home appliances, electronic and communication equipment, to name a few, for the global market. Since China's admission to the World Trade Organization, it has benefited more from global economic cooperation and free flow of investment and trade than any other major country.

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China is keen to be a new champion for economic globalisation. During his speech at the World Economic Forum in Davos in January 2017, China's President Xi Jinping, made this point clearly. In a move to defend economic globalisation and oppose protectionism, Xi vowed to promote closer global economic integration through the implementation of the Belt and Road Initiative.

China's push for the improvement of interregional infrastructure connectivity via the BRI platform is based on its understanding that such connectivity is a crucial component boosting trade and driving economic globalisation. China's promotion of its infrastructure-centred BRI marks the nation's attempt to put its own stamp on globalisation.

China is a global champion for infrastructure construction and financing. For example, China has built the world's largest domestic high-speed rail network, which is longer than the high-speed railways in all other countries combined. High-speed rail has thus become a brand that China is now seeking to export overseas under the BRI (Yu 2014). The construction of Indonesia's Jakarta-Bandung high-speed railroad is based on Chinese technology and design, demonstrating that China's high-speed railway is "going global". It showcases China's ascendancy on indigenous technological innovation and projects its image as a modern and technologically oriented economy.

Export of China's transport and other infrastructure products overseas will not only create new business opportunities for infrastructure construction and related industrial companies at home and for Chinese policy banks such as the State Development Bank, but also, more importantly, it will help China to tackle its excessive domestic production overcapacity and allow it the space to move up the industrial value chain by pursuing domestic industrial upgrading and economic restructuring. By leveraging on its Silk Road initiative, China seeks to grasp the opportunities offered by the global economy.

China views the BRI as a long-term policy initiative and has the necessary patience to pursue the related strategic and economic goals. With its push for BRI implementation, China will continue to expand its global trading and investment ties to enhance its economic resilience and to gain wider market access. China anticipates that the push for BRI implementation will help to develop reliable alternative sources of demand in the Silk Road countries that can help to absorb many of China's exports and then to reduce its dependence on the traditional Western markets.

2.2 Driving Forces Behind China's Push for Economic Globalisation

From the Chinese perspective, many regional and global problems, such as the widening income disparities, de-industrialisation, illegal migration and the refugee crisis, and unemployment cannot be attributed to economic globalisation. The rising tide of anti-globalisation will not reverse or stop a trend of globalisation exemplified by free flow of capital, technology and people. Launching or threatening to launch a trade war, or putting up more trade and non-trade barriers will only result in a "lose-lose" outcome as this will invite more retaliation from both sides.

Nevertheless, globalisation in its present form is far from perfect. The next phase of economic globalisation should be based on a more balanced, inclusive and sustainable model. This would require national governments to implement more measures to cushion the various adverse effects and deal with the downsides of globalisation. For the international community, the most likely hit would be on the poor and vulnerable who lack the resources and necessary skills to take advantage of economic globalisation; this group of people requires protection in order to share more in the benefits of economic globalisation.

First, having already benefited much from globalisation through opening up its domestic economy, it fits China's own interests to push for free trade and economic globalisation. China's emergence as a major global economic power, in particular since its admission to the World Trade Organization (WTO) in 2001, is testimony of the power of free trade and globalisation. According to WTO data, in 1983, China's share in global merchandise trade was merely 1% or so, while in 2021, it accounted for 15.5% of global merchandise exports and 12.2% of global imports. The free trade and free flow of capital and technology offered by burgeoning globalisation have contributed enormously to the Chinese economic miracle of the past several decades. China's determination to play an even more proactive and important role in the next phase of economic globalisation is hence understandable.

The fragmentation of production processes due to technological innovation and the global pursuit of lower production bases has led to China's emergence as the world's major manufacturing plant and a key regional hub of the global supply chains. Its market-driven development experience over the last three decades has confirmed China's belief that globalisation has a vital role to play in its economic future.

For the past five years, the United States and China, the world's two largest economies, have been engaged in a tit-for-tat trade war. However, bilateral trade volume between the two countries increased from US$635.15 billion in 2017, the year prior to the trade war, to US$690.58 billion in 2022, an enormous figure that marks a historic new record (Fig. 2.1). The United States' trade deficit with China jumped to US$382.92 billion in 2022 from US$346.83 billion in 2016 (Fig. 2.2). It is apparent that the United States is importing more from China despite the tariffs imposed on the imported goods from China.

Both the former Trump and current Biden administration have attempted to rebalance trade with China and reduce the trade deficit through different measures. These measures have included imposing punishing tariffs on vital Chinese goods under President Trump, restricting high-tech exports to China (chip and semiconductor products made with the American technology and equipment) and pursuing diversified trade and resilience supply chain policies under President Biden. However, none of these measures have so far achieved trade rebalancing or deficit reduction with China.

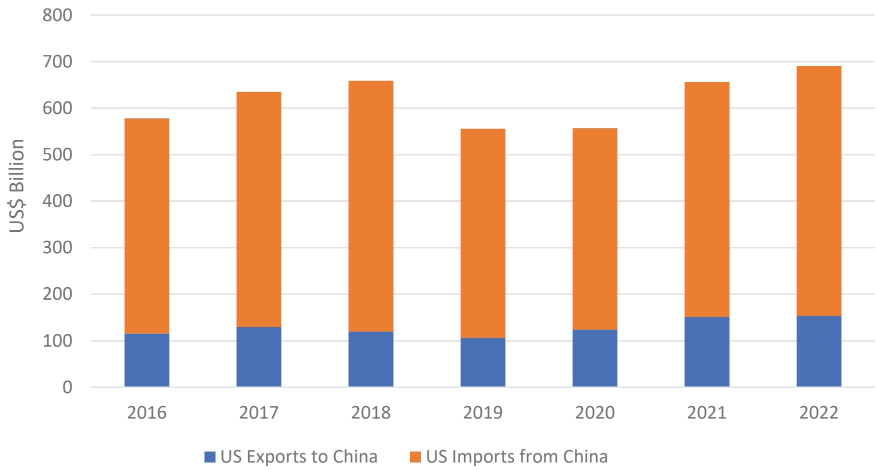

Fig. 2.1 U.S.-China trade in goods. *Note* The figures are in billions of USD calculated on a nominal basis, not seasonally adjusted. *Source* United States Census Bureau (2023)

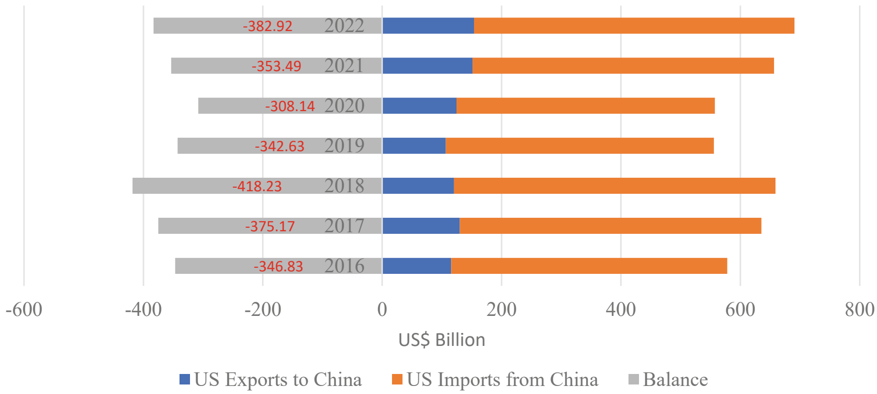

Fig. 2.2 U.S. trade deficit in goods with China. *Note* The figures are in billions of USD calculated on a nominal basis, not seasonally adjusted. *Source* United States Census Bureau (2023)

The much-discussed decline of China's export capacity has failed to materialise. Due to its comparative advantage in terms of manufacturing production capacity, its linkage of upstream and downstream industrial sectors, and productivity and efficiency of skilled Chinese labour, China has maintained its position as a key hub in the global supply chain and the world's major manufacturing base.

The United States' long-held argument is that countries can gain huge benefits through the globalisation of trade and capital, but now the rise of China poses a threat to the national security of the United States and its close allies, which has led both of the two most recent American administrations, the Trump administration and the present Biden administration, to use various policy and legal tools to limit China's influence and supress its development, including tariffs, investment reviews, and export controls. Senior US officials touted the benefits of "near-shoring" and "friend-shoring" and signalled to the multinational corporations that moving supply chains out of China would be wise.

Some policy experts and scholars in the United States (e.g. Boustany and Friedberg 2019) who have argued that China is unlikely to make concrete concessions or give in to the American pressures of tariffs on imports of Chinese goods have now gone even further by calling on the United States to adopt a strategy for partial disengagement with China, aiming to build leverage to address the perceived threats from China, to slow down Chinese technological advancement, as well as to retain the US supremacy in economic, military and technological power over China.

The US trade pressure and "economic decoupling" policy towards China have not served either the intended purposes of balancing the US-China trade relationship, excluding China from regional supply chains, de-sinicizing, or suppressing China's manufacturing and export capacity. The free market is simply adapting itself to find the cheapest way to offer goods to consumers. The policies of the Trump administration and the Biden administration in the United States have succeeded only in changing the routes of products entering the American market and have been unable to reduce the dependence on Chinese products in any meaningful way. For example, Vietnam and Mexico have become two prominent source countries for the US's imports of merchandised goods. Nevertheless, these countries are deepening their trade, investment and economic ties with China. For example, Mexico's imports of auto parts from China have doubled in the past five years, while Vietnam's imports of electronic intermediate goods, equipment and materials for textile and garment manufacturing have increased substantially over the past several years.

In some cases, the Chinese-made goods are simply repackaged and rebranded and then shipped to the United States through a third country like Vietnam. For example, according to the Economist's revaluation (2023a, b), at the end of 2022, the U.S. Department of Commerce found that four major solar suppliers located in Southeast Asia were effectively circumventing tariffs imposed by the United States on Chinese goods by doing small-scale processing of Chinese products.

China, with its well-developed infrastructure, large skilled workforce and efficient logistics, remains the cheapest supplier of manufacturing goods to the global markets. It would be difficult and extremely costly for another country to replace China as the world's largest manufacturing base. For many ordinary Americans, buying affordable and competitive consumer goods from China is still the primary choice. The US-imposed restrictions and anti-China policy measures might have the power to change the direction of US trade with China, but they cannot free the entire supply chain from Chinese influence.

The approach taken by the American government only promotes the transshipment of Chinese goods through third countries, while at the same time deepening the trade relationship between China and the transshipment countries (e.g. Vietnam and Mexico), making the global supply chain more complex and dangerous. Consequently, the global supply chains have become more complex and costly under the

US's pursuit of de-risking and de-link strategy, whereas China's influence has not been shaken.

Second, China's push for globalisation via the BRI platform is intended to facilitate Chinese outbound foreign investment and its pursuit of better returns on its investment. China has since 2008 been transformed from a key destination of inward foreign investment to a major global investor. Chinese construction companies have become engaged in infrastructure projects throughout the region and beyond. Meanwhile, the Chinese central and local governments have for the past two decades encouraged the Chinese firms to "go out" by investing abroad and to become globally competitive. Chinese companies and business people are cutting deals and looking for commercial opportunities the world over.

Many Chinese state-owned firms and private firms have become globally competitive, and adopted a "go global" strategy to gain market access and expand their business overseas. For example, Sinopec and PetroChina, two state-owned oil giants in China, achieved foreign sales of US$126 billion and US$123 billion, respectively, in 2021. Foreign sales accounted for 27% and 34% of Sinopec and PetroChina's respective total sales. The private-owned Chinese tech firms are also expanding their business abroad. For example, Huawei's foreign sales amounted to US$25 billion, accounting for 65% of the firm's total sales in 2021. Meanwhile, Lenovo's foreign sales reached US$19 billion and accounted for 57% of its total sales revenue (See Table 2.1).

Third, China's push for economic globalisation is intended to sustain its domestic economic growth and tackle the problem of excessive production overcapacity that afflicts many of its domestic industries. After nearly three decades of fast economic growth, China's economy has slowed down substantially for the past several years. The Chinese government therefore views the BRI as a new engine to boost its flagging economy and gain market access for Chinese companies in the BRI countries.

China's ongoing industrial transformation and economic restructuring from an export-led economy to one driven more by domestic investment and demands is an encouraging sign for the promotion of global economic rebalancing and offers potential to guide economic globalisation along a more inclusive and sustainable path.

Fourth, China's drive for economic globalisation is intended to meet the huge energy demand at home that has accompanied domestic industrial and economic development, and rapid urbanisation. To meet this growing domestic energy demand and diversify energy supply, China must use the BRI to improve energy facilities and other forms of infrastructure connectivity, which will involve establishing strategic partnerships in both upstream and downstream energy projects with participating countries. This goal can only be pursued through continuing the trend of free trade and economic globalisation.

Expanding its global trade and growing economic ties with the BRI countries will increase China's global economic reach. BRI implementation and the signing of Regional Comprehensive Economic Partnership agreement (RCEP) both demonstrate China's dedication to promoting closer regional and global economic integration as the means to accelerate the trend of economic globalisation.

Table 2.1 Foreign sales of selected Chinese firms

Company	Foreign sales (US$ billion)	Percentage of total sales (%)	Ownership	Headquarters	Sector
Sinopec (中国石化)	126	27	State-owned	Beijing	Energy
PetroChina (中国石油)	123	34	State-owned	Beijing	Energy
CNOOC (中海油)	15	33	State-owned	Beijing	Energy
Haier (海尔集团)	7	25	Private-owned	Qingdao	Household appliance
Alibaba (阿里巴巴)	1	12	Private-owned	Hangzhou	Internet
Huawei (华为)	25	65	Private-owned	Shenzhen	Telecommunication equipment
Lenovo (联想集团)	19	57	Private-owned	Beijing	Telecommunication
ZTE (中兴通讯)	6	53	State-owned	Shenzhen	Telecommunication equipment
Sany (三一集团)	2	30	Private-owned	Changsha	Diggers

Source Respective companies; the author's own estimation

China has emerged as the largest merchandise trading nation. China's share in world merchandise exports increased from 5.9% in 2003 to 15.5% in 2021 (Table 2.2). Meanwhile, China's share of world merchandise imports had jumped to 12.2% in 2021, compared to the corresponding figure of 5.4% in 2003 (Table 2.3). Admission to the WTO has helped to open up the Chinese domestic economy and allowed China to become a key global manufacturing hub, by leveraging on its supply of cheap but skilled labour and low production costs.

In contrast, other major trading nations' shares in world merchandise exports have been decreasing for the past decades. For example, the United States' share in world merchandise exports had dropped to 8.1% in 2021, compared to the corresponding figure of 12.6% in 1993. In addition, Germany's share in world merchandise exports had decreased to 7.5% in 2021 from 10.2% in 2003 and Japan's share had fallen to 3.5% in 2021, from 9.8% in 1993.

Through the boom in trade, China has achieved rapid economic growth based on its strong manufacturing and exporting capability. This has resulted in China's rise to become the world's second-largest economy and the largest trading nation.

There has been much media fanfare that other countries, such as Vietnam and India, could potentially replace China as the world's next manufacturing base and export hub, particularly since India has overtaken China to become the world's most

Table 2.2 World merchandise exports by region and selected major economies (percentage)

Region/Country	1948	1953	1963	1973	1983	1993	2003	2015	2021
World (US$ billion)	59	84	157	579	1838	3688	7382	15,985	21,678
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	28.1	24.8	19.9	17.3	16.8	17.9	15.8	14.4	12.7
United States of America	21.6	14.6	14.3	12.2	11.2	12.6	9.8	9.4	8.1
South and Central America and the Caribbean	11.3	9.7	6.4	4.3	4.5	3.0	3.1	3.4	3.3
Europe	35.1	39.4	47.8	50.9	43.5	45.3	46.2	37.3	36.9
Germany	1.4	5.3	9.3	11.7	9.2	10.3	10.2	8.3	7.5
Netherlands	2.0	3.0	3.6	4.7	3.5	3.8	4.0	3.5	3.9
France	3.4	4.8	5.2	6.3	5.2	6.0	5.3	3.2	2.7
United Kingdom	11.3	9.0	7.8	5.1	5.0	4.9	4.2	2.9	2.2
Africa	7.3	6.5	5.7	4.8	4.5	2.5	2.4	2.4	2.6
Middle East	2.0	2.7	3.2	4.1	6.7	3.5	4.1	5.3	5.3
Asia	14.0	13.4	12.5	14.9	19.1	26.0	26.1	34.2	36.3
China	0.9	1.2	1.3	1.0	1.2	2.5	5.9	14.2	15.5
Japan	0.4	1.5	3.5	6.4	8.0	9.8	6.4	3.9	3.5
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8	1.7	1.8
Six East Asian traders	3.4	3.0	2.5	3.6	5.8	9.6	9.6	9.9	9.9

Note The Six East Asian traders include Hong Kong SAR, Malaysia, Republic of Korea, Singapore, Taiwan, China and Thailand
Source World Trade Organization (2022)

populous nation in 2023 and has a huge reserve of young people. However, compared to the corresponding figure of 15.5% for China, India's share in world merchandise exports was only 1.8% in 2021 (Table 2.2).

Given China's efficient transport and logistics network, its well-established upstream and downstream industrial network and status as the hub of the global supply chain, India will be unable to knock China off its perch as the world's main manufacturing hub in the foreseeable future.

Table 2.3 World merchandise imports by region and selected major economies (percentage)

Region/Country	1948	1953	1963	1973	1983	1993	2003	2015	2021
World (US$ billion)	62	85	164	594	1883	3805	7599	16,299	22,034
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	18.5	20.5	16.1	17.2	18.5	21.3	22.7	19.3	18.0
United States of America	13.0	13.9	11.4	12.4	14.3	15.9	17.1	14.2	13.3
South and Central America and the Caribbean	10.4	8.3	6.0	4.4	3.9	3.3	2.5	3.8	3.4
Europe	45.3	43.7	52.0	53.3	44.1	44.5	44.6	36.2	36.4
Germany	2.2	4.5	8.0	9.2	8.1	9.0	8.0	6.4	6.4
Netherlands	13.4	11.0	8.5	6.5	5.3	5.5	3.5	3.1	3.4
France	5.5	4.9	5.3	6.4	5.6	5.7	5.2	3.5	3.2
United Kingdom	3.4	3.3	4.4	4.8	3.3	3.3	5.2	3.8	3.1
Africa	8.1	7.0	5.2	3.9	4.6	2.6	2.2	3.4	2.9
Middle East	1.7	2.2	2.3	2.7	6.2	3.3	2.8	4.3	3.9
Asia	13.9	15.1	14.1	14.9	18.5	23.5	23.8	30.8	33.4
China	0.6	1.6	0.9	0.9	1.1	2.7	5.4	10.3	12.2
Japan	1.1	2.8	4.1	6.5	6.7	6.4	5.0	4.0	3.5
India	2.3	1.4	1.5	0.5	0.7	0.6	1.0	2.4	2.6
Six East Asian traders	3.5	3.7	3.2	3.9	6.1	10.2	8.7	9.1	9.4

Note The Six East Asian traders include Hong Kong SAR, Malaysia, Republic of Korea, Singapore, Taiwan, China and Thailand
Source World Trade Organization (2022)

2.3 Infrastructure Development and Connectivity in the BRI Countries

Infrastructure connectivity plays a crucial role in bridging different areas and regions and enabling them to reap the full socioeconomic benefits of economic cooperation and globalisation. Geographical economic theories suggest that long distance between two locations increases transport costs, which then negatively impacts on bilateral trade flows (e.g. Brakman et al. 2001; Overman et al. 2003). Modern infrastructure facilities are regarded as an important factor in accelerating economic growth. Sapir's paper (1990) on South Korea illustrates how public investment in infrastructure construction helped this country to transition from a poor nation to a developed country.

Conversely, infrastructure underdevelopment can deter firms from investing in landlocked countries and impede these countries' economic growth. Hence, high transportation costs act as a key barrier to the growth of trade flows and local industrial and economic take-off. Infrastructure development not only is the key to unleashing untapped trade and economic growth potential, but also it lays the foundation for economic globalisation by allowing the multinational corporations to source resources and set up manufacturing assembling plants across different nations based on their comparative advantages and resource endowments.

Geographical economic theorists have produced a number of studies identifying the contribution of transportation improvements in increasing bilateral trade and mutual investment (e.g. Redding and Venables 2001; Yu 2011; Amiti and Javorcik 2008). As demonstrated from the Chinese case, infrastructure investment also helps to promote regional economic integration through redistribution of industrial and economic activities (Qin 2016). Drawing on its own development experience, China believes that enhancing interregional connectivity, and in particular transport development, will boost regional economic growth and promote closer regional integration.

Physical infrastructure connectivity has hard and soft components, which both contribute to realisation of efficient and smooth flow of goods, service, capital, technology and people. Hard infrastructure refers to a comprehensive network of expressways, railroads, ports, airport, power plants, energy supply, and electricity infrastructure and ICT adoption (information and communications technology), while soft infrastructure refers to institutional quality, trade facilitation mechanisms, efficient and speedy custom procedures, and border controls. Hard and soft infrastructure are thus both vital to effectiveness and reliability of regional connectivity. As Brooks' study (2016, p. 191) emphasises:

> The competitiveness of each country's production depends on the other countries in a production network as well as on the efficiency of the trading links among them. They thus have a strong incentive to cooperate with each other, particularly on improving physical and soft infrastructure to reduce the costs of trading between them.

Infrastructure underdevelopment and poor connectivity are daunting challenges that are faced by many BRI countries. Due to domestic economic and fiscal constraints, and the shortage of external channels for infrastructure funding, many BRI countries are ranked poorly on global infrastructure competitiveness (see the global infrastructure competitiveness rankings of the selected BRI countries in Table 2.4) in terms of transport and utility infrastructure, as well as ICT communication infrastructure.

As shown in the Global Competitiveness Index published by the World Economic Forum, while Singapore has world-class infrastructure, many BRI countries score very poorly on international infrastructure performance, including Angola, Democratic Republic of Congo, Kenya, Tanzania, Nepal, Pakistan, Bangladesh, Kyrgyz Republic, Vietnam, Cambodia and the Philippines.

In relation to infrastructure connectivity, these countries are facing the serious challenges of inadequate and inefficient highways and railroads, outdated or uncompleted seaport and airport facilities, as well as lack of cross-regional road and railroad links or a reliable power supply. These difficulties have impeded the growth of trade

Table 2.4 Global ranking of infrastructure competitiveness of the selected BRI countries (Rank/141 countries/economies)

Country	Overall rank on infrastructure	1. Transport infrastructure	2 Utility infrastructure	3 ICT adoption
Angola	126	116	129	123
Argentina	68	78	57	68
Bangladesh	114	100	113	108
Brunei Darussalam	58	77	45	26
Cambodia	106	96	107	71
China	36	24	65	18
Congo Democratic Republic	140	138	139	138
Egypt	52	44	64	106
Ethiopia	123	121	120	137
Greece	37	39	35	52
Hungary	27	30	29	54
Indonesia	72	55	89	72
Iran	80	82	76	84
Kazakhstan	67	73	60	44
Kenya	110	81	115	116
Kuwait	66	79	52	37
Kyrgyz Republic	103	129	88	65
Laos	93	87	97	102
Malaysia	35	29	51	33
Mongolia	101	119	91	96
Nepal	112	91	116	109
New Zealand	46	57	30	21
Nigeria	130	130	124	118
Pakistan	105	69	114	131
Philippines	96	102	96	88
Peru	88	97	79	98
Russia	50	49	50	22
Serbia	51	46	54	77
Singapore	1	1	5	5
South Africa	69	45	92	89
Sri Lanka	61	50	82	107
Tajikistan	91	111	80	121

(continued)

Table 2.4 (continued)

Country	Overall rank on infrastructure	1. Transport infrastructure	2 Utility infrastructure	3 ICT adoption
Tanzania	121	110	122	133
Thailand	71	53	90	62
Vietnam	77	66	87	41
Saudi Arabia	34	34	47	38

Notes (1) The transport infrastructure index comprises the following eight elements: road connectivity, quality of road infrastructure, railroad density, efficiency of train services, airport connectivity, efficiency of air transport services, liner shipping connectivity and efficiency of seaport services. (2) The utility infrastructure index comprises the following four components: electricity access % of population, electricity supply quality % of output, exposure to unsafe drinking water % of population, and reliability of water supply. (3) The ICT adoption index uses the following measures: mobile-cellular telephone subscriptions per 100 population, mobile-broadband subscriptions per 100 population, fixed-broadband Internet subscriptions per 100 population, fibre Internet subscriptions per 100 population, and Internet users as % of adult population
Source World Economic Forum (2019)

flows across countries and stunted local economic growth potential. The BRI countries urgently need external financing to accelerate domestic and regional infrastructure construction. As estimated by the Asian Development Bank (2017), Asia and the Pacific countries will require over US$26.1 trillion for climate-adjusted infrastructure development up to 2030, with average annual investment of US$1.74 trillion.

From the soft infrastructure aspect, the BRI countries are almost all located in regions with underdevelopment of soft infrastructure in terms of border compliance, as reflected in relatively long waiting times to export and high cost to export. The World Bank's "Doing Business Archive" records the time and cost (excluding tariffs) associated with three sets of procedures, including documentary compliance, border compliance and domestic transport, within the overall process of importing and exporting a shipment of goods.

Compared to the corresponding figures for the OECD high-income countries, scores for East Asia and the Pacific, Central Asia, South Asia, Latin America & Caribbean, Middle East and African regions on trading across borders were much lower. This is an indication of underdevelopment of soft infrastructure facilities. In terms of cost and time to export, Sub-Saharan Africa's scores were almost twice as high as those of the OCED countries (Table 2.5). The OECD economies came out quite well on simplification of custom procedures and compliance with export and import requirements compared to regions which have high concentrations of low-income and developing countries. In South Asia, the Middle East, and Africa, much improvement is still needed in relation to port efficiency and elimination of red-tape bureaucracy in customs clearance.

For the BRI countries, enhancing connectivity by improving both hard and soft infrastructure issue is the key determinant for unleashing full growth potential and pursuing industrial take-off. However, this constitutes the most difficult part as it requires enormous amounts of long-term investment. Given that many BRI countries

Table 2.5 Trading across borders scores by region

Region	Trading across borders score	Time to export: border compliance (hours)	Cost to export: border compliance (US$)
East Asia and Pacific	71.6	57.5	381.1
Europe and Central Asia	87.3	16.1	150.0
Latin America and Caribbean	69.1	55.3	516.3
Middle East and North Africa	61.8	52.5	441.8
OCED high-income countries	94.3	12.7	136.8
South Asia	65.3	53.4	310.6
Sub-Saharan Africa	53.6	97.1	603.1

Note The ranking of regions on the ease of trading across borders is determined by their scores for trading across borders. These are the average scores for border compliance on imports and exports. The data collection was completed in May 2019. The scores are presented on a scale between 0 and 100, where 0 represents the lowest and 100 represents the best performance
Source The World Bank May (2019)

remain among the world's least developed countries, they have to source different channels to meet their huge infrastructure financing needs, including government budgets, regional cooperation funds, commercial banks, private investment in the form of public–private partnerships (PPP), and multilateral development institutions and capital market initiatives.

In his remarks at the 19th ASEAN plus Three Summit held in Vientiane in September 2016, Li Keqiang, China's then Premier, reaffirmed that: "China will work with other parties to make full use of such financing platforms as the AIIB and the Silk Road Fund to secure greater financial support for connectivity projects in Asia, especially in ASEAN countries" (State Council of the People's Republic of China 2016). China has provided huge investment abroad for BRI-affiliated infrastructure projects since 2013. According to the Chinese official data released by the Ministry of Commerce, the stock of Chinese direct investment in the BRI countries between 2013 and 2022 was worth US$177.2 billion.

Meanwhile, the American Enterprise Institute's "Worldwide Chinese investments & construction" data from 2013 to 2022 estimated that the Chinese BRI-related investments and contracts were worth as much as US$369.1 billion. Regardless of the discrepancy between these two sets of figures, they both report enormous BRI-related capital investment in infrastructure financing and construction which is an indication of China's emergence as a significant player in global infrastructure industry.

2.4 Limitations of China's Push for Economic Globalisation

The success of China's efforts to drive forward globalisation remains a matter for conjecture, as taking on a leadership role in the new wave of economic globalisation is no easy task. China's power has its limits, and it may not be able to replace the West in leading globalisation in the short term. The United States combined with Europe and Japan still account for over half of the world's merchandise trade, far exceeding China's contribution. The West is still the world's primary and dominant market for trading merchandised goods. Hence, it is not feasible for China to steer and maintain the dynamism of global trade and economic globalisation on its own.

In addition, China still has a long way to go in promoting the open economy at home. Although Chinese leaders have publicly committed to further opening up of the Chinese economy and industries to foreign investment, the reality indicates quite the opposite. The domestic economic reforms on critical areas have been sluggish and without any real breakthrough for the past decade.

The reform of state-owned enterprises in China is such a case in point. For example, despite the Chinese government's rhetoric, since 2013, reform of the state-owned enterprises (SOEs) has been disappointingly slow. Due to the lack of real progress, much of the once-held optimism at home and abroad has faded. Aims to increase competition and promote better market access for the private sector, as well as to raise corporate efficiency and profit-making capacity, are yet to be realised. It is largely business as usual for the SOEs, as they continue to enjoy privileged treatment in terms of exclusive market access, market protection, bank credit and state policies.

The situation on protection of SOEs' privileges has hardly changed, and there has been little sign of the SOEs retreating from the non-strategic and competitive sectors as pledged by the Chinese authority in 2013. Yu (2019) points out that the increasing encroachment of the state through its creation of larger and more powerful SOEs is antithetical to the Chinese authority's commitment to deregulation and development of a market-based competitive domestic economy.

The dominance of SOEs in the Chinese economy has strengthened, despite the nation's implementation of "reform and opening up" and promotion of the market economy since the late 1970s (Yu 2014). Far from being in retreat, the state is marching in and the market is retreating. The inadequacy of the SOE reform process appears to contradict the state's proclaimed commitment to deregulation and development of a market-based competitive economy in China by allowing "the market to play a decisive role". Despite the private entrepreneurial sector being the key to unleashing China's economic potential, the state sector is still seen by the CCP as crucial to maintaining its domestic economic, political and social control. The ongoing SOE reforms under President Xi Jinping are seen as causing conflict with the market-oriented direction of development and reform in China to which the Chinese authority has expressed commitment, and as perpetuating the blockade on fair and genuine competition between the state and non-state sectors.

Powerful vested interests within the state sector and central ministries, such as the State-owned Assets Supervision and Administration Commission of China

(SASAC), have resisted any reform proposals that might reduce their dominance of the Chinese economy. In September 2015, the Central Committee of the Chinese Communist Party (CCP) and State Council of China jointly issued the "Guiding Opinion on Deepening Reform of the State-Owned Enterprises" document (termed the Plan hereafter). In this Plan, the Chinese government outlined many ambitious and bold measures for SOE reform, including the retreat of the SOEs from the competitive sectors such as the real estate industry (The State-owned Assets Supervision and Administration Commission of China 2015). Nevertheless, the powerful state conglomerates only paid lip service to this latest round of state reform plans and there is no sign of SOEs retreating from the real estate sector.

China has to take bold actions to reform its SOEs, in order to introduce more competition and set a level playing field for state and non-state sectors. Its strict regulations and rules need to be eased in order to allow domestic and foreign private investors greater access to strategic industrial sectors ranging from petrochemicals, resources, telecommunications and infrastructure to public utilities and other service industries. The existing laws and regulations have impeded or prevented entry of private investors into many strategic market sectors by limiting their access to bank loans, state funds and favourable state policies.

Concrete actions taken so far contradict the CCP's stated commitment to allow broader participation of private companies in the domestic economy and reduce government interference. This wave of state-directed SOE reforms may claim to be market-driven, but in practice it reflects the Chinese leaders' determination to retain the state sector's dominance over domestic industries and increasingly to use the SOEs as a powerful instrument for achieving the various political and social goals of the Party-state (Yu 2019).

China has long been criticised for forcing foreign companies to transfer technological know-how to their Chinese counterparts in exchange for greater access to the Chinese market. This strategy has restricted the involvement of foreign companies and foreign technologies in the domestic markets. Many foreign countries have also accused China of adopting "an aggressive mercantilist policy" on trade through offering unfair subsidies to its SOEs to undermine competitors and thereby restricting foreign access to a wide range of domestic industries.

Domestic and foreign private enterprises have increasingly complained of the adverse effects of the tightening of the regulatory and investment environment in the Chinese market over the last decade. The deterioration in market conditions has indeed either swallowed up or squeezed out many domestic and foreign privately owned companies.

Thus, the SOEs present a test of the willingness of the Chinese leader to implement a genuine market-oriented reform agenda that increases access for private companies to domestic industries. Moreover, China can only claim a leadership role in championing globalisation by fulfilling its commitment to opening up the domestic economy.

2.5 The Systemic Risks of Globalisation and Call for National Resilience

Today, people, goods, money and services can easily cross-national borders, which also facilitates the cross-border spread of viruses and global epidemics of infectious diseases. China was the country where the COVID-19 pandemic first broke out, and it quickly spread beyond China's borders. The coronavirus pandemic has highlighted further the risks and vulnerabilities of globalisation.

As of writing this chapter, the global pandemic has caused 7 million deaths, and many more could have been uncounted in the least developed countries. Billions in economic output and millions of jobs have been lost due to the severe impacts of the pandemic, which has changed the world forever.

Goldin and Mariathasan (2015) point out in his coauthored book, "The Butterfly Defect: How Globalization Creates Systemic Risks, and What to Do About It", that globalisation brings not only economic development opportunities, but also sudden and significant systemic risks, including infectious diseases, financial crises and terrorism. Goldin analysed that the impact of the crisis will sweep the world in a nonlinear, unpredictable way. His predictions are undoubtedly forward-looking in terms of the significant systemic risk effects of the COVID-19 pandemic that are sweeping the world.

In the context of globalisation, the public health challenges faced by citizens are not limited to the domestic environment but may also come from abroad. Therefore, at the early stages of an outbreak of an infectious disease in a country, it is essential to alert the international community immediately. One important lesson learnt from the global COVID-19 pandemic is that individual countries must also take precautionary measures quickly to effectively block the cross-border spread of the virus.

Cutting off the cross-border spread of the virus is the most effective measure to stop the global spread of infectious diseases. If measures to prevent and control the spread of the virus are not put in place in a timely manner, the infectious disease disaster in one country is very likely to evolve into a global public health disaster, affecting every country and everyone.

The international community live in an era of globalisation characterised by interconnection, while, unfortunately, there are no global governance systems or institutions in place that can deal with such fast-changing emergencies. A sound global governance system is needed to facilitate economic integration among countries while, at the same time, a regulatory system is required to prevent and mitigate the major systemic risks brought by globalisation. However, despite being the multilateral organisation leading global public health throughout the world, the World Health Organization (WHO) has insufficient human, financial and technical resources. The WHO is not tasked with coordinating national responses or providing technical support to lead the fight against global spread of a pandemic. Indeed, the onset of the COVID-19 pandemic has highlighted the weak leadership of such international organisations.

Therefore, in the face of infectious disease pandemics, the resilience of sovereign states has become particularly important. The COVID-19 pandemic will prompt countries to rethink and comprehensively assess the benefits and risks of globalisation. If it is unconstrained and lacks safeguards to manage risks, is it in the interest of all countries, especially poor countries with weak resilience, to continue with globalisation, characterised by interconnectivity? Can the economic and trade gains of globalisation offset the potential systemic risks? How can countries pursue economic growth and efficiency while protecting the health of their own citizens? Globalisation advocates the removal of restrictions on the movement of people across borders and the opening of borders. But in the absence of effective regulatory safeguards, this is not a viable approach and can exacerbate the global spread of viruses.

The pandemic has made us realise the fragility of globalisation, and that globalisation is not as solid and irreversible as imagined. It is an indisputable fact that both states and international organisations lack awareness of the negative effects of globalisation and underestimate the major risks it poses. The pandemic will eventually pass. However, the COVID-19 pandemic will permanently change the landscape of globalisation. After the pandemic, the process of globalisation will slow down, and the "era of national sovereign economy" may prevail again.

Globalisation promotes competition and efficiency, but ignores individual national resilience. When infectious disease pandemics arrive, countries with less resilience, especially those with weak public health systems, find that their public health systems are overwhelmed by a sudden flood of patients. The once-in-a-century global pandemic has tested the resilience of every country, in relation to its public healthcare system, economic stability, administrative system efficiency, manufacturing capacity and social cohesion.

In order to curb the spread of the virus, countries announced various lockdown measures: banning foreigners, vehicles, ships and planes from entering the country. The global situation under the pandemic was called the "Great Lockdown" by the International Monetary Fund (2020). The three-year-long coronavirus pandemic had forced governments to adopt policies of "unilateralism and isolationism" in order to protect themselves. This is a reality of globalisation in the twenty-first century, and it has also presented a great irony since the pandemic brought back to a globalised world the prototype of a "closed and self-contained" society. Many countries not only adopted closed-door measures one after another, but also acted separately. Some countries even competed with each other for limited medical supplies, food and industrial resources.

Apart from making empty promises and broad vision statements, international organisations, including the United Nations, have failed to come up with a meaningful global response plan. In the era of globalisation, the international community's expectation of countries to cooperate with each other to deal with crises has become nothing more than a beautiful fairy tale. Major powers such as China and the United States have accused each other of scolding the others while shirking their own responsibilities during the pandemic.

While mankind is facing a global public health crisis, unfortunately, international organisations such as the United Nations and major countries have not shown the global leadership or international coordination needed to fight emergencies such as a pandemic. The world has never been more uncertain than it is today, and anxiety and fear are enveloping humanity.

2.6 The Era of Globalisation Calls for a New Type of Global Governance System

The pandemic has highlighted the huge risks arising from the facilitation of cross-border movement of people, and the global governance and regulatory systems lag far behind globalisation characterised by interconnection. Globalisation in this form is uncontrolled and unsustainable; hence, the pandemic may prove a turning point in that "anti-globalisation" may become the mainstream voice.

However, it should be emphasised that in the twenty-first century it would be impossible and misguided to return to an era of self-isolation. The globalisation of interconnection has brought opportunities for economic growth and industrialisation in developing countries and has also helped to eradicate poverty in these countries. Insularity will only limit trade and investment, impede the proper functioning of economies and industries, push more people into poverty, and even lead to war. During the G20 Leaders' Virtual Summit held in March 2020, Singapore's Prime Minister Lee Hsien Loong argued:

> Naturally, countries will now want more safeguards against the risks of globalization, and to strengthen national capabilities to reduce dependence on others. Stronger assurances of supply chain reliability and safer human mobility will be needed. A more hard-headed, pragmatic internationalism may arise. But we should resist the urge to turn inwards and discard globalization completely, because autarky will result in a poorer world for all. The pandemic is proof of our interdependence, not an indictment of globalization. (Prime Minister's Office Singapore 2020)

A virus does not respect borders, neither does it discriminate on the basis of race, region or country. Countries in the "global village" era must find ways to strengthen cooperation, unite to fight the pandemic, and stabilise the world economic situation. The international community must also take concerted and firm measures to gradually address the risks posed by globalisation. In future, countries throughout the world should not only pursue economic growth and industrial efficiency through globalisation, but also the globalisation of the future must strike an effective balance between achieving economic growth potential and maintaining national economic security.

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