

The “Absence” of Asian Regional Economic Integration and the Development Orientation of the Belt and Road

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亚洲在中国周边战略中具有特殊意义。“一带一路”地理上首先面对的是亚洲国家或中国的周边。而亚洲存在区域经济一体化失衡和“缺位”的明显特征。亚洲区域经济一体化的“缺位”是双重的，一方面表现为缺乏统一的区域经济一体化制度安排，另一方面表现为本地区的不发达国家难以真正参与到区域经济一体化进程中，并从中获得发展的机会。与现有区域经济一体化机制的规则导向相比，“一带一路”作为一种新型的区域合作机制呈现为发展导向。在现有的区域经济一体化机制中，无论何种形式都要首先围绕准入门槛、成员国的权利与义务、时间表与路线图、争端解决机制等制定明确的规则。“一带一路”则不然，它不以明确的规则为前提，而是以发展为导向确立了其整体架构。总体上看，“一带一路”的发展导向不仅有助于克服亚洲区域经济一体化的固有缺陷，而且有助于应对反全球化的新挑战。这是中国向亚洲，也是向世界提供的一项制度性公共产品。

关键词：一带一路 区域经济一体化 制度性公共产品 发展导向

Asia has a special significance in China's neighborhood strategy. Geographically, the Belt and Road Initiative faces the countries of Asia or China's neighbors in the first place. Asia is clearly marked by an imbalance in and “absence” of regional economic integration. This “absence” is two-fold: it is expressed on the one hand as a lack of unified institutional arrangements for regional economic integration, and on the other as the inability of underdeveloped countries in the region to truly participate in regional economic integration and thereby gain opportunities for development. Compared with the rule-oriented nature of existing regional economic integration mechanisms, the Belt and Road Initiative, as a new type of regional cooperation mechanism, displays an orientation towards development. All existing regional economic integration arrangements, regardless of their form, establish specific rules on access thresholds, the rights and duties of member countries, schedules and roadmaps, dispute resolution mechanisms and so forth. This is not the case for the Belt and Road, which is not predicated on specific rules, but establishes its overall framework by orienting itself towards development. Overall, the development orientation of the Belt and Road is helpful not only in overcoming the inherent defects of Asian regional

economic integration, but in responding to the new challenge of anti-globalization. This is an institutional public good that China offers to Asia and to the world.

Keywords: Belt and Road, regional economic integration, institutional public good, development orientation

Asia has a special significance for China's neighborhood strategies. Geographically, the Belt and Road Initiative faces Asian countries or China's neighborhood in the first place. Among the six economic corridor plans that have been put forward—the China-Mongolia-Russia Economic Corridor, the China-Pakistan Economic Corridor, the Bangladesh-China-India-Myanmar Economic Corridor, the China-Central Asia-West Asia Economic Corridor, the China-Indochina Peninsula Economic Corridor and the New Eurasia Land Bridge Economic Corridor—all except the New Eurasia Land Bridge Economic Corridor target the Asian area. At almost the same time, in 2013, Chinese President Xi Jinping put forward both the Belt and Road Initiative and the concept of “amity, sincerity, mutual benefit, and inclusiveness” as China's neighborhood strategy for the new era. Clearly, this was not a coincidence. We believe that the Belt and Road Initiative is an important basis for China's neighborhood strategy for the new era. This determines the myriad connections this initiative has with the existing situation of Asian regional economic integration. Internationally, one of the topical issues that have attracted attention in recent years is whether the Belt and Road Initiative will take the place of or undermine existing Asian regional economic integration mechanisms. Based on an analysis of imbalance and absence in Asian regional economic integration, we suggest that the Belt and Road Initiative, with its development orientation, will help remedy this absence and become a public good offered by China to Asia and to the world.

I. Imbalance and “Absence” in Asian Regional Economic Integration

North America has the North American Free Trade Agreement (NAFTA) covering the US, Canada and Mexico; South America has the Mercado Común del Sur or Southern Common Market (MERCOSUR) covering the major countries of South America; Europe has the European Union (EU), and Oceania has the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). Only Africa and Asia are without a unified Regional Trade Agreement (RTA) covering their major countries. Given that Asia has the world's most vigorous economic growth and is among world's most open regions, one has to admit that this is an odd phenomenon. An overview of the developmental course of Asian regional economic integration indicates that it can be summed up as a series of imbalances.

First, there is an imbalance in Asian regional trade agreements in terms of both quantity and quality. According to Asian Development Bank (ADB) statistics, by August 2016, the Asian area had a total of 491 Free Trade Agreements (FTAs), of which 328 had been signed

and had entered into force.¹ Asia comes top worldwide in terms of quantity of FTAs, and the 21st century has seen their rate of growth outpace the rest of the world. So far, however, there is still no unified Asian FTA and none that covers the major Asian economies.² In this sense, the quality of Asia's regional economic integration ranks below that of the rest of the world.

Second is the imbalance in institutional arrangements and market forces in Asian regional economic integration. In terms of the theoretical paradigm of regional economic integration, a region usually concludes an RTA first, and this brings in its wake the further integration of trade and investment within the region. For Asia, however, this is not the case, for although it lacks a unified RTA, the region has achieved a very high level of trade and investment liberalization in a market-driven model of regional economic integration.³ In 2015, the intra-Asian share of trade accounted for 57.1 percent (in comparison, the corresponding indicators in the EU and NAFTA were 63 percent and 25 percent respectively); the share of foreign direct investment within the Asian region reached 52.6 percent; and regional cross-border holding assets accounted for 26.1 percent of total cross-border holding assets (2014).⁴ Such imbalances reflect the special role of global value chains (GVCs) within this region. In other words, trade and investment liberalization in Asia tends to be driven by GVCs rather than RTAs.

Thirdly, there is an imbalance in the position of large and small countries in Asian regional economic integration. In other parts of the world, regional economic integration tends to

1 Asian Development Bank (ADB), *Asian Economic Integration Report 2016: What Drives Foreign Direct Investment in Asia and the Pacific?*, pp. 182-183. The statistics cover countries in Central Asia, South Asia, East Asia, the Pacific Islands and Oceania.

2 At present, the two Asian FTAs with the largest coverage are the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Negotiations for the CPTPP were completed in 2017. The US withdrawal from the Trans-Pacific Partnership (TPP) left the TPP with eleven member countries, so it is also known as TPP11. Only five of its eleven members are Asian (Japan, Singapore, Brunei, Malaysia and Vietnam); more Asian countries may join in future, but because China and India are not included, the TPP can hardly be called an Asian regional economic integration organization in the true sense. Although the RCEP covers the major Asian economies (the ten ASEAN countries plus China, Japan, South Korea, Australia, New Zealand and India), its negotiations have been fraught with difficulty; they began in 2012 but have still not concluded, and the finishing date has repeatedly been postponed.

3 Some scholars conducting comparative research on Latin American and East Asian economic integration models call the Latin American model "integration via agreements" and the East Asian model "integration via markets." See Nathalie Aminian, K.C. Fung and Francis Ng, "Integration of Markets vs. Integration by Agreements," World Bank Policy Research Working Paper no. 4546, 2008.

4 ADB, *Asian Economic Integration Report 2016: What Drives Foreign Direct Investment in Asia and the Pacific?*, pp. 180-181. In recent years, the ADB has compiled an Asia-Pacific Regional Cooperation and Integration Index (ARCII) to measure the degree of regional economic integration. It provides indicators across six dimensions: trade and investment, money and finance, regional value chains, infrastructure and connectivity, free movement of people, and institutional and social integration. The research shows that the index rose steadily between 2006 and 2016. In terms of horizontal comparisons, the development of the Asia-Pacific area was second only to that of the EU. See Cyn-Young Park and Racquel Claveria, "Constructing the Asia-Pacific Regional Cooperation and Integration Index: A Panel Approach," ADB Economics Working Paper Series no. 544, May 2018.

be driven by large countries. For example, France and Germany were the advocates and promoters of European integration; the United States was the leader of North American regional economic integration; and Brazil and Argentina led the process of integration in South America. In Asia, however, the process of integration has been led by the Association of Southeast Asian Nations (ASEAN), which refers to itself as the “driver” of Asian regional economic integration. An example is the RCEP. ASEAN signed bilateral free trade agreements with China, Japan and South Korea first, and then with Australia, New Zealand and India (“10+1” in each case), forming an ASEAN-dominated RCEP negotiation pattern on this basis. Nominally, the RCEP FTA negotiations are between ASEAN and six other countries, but in fact they are based on six “10+1s.” This ensures that ASEAN is the “hub” in the process of Asian regional economic integration.⁵ However, this has been called “a small horse pulling a big cart,” implying that ASEAN has bitten off more than it can chew. As a result, when India, a big country, refused to accept an established goal of negotiations, ASEAN was unable to play the role of moderator in the negotiations. On the contrary, in practice we usually see other countries making concessions or offering special treatment to ASEAN in trade negotiations. Of course, this objectively weakens the large countries’ motivation for providing regional public goods.

Fourthly, there is an imbalance in Asian regional economic integration between the role of countries outside the region and those inside it. In itself, regional economic integration is simply a matter of countries within a certain region uniting to pursue common interests. If the countries within the region cannot decide the fate of their integration, it will be largely worthless. In reviewing the course of Asian regional economic integration, one can see that the US has always taken the lead while the countries in the Asian region have been subordinate to it. After the Asian financial crisis in 1997, Japan proposed establishing an Asian Monetary Fund, but the idea was dropped due to American opposition. Following the global financial crisis of 2008, a free-trade zone solution based on “10+3” (ASEAN plus China, Japan and South Korea) surfaced, but America, using the platform of the TPP, once again changed the course of Asian regional economic integration. Once in office, Trump pursued a policy of bilateralism; he was unfavorably disposed toward regional economic integration, and took the initiative in withdrawing from the TPP, thus creating favorable conditions for Japan to play a leading role in the CPTPP negotiations. This does not mean, however, that the US has ceased to influence the course of Asian regional economic integration. On the one hand, Japan has been exerting itself to get the US to “return to the TPP”; on the other, the Trump administration has expressed willingness to consider rejoining the TPP provided US requirements are satisfied.

5 Regional economic integration theory refers to a “hub-and-spoke” effect, in which the country that serves as the hub signs successive RTAs with each of the “spoke” countries but the spoke countries do not have corresponding RTAs with each other. This can ensure that the hub country gains extra benefits from trade and investment liberalization. The RCEP has tried to work out RTAs between spoke countries, but ASEAN still dominates the course and direction of the negotiations.

Fifth, there is an imbalance in underdeveloped and developed countries' ability to take part in regional economic integration. Existing Asian regional economic integration mainly operates among emerging economies or between developed countries and emerging economies. Underdeveloped countries have neither the ability nor the opportunity to participate in regional economic integration; even joining a particular regional economic integration mechanism may not provide them with opportunities for development. In South Asia, for example, the seven countries of the region set up the South Asian Association for Regional Cooperation (SAARC) as early as 1985. This was upgraded into the South Asian Free Trade Area (SAFTA) in 2006, but the seven countries' share of South Asian trade is negligible (it has been steady at around 5 percent in recent years). In the Central Asian region, the Eurasian Economic Union (EEU), established with Russia as the dominant participant, belongs to the category of customs unions (whose degree of integration is theoretically higher than that of free trade areas), but Central Asian member countries have had difficulty realizing the expected gains. In the Southeast Asian region, ASEAN's degree of integration is considered the most successful, but the gaps between new, underdeveloped member countries on the one hand and the original members on the other have yet to be reduced.

These imbalances have a variety of causes. 1) There are great differences and contrasts among Asian countries. The region contains both developed and underdeveloped countries; both capitalist and socialist countries; and Buddhist, Islamic and Christian cultures. In addition, many countries have unfinished historical disputes that impede their bilateral relationships. This diversity hinders the process of integration. 2) Contradictions and competition between the large countries of the region, especially in non-economic fields, are major obstacles to Asian regional economic integration. The China-Japan-Korea free trade area is an example. Almost all theoretical simulations have shown that it not only offers tremendous potential economic gain to these three countries, but also could serve as a basis for a "10+3" free trade area that would benefit the Asian and even the global economy. However, despite nearly two decades of effort, the scheme still has uncertain prospects. The crux of the matter lies in obdurate non-economic contradictions among China, Japan and South Korea. 3) Asia's GVCs lack final consumption markets, that is, the export of the region's final products mainly relies on outside markets. Intra-regional trade in Asia is at a similar level to that of the EU, but its main content is trade in intermediate goods. A study by the ADB shows that up until the global financial crisis, the Asian region's final consumption market share accounted for 28.9 percent of the region's exports, while the market share of the US alone was as high as 23.9 percent.⁶ 4) No large countries in the region have been able to provide comprehensive

6 ADB, *Institutions for Regional Integration: Toward an Asian Economic Community*, p. 31. A similar study recently carried out by the ADB shows that in East and Southeast Asian countries' exports in 2011, final consumption demand in regional markets accounted for only 22.2 percent of the total, while final consumption demand in the US, Japanese and European markets accounted for 41.9 percent. See Cyn-Young Park, "Decoupling Asia Revisited," ADB Economic Working Paper Series, no. 506, January 2017.

regional public goods. This has led the region's mid- and small-sized countries to adopt a fence-sitting strategy. Regional economic integration demands that large countries provide not only an export market, but also complementary security arrangements.

Trump's election as US president was a new turning point. Both his anti-globalization ideas and his "America First" policy direction pose new challenges to Asian regional economic integration. Firstly, the Trump administration, having withdrawn from the TPP, will seek to negotiate bilateral free-trade areas with Asian countries. This means that America will choose both the contents and the manner of negotiation most advantageous to itself, and that it will no longer act as a provider of public goods for Asian regional economic integration. Secondly, the protectionist policies the Trump administration has adopted for outward investment may disrupt Asian GVCs. Because the US is the final consumption market for the Asian economies and because US enterprises are at the top of the GVC, the Trump administration's "Buy American, Hire American" idea and "bring manufacturing back to America" policy may "shorten" Asian GVCs. Thirdly, the trade protectionism of the Trump administration may force Asian countries to redress the imbalance in their trade with the US. This will put considerable pressure on the export-oriented model that Asian countries have embraced for so long.

II. The Development-Oriented Character of the Belt and Road Initiative

Against this background, the Belt and Road Initiative will exert an important influence on the developmental direction of Asian regional economic integration. Compared to existing rule-oriented regional economic integration mechanisms, the Belt and Road Initiative, as a new type of regional cooperation mechanism, is development-oriented.⁷ The current arrangements for regional economic integration, whatever their form, all revolve primarily around the formulation of explicit rules on access thresholds, the rights and duties of member countries, schedules and roadmaps, dispute resolution mechanisms, etc. This is not the case with the Belt and Road Initiative. It is not predicated on explicit rules; rather, its entire framework is based on a development orientation fully expressed in the *Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road* issued by the Chinese government in 2015.⁸

Firstly, the Belt and Road Initiative carries on the peace and cooperation, openness and inclusiveness, and mutual learning and mutual benefit that characterized the spirit of the ancient Silk Road. Transport routes form the bonds linking many different countries and regions. Most existing regional economic integration mechanisms are primarily formed

7 Li Xiangyang, "A Comparative Study of TPP and the Belt and Road."

8 PRC National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce, "Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road," April 25, 2017, <http://ydyl.people.com.cn/n1/2017/0425/c411837-29235511.html>.

between countries that border each other and have a shared cultural and political identity. This is not the case with the Belt and Road Initiative; it is based on, but not limited to, the ancient Silk Road routes, and so covers countries in Asia, Europe, Africa, Oceania, etc. In this era of economic globalization, the ancient Silk Road routes no longer have any special value purely as transport routes; what lies beneath them is the spirit of these ancient routes. It is in this sense that the Belt and Road Initiative is marked by openness. Unlike existing regional economic integration, which tends to set up a series of access thresholds, the Belt and Road Initiative can accommodate numerous developing countries and create conditions for them to take part in regional economic integration. For these countries, weak economic development and inability to join in international economic cooperation interact as both cause and effect. The openness of the Belt and Road Initiative helps break this vicious circle.

Secondly, infrastructure-centered connectivity is the premise and foundation for the Belt and Road Initiative. For most member countries in existing regional economic integration mechanisms, connectivity is a natural premise because they are geographically adjacent and at similar levels of economic development. The Belt and Road Initiative, on the other hand, covers numerous countries located in different regions and very different in terms of level of economic development, so economic cooperation could not exist without connectivity. The lack of connectivity is a major obstacle to regional economic cooperation even for those Asian countries that share borders with China. For developing countries along the Belt and Road, therefore, connectivity can help eliminate bottlenecks in economic development and impediments to regional economic cooperation. Many countries regard connectivity as a distinguishing feature of the Belt and Road.

Thirdly, multiple cooperative mechanisms are an important feature of the Belt and Road governance structure. The Belt and Road Initiative does not seek a unified institutionalized arrangement, at least not in the preliminary period. In this it is totally unlike existing regional economic integration arrangements, which are either free trade areas or higher-level customs unions, common markets or economic communities. Under the Belt and Road framework, China does not reject any institutionalized arrangement, but at the same time it does not regard such an arrangement as a prerequisite. For example, the cooperation between China and ASEAN simply relies on an existing (upgraded) bilateral free trade agreement, but at the same time it also has cooperative mechanisms such as the China-Indochina Peninsula Economic Corridor and Lancang-Mekong Cooperation. In its cooperation with countries in South Asia, Central Asia, Western Asia and Northeast Asia and with Europe, China does not regard the signing of an FTA as a prerequisite; instead, it creates various cooperative mechanisms that accord with the needs of both parties, including economic corridors, sub-regional cooperation, alignment of cooperative mechanisms, industrial parks and so forth. In

this sense, the Belt and Road Initiative has a multiple governance structure.⁹ One could say that in selecting a cooperative mechanism, the Belt and Road Initiative follows the principle that “When confronted by mountains, one finds a way through. When blocked by a river, one finds a way to bridge it,” accepting any mechanism so long as it improves win-win cooperation and development. This is a concrete embodiment of the principle of consultation and joint contribution followed by the Belt and Road Initiative.

Fourthly, the basic principle in advancing the construction of the Belt and Road is adherence to the correct doctrine of the greater good and self-interest (*yiliguan*). It is this principle that determines the interest distribution relationship between China and other countries along the Belt and Road. The doctrine is an economic diplomacy concept with Chinese characteristics. It originates in Confucian ethical teachings, which give priority to justice while advocating the pursuit of both morality and interests. This is in sharp contrasts to the concept of economic diplomacy embraced by the Western powers, i.e., the carrot and stick approach. Whether in practice or in theory, the application of the the greater good and self-interest approach in the construction of the Belt and Road is a significant innovation. It offers a complete theoretical system for the distribution of interests between China and other countries along the Belt and Road. To correctly understand this approach involves at a minimum the following pairs of relations: 1) The relationship between government and enterprises. One could say that the government’s main goal is morality, but enterprises pursue their own interests. We cannot ask enterprises to sacrifice their own interests for the sake of the state’s strategic objectives, so guiding enterprises to serve national strategic objectives while they pursue their own interests is one of the government’s priority tasks in the construction of the Belt and Road. 2) The relationship between long- and short-term objectives. For most enterprises, emphasizing short-term objectives is a matter of course, but without attention to long-term objectives, the objective of morality would be out of the question. 3) The relationship between giving and taking. International economic cooperation normally requires an approximate balance between giving and taking, but giving first and taking later, giving more and taking less, or even giving without seeking a return is the basic contents of the doctrine of the greater good and self-interest. 4) The relationship between making use of existing comparative advantage and creating new comparative advantage. Complementarity is a prerequisite for international economic cooperation, but many developing countries, especially the most underdeveloped ones, do

9 Writing on the institutionalization and governance structure of the Belt and Road Initiative, Chen Weiguang and Wang Yan suggest that its governance structure is a combination of “relationship-based governance” and “rule-based governance,” with the former referring to non-institutionalized cooperation and the latter to institutionalized cooperation. In the construction of the Belt and Road, the two types of governance can act as substitution and complementation for different member countries at different stages and on different areas. See Chen Weiguang and Wang Yan, “Co-constructing the Belt and Road: An Analytical Framework for Relationship-Based Governance and Rule-Based Governance.”

not have the comparative advantage that would enable them to take part in international competition. This demands the creation of new comparative advantage. The doctrine of the greater good and self-interest organically combines the self-interested and altruistic objectives of the construction of the Belt and Road, and at the same time clarifies many misunderstandings and doubts that have arisen about it both at home and abroad; for example, it has been labelled “China’s Marshall Plan” (a foreign aid plan), “neocolonialism” or “a tributary system for a new age.” Whether Belt and Road construction maintains the correct the greater good and self-interest approach will be the standard for evaluating its success or failure. Without morality, it will fall short of its due potential for morality; but if interests are not considered, it will lose the basis for its sustainable development. In this sense, the greater good and self-interest approach is a necessary requirement of China’s peaceful development, as well as being the core contents of economic diplomacy with Chinese characteristics. It is inherently consistent with “amity, sincerity, mutual benefit, and inclusiveness,” the neighborhood community of shared future, and the community of shared future for mankind.

Fifthly, the ultimate goal of the Belt and Road Initiative is the establishment of a community of shared interests, common responsibilities and shared future. Depending on their level of integration, the existing cooperative mechanisms for regional economic integration can be divided according to their level of integration, from free trade zones at the lower level, customs unions, common markets and economic communities to political integration at the highest level. Each form has its own explicit standards: for example, free trade zones require that members’ abolish tariff barriers inside the zone and customs unions require that common tariffs be established on this basis. In contrast, the Belt and Road Initiative has three extremely broad communities as its objectives, to wit, establishing a community of shared future based on a community of shared interests and a community of common responsibilities. Even the “five channels” (policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds) of the goals of the community of shared future are much more extensive than the objectives of the great majority of existing regional economic integration mechanisms. The system of objectives of the Belt and Road Initiative includes the traditional liberalization of trade and investment, software and hardware connectivity, and even people-to-people bonds. Although the various objectives have no explicitly quantified indices (systems) or time schedules, they embody the requirements of cooperation and development in a broad sense.

On the basis of the analysis above, we can define the Belt and Road as a new type of development-oriented mechanism for regional economic cooperation that takes the ancient Silk Road as a bond, connectivity as a basis, multiple cooperative arrangements as a distinctive feature, the greater good and self-interest concept as a principle for construction, and the establishment of a community of shared future as an objective.

III. The Belt and Road Initiative Will Remedy the “Absence” of Asian Regional Economic Integration

The “absence” of Asian regional economic integration is twofold. On one hand, it is expressed as the lack of unified institutional arrangement for regional economic integration; on the other, it is expressed in the difficulty experienced by the underdeveloped countries of the region in truly participating in the process of regional economic integration, a difficulty that prevents them from grasping the opportunities for development it offers. The Belt and Road Initiative, as a new type of development-oriented regional economic integration mechanism, can to a large extent remedy this “absence.”

Firstly, the Belt and Road Initiative offers a new option for regional economic integration in Asia. At present, there are two RTAs that can cover the major economies: the CPTPP and the RCEP. Compared to the TPP, the CPTPP has shelved or revised the 22 provisions put forward by the US, but it remains an FTA with a higher threshold. In the foreseeable future, many developing countries, including China, India and others in Central and South Asia are still unable to take part in it. By comparison, the RCEP has a lower access threshold and covers the major economies in Asia, but the course of its negotiations has repeatedly been interrupted by India’s reluctance to accept its rules and goals. At present, there are two options for a swift conclusion to the RCEP negotiations: one is to accept India’s claims and gives it special treatment, which would mean further lowering the standards for RCEP rules, and the other is to adopt an “X-1” negotiation strategy that temporarily excludes India. Either option will weaken the effectiveness of the RCEP: either the standards for RCEP rules will be further lowered, or its coverage will be reduced.¹⁰

In contrast, the Belt and Road Initiative is a new type of regional economic cooperation mechanism, with an openness, a governance structure and a system of objectives that all differ from those of the RCEP and CPTPP. It offers a new option for the future development of Asian regional economic integration. 1) The Belt and Road mechanism parallels existing regional economic integration arrangements in Asia; both can advance together in a mutually supportive relationship. Internationally, some people worry that China will replace the existing regional and international order with the Belt and Road. This is a misunderstanding. The RCEP and the CPTPP are traditional FTAs, which by their nature are rule-oriented arrangements for regional economic integration that stress the liberalization of trade and investment within the region. The Belt and Road Initiative, however, as a

10 The “low quality” of the RCEP also derives from ASEAN centrality principle upheld in the ASEAN Charter. In the field of trade, this principle means that any benefits or commitments given in “ASEAN+1” FTAs cannot exceed those granted in intra-ASEAN FTAs (failure to adhere to this principle would strengthen the centripetal tendencies of ASEAN member countries). This means that it would be impossible for the RCEP to have a higher level of liberalization than ASEAN FTAs. See Joko Siswanto and Alwin Aditityo, “ASEAN’s Pathway to Engage the World.”

development-oriented regional cooperation mechanism, goes beyond the liberalization of trade and investment to emphasize joint development within the region. The RCEP and the CPTPP do not have a competitive relationship with the Belt and Road Initiative; the one will not replace the other. 2) The Belt and Road Initiative's development orientation determines that it can align itself with existing arrangements for regional economic integration or the development strategies of the countries along the Belt and Road Initiative. At present, the work of alignment with the Belt and Road is under way in Indonesia's "Global Maritime Axis" strategy; Mongolia's "Steppe Road" strategy; Vietnam's "Two Corridors and One Economic Circle" strategy; Kazakhstan's "Bright Road" strategy; India's "Project Mausam"; and Russia's "Eurasian Union." The Belt and Road Initiative may even align itself with countries outside the Silk Road routes, including America's "New Silk Road Initiative" and Japan's Asian infrastructure construction project.¹¹ 3) The Belt and Road's connectivity will have the effect of advancing regional economic integration.¹² On one hand, this connectivity is expressed in economies of scale; that is, it will help overcome the infrastructure bottlenecks in regional cooperation, allowing economies of scale to be achieved over a larger field. Bearing in mind the characteristic trade pattern (low or zero tariffs) within Asian GVCs, improved connectivity can play a greater role than tariff reductions in increasing trade liberalization.¹³ On the other, connectivity is expressed in the trade creation effect, that is, it changes product tradability and expands the scale of trade through material, institutional and personal connectivity. 4) Connectivity itself may become a new theoretical paradigm for Asian regional economic integration.¹⁴ European integration has been called a model of regional cooperation. Europe has adopted integration as its mode of thinking and seeks consensus. Through a process of convergence, Europe moved from plurality to unity and ultimately established a political union. However, practice has proven that this is not applicable to developing countries. By contrast, Asian regional cooperation takes connectivity as its mode of thinking and seeks communication, developing from plurality to connectivity through a process of alignment with the aim of establishing a connected region.

Secondly, the Belt and Road Initiative can help solve the problem of Asian countries' development. With the exception of a few developed countries, development is a problem common to the great majority of Asian countries. Opening up is a prerequisite for

11 The alignment of the Belt and Road Initiative with the development strategies of other regional economic integration organizations or nation states does not take place unconditionally or automatically. Different types of alignment targets require different mechanisms, which will lead to different results. This is a question to be further discussed.

12 Wang Yuzhu, *The Belt and Road Initiative and the Reconstruction of the Asian Integration Model*.

13 An economist has carried out a comparative simulation study of the effects on trade liberalization of the TPP and the Belt and Road Initiative. His finding shows that this is the main reason why for TPP is less effective. See Andrew Elek, "AIIB Miles Ahead of TPP in Promoting Integration."

14 Wu Zelin, "Connectivity in Asia's Regional Cooperation: A Preliminary Analytical Framework."

development, but many countries have long had trouble crossing the access thresholds set up for regional economic integration. The openness of the Belt and Road Initiative offers an opportunity for Asia's developing countries, especially the least developed among them, to take part in regional economic integration. Theoretically, any country that accepts the spirit of the Silk Road will have the opportunity to join the Belt and Road Initiative; this is the major reason it has been universally affirmed by developing countries in Central Asia and Africa. Another obstacle to developing countries' participation in regional economic integration is the backwardness of their infrastructure, which makes it hard for them to create conditions for connectivity with other countries. The latest study by the ADB shows that if countries in the region are to maintain their present growth momentum, their infrastructure investment will need to reach US\$22.6 trillion by 2030, with annual investment reaching US\$1.5 trillion. Given the requirements of the international climate change agreement, this amount needs to be increased to US\$26 trillion. At present, multilateral development banks can meet only 2.5 percent of the funds required for infrastructure investments in the developing countries of Asia.¹⁵ The Belt and Road Initiative takes connectivity centered on infrastructure as the precondition for meeting Asian countries' development needs. Even so, some of the least developed countries will still face initial difficulties with funds and construction. The attitude of "giving more and taking less or giving with no return" in the Belt and Road Initiative's principle of greater good and self-interest provides a new option. If traditional international economic cooperation makes use of existing comparative advantage, then the Belt and Road Initiative will shoulder the task of creating comparative advantage for the least developed countries.¹⁶ In this sense, what the Belt and Road Initiative supplies is the creation of new blood rather than a simple blood transfusion (as in foreign aid).

Thirdly, the Belt and Road Initiative marks the fact that China has begun to provide regional public goods for the region in which it lies. The key to the continuing domination of the course of Asian regional economic integration by the US, an extra-regional power, lies in the fact that the US is a provider of regional public goods. It provides not only the idea of free trade and a final consumption market for Asian countries, but also the related idea of regional security and a security framework (most prominently displayed in its Asian alliance system). A milestone was reached with Trump's taking office: his idea of "America First" implies that America will reduce or abandon its provision of global public goods, which will necessarily lead to modification of America's Asian strategy. Although, at the security level, the Trump administration's adjustments to its Asian alliance system have not shown a clear direction, changes at the economic level have already become reality. The clearest sign of this was the US declaration of its withdrawal from the TPP. On the one hand, these adjustments reflect an important change in America's understanding of globalization; on the other, they show

15 ADB, *Meeting Asia's Infrastructure Needs*, pp. xi-xix.

16 Li Xiangyang, "High Priority in the Relationships of the Belt and Road Initiative."

that its strength falls short of its ambitions. Since the outbreak of the international financial crisis, in fact, the American influence on the Asian economies has shown a marked downward trend, while that of China has been growing. As an ADB study shows, if one looks at the four variables of trade linkages, financial linkages, fiscal policy and monetary policy together, the synchronicity of Asian business cycles and the US economic cycle has gone down rapidly since the international financial crisis, whereas China's synchronicity with other Asian countries has shown an upward trend.¹⁷

Against this background, China has begun to use the Belt and Road Initiative to provide regional public goods for its own region. This includes: 1) Putting forward the concept of an Asian community of shared future to improve shared development in Asia. The Asian community of shared future is a part of the community of shared future for mankind, and at the same time a natural extension of the concept of "amity, sincerity, mutual benefit, and inclusiveness," China's neighborhood strategy for the new era. In the Belt and Road Initiative, this concept is represented as the doctrine of greater good and self-interest, in sharp contrast to the idea of "America First." 2) Providing a final consumption market for the region's economic growth. Its economic scale and development mode limit China's ability to provide a final consumption market for the entire world at the present stage, but Asian countries are increasingly reliant on the Chinese market. At present, among the thirteen economies whose exports to China exceed two percent of their GDPs, eight are located in the Asian region (ten, if Australia and Saudi Arabia are included), and among the eleven economies whose exports to China exceed ten percent of their total exports, ten are in Asia.¹⁸ In recent years, Chinese consumption demand has made a rapidly increasing contribution to economic growth, and this is reflected in its trade structure as an improvement in the proportion of imports of finished products. With the implementation of the Belt and Road Initiative in Asia, China will provide a final consumption market for more countries in this region.¹⁹ 3) Utilizing a new concept of Asian security to guide and improve the construction of an Asian security system. At the Fourth CICA Summit on May 21, 2014, Chinese President Xi Jinping explicitly put forward a new Asian security concept

17 Yuwen Dai, "Business Cycle Synchronization in Asia: The Role of Financial and Trade Linkages," ADB Working Paper Series on Regional Economic Integration, no. 139, October 2014. For the same period, this study shows that the synchronicity of the business cycles of Asian countries and Japan was falling rapidly.

18 Willem Thorbecke, "How Would a Slowdown in the People's Republic of China Affect Its Trading Partners?," ADB Working Paper Series, no. 634, January 2017.

19 At the Belt and Road Forum for International Cooperation held in May 2017, the Chinese government promised to hold a China International Import Expo from 2018 on, and at the Boao Forum for Asia in 2018, President Xi Jinping further stated that "China does not seek a trade surplus; we have a genuine desire to increase imports and achieve greater balance of international payments under the current account." See Xi Jinping, "Openness for Greater Prosperity, Innovation for a Better Future—Keynote Speech at the Opening of the Boao Forum for Asia Annual Conference 2018," April 10, 2018, http://www.xinhuanet.com/politics/2018-04/c_1122659873.htm.

of “common, comprehensive, cooperative and sustainable security.” This will undoubtedly have a beneficial influence on the elimination of non-economic contradictions among Asian countries, thus helping reduce obstacles to Asian regional economic integration.

Fourthly, the Belt and Road Initiative provides a new impetus for economic globalization, and thus helps Asian countries respond to the challenge from anti-globalization. The anti-globalization standpoint of the Trump administration has had an unprecedented impact on Asian GVCs and regional economic integration, and even on Asia’s export-oriented mode of development. The Belt and Road Initiative offers new opportunities for Asian countries to handle the Trump shock. First, the community of shared future for mankind advocated by the Chinese leadership provides a new concept for the sustainable development of economic globalization. The community of shared future for mankind has win-win cooperation at its core; takes sharing of responsibilities and interests as its basic principle, and inclusiveness and sustainable development as its goals. The Belt and Road Initiative has become a major vehicle for this concept.²⁰ Second, the Belt and Road Initiative itself is a major step in China’s opening up to the outside world in the new era. Geographically, China’s opening up has been extended from the country’s southeast coast to the hinterland in central and west China; in terms of method, opening up has developed from “inviting-in” to “going-out”; and in terms of contents, the opening up that passively adapted to the rules of multilateral trade has become an opening up that takes the initiative (in combination with free trade zones’ “negative list”). The further China’s opening up extends, the more likely it is that Asian countries will benefit. And last, the Belt and Road Initiative has created conditions for the expansion of GVCs in Asia. After the global financial crisis, Asian GVCs faced challenges from two sides: from the slowdown in the growth of global trade and from the fact that China has moved up to the high end of GVCs, reducing its importation of high value-added intermediate goods and thus objectively shortening the length of GVCs. Future GVCs may be affected by the Trump shock. The China factor is the natural result of economic development; China cannot be asked to stop its industry upgrading. At the same time, China’s industry upgrading will yield a positive result: international production capacity cooperation within the Belt and Road framework will expand Asian GVCs.

In short, the development orientation of the Belt and Road Initiative will not only help to overcome the inherent defects in Asian regional economic integration, but will also help to handle the new challenge of anti-globalization. This is another institutional public good that China is providing to Asia and the world.

20 President Xi Jinping’s speech at the opening of the Belt and Road Forum summarized the Belt and Road Initiative as “a road for peace, road of prosperity, road of opening up, road of innovation, road connecting different civilizations,” which displays the concept of a community of shared future for mankind. See Xi Jinping, “Work Together to Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road,” pp. 506-517.

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