

What about the Dragon? China, Europe and the New Silk Road

Summer University 2018 of the European Left Party and transform!
Europe
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July 13th 2018,

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**„Socialism with Chinese
characteristics“**

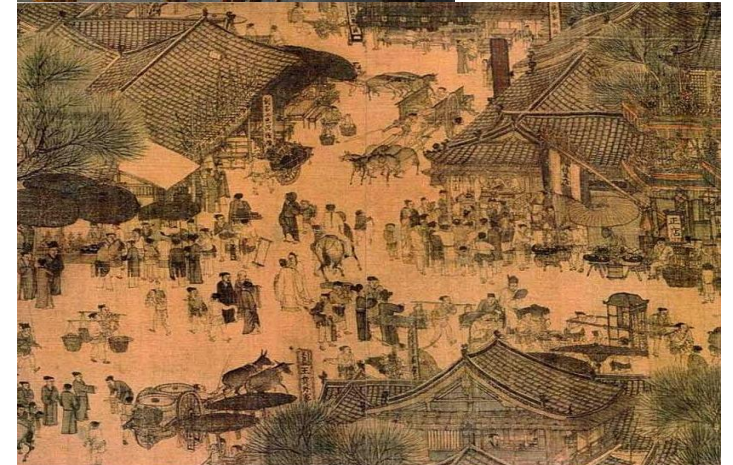
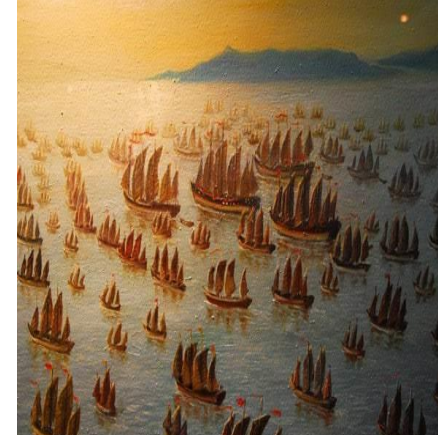


**Is there Socialism with
European characteristics?**

Mozi = Micius,
(ME-TI at Brecht, 470-391 BCE)
First “socialist” philosopher
Mohism

Zheng He † 1433
Giant fleets to Africa and other regions

Kaifeng – 12th century: near “take-off”
Nanjing - 13th century: near “take-off”



CHINA CHINA CHINA CHINA CHINA CHINA CHINA CHINA CHINA

https://www.youtube.com/watch?v=RDrfE9I8_hs

“Trade wars are good, and easy to win”

Trump

„We will go to war with China within 10 years”

Steve BANNON

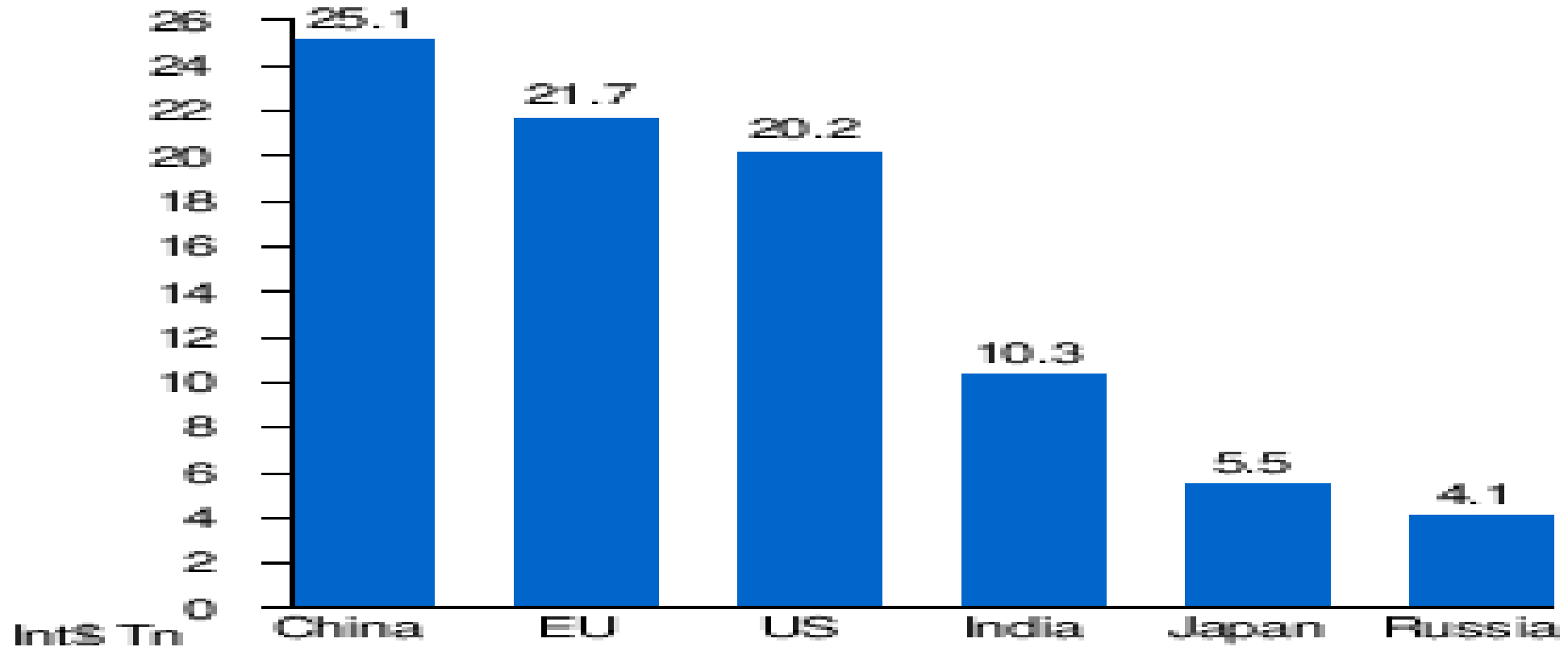
Former senior counselor and chief White House strategist

Huffington Post 2-2-2017

.....as a reaction to China's rise from poorest country in world in 1949 to a middle income country and largest economy in the world in 2015

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Is China the second largest country-economy of the world?
Will it outperform the USA in 2025 ?



Largest economies by PPP GDP in 2018.

According to [International Monetary Fund](#) estimates

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the New Silk Road - July 13th 2018, EL-summer university

PPP: purchasing
power parity

What are China's contributions to most pressing global problems:

* global inequality

* climate change

Zhong [tshung] : mid, also in a symbolic mode

中

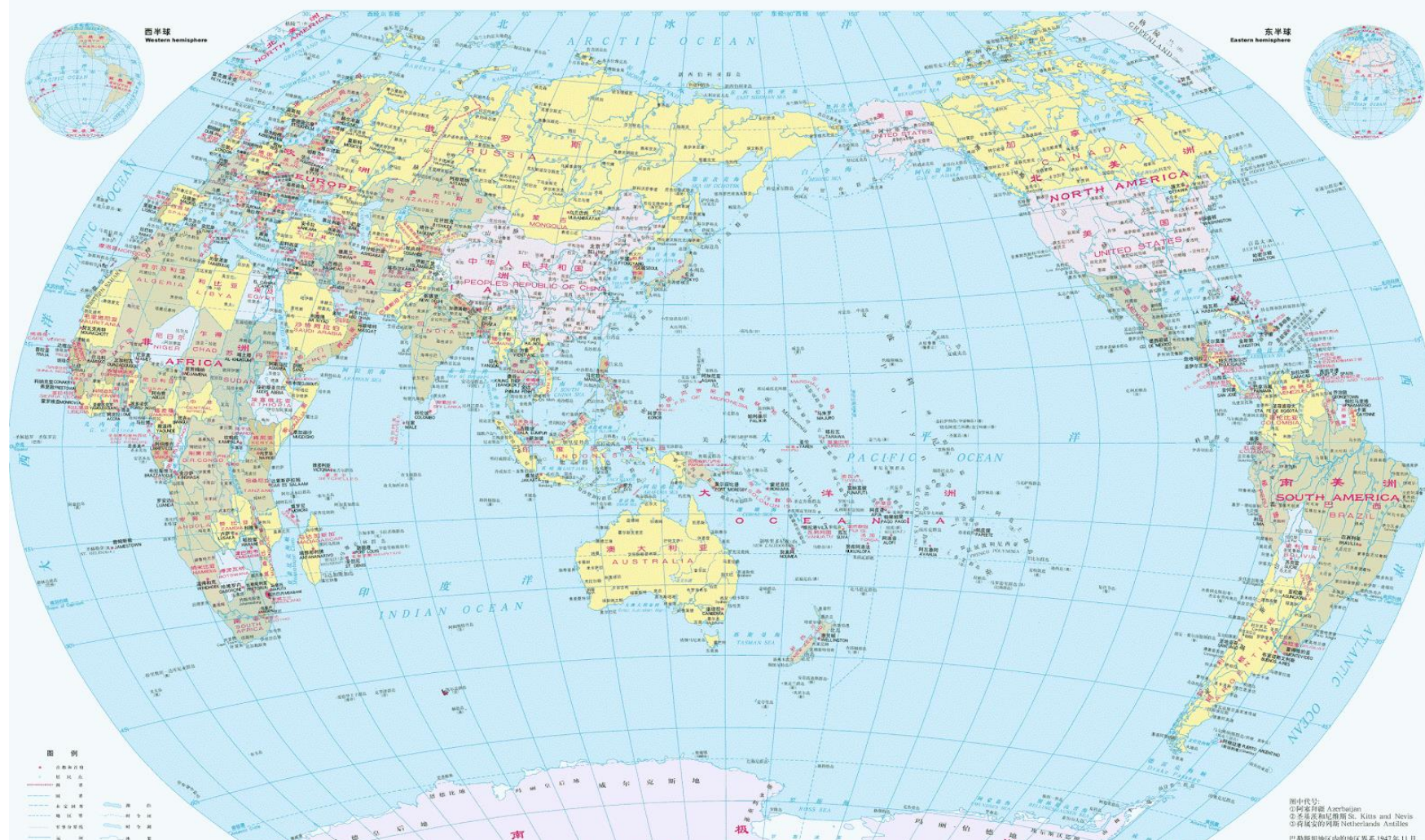
Zhong guo [China)

中國

中國

Zhong guo [China]

世界地图



中國

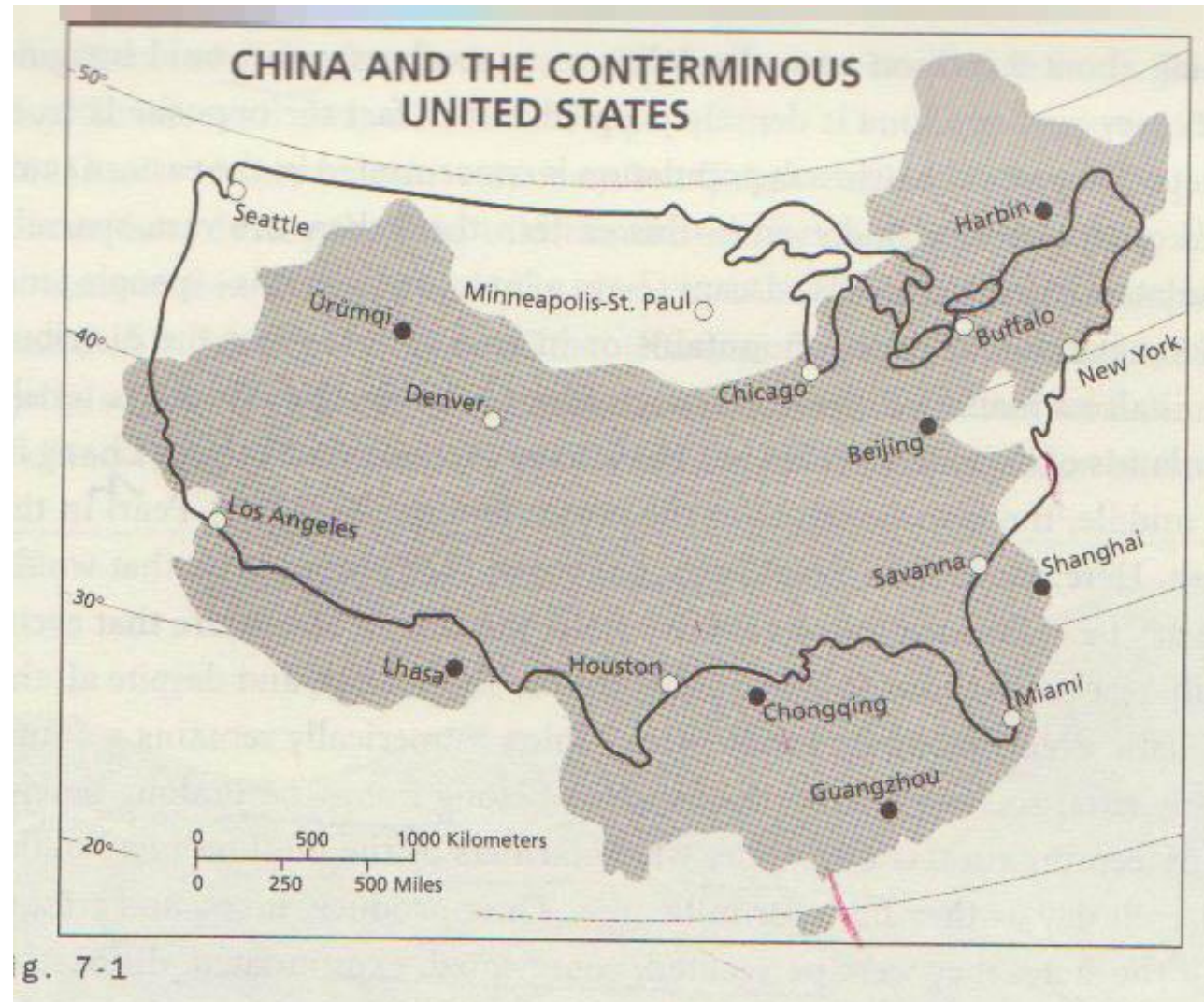
Zhong guo [China]

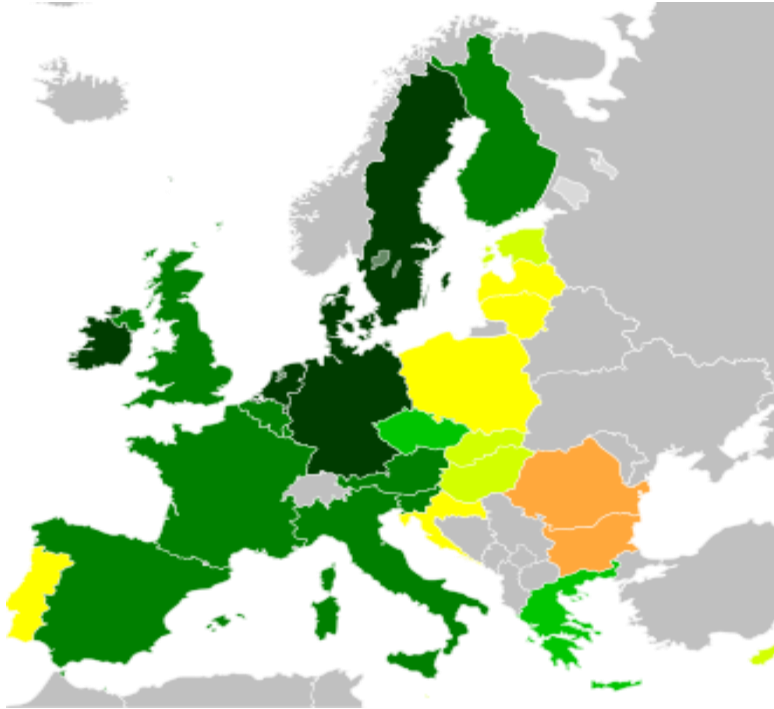




China-USA comparison

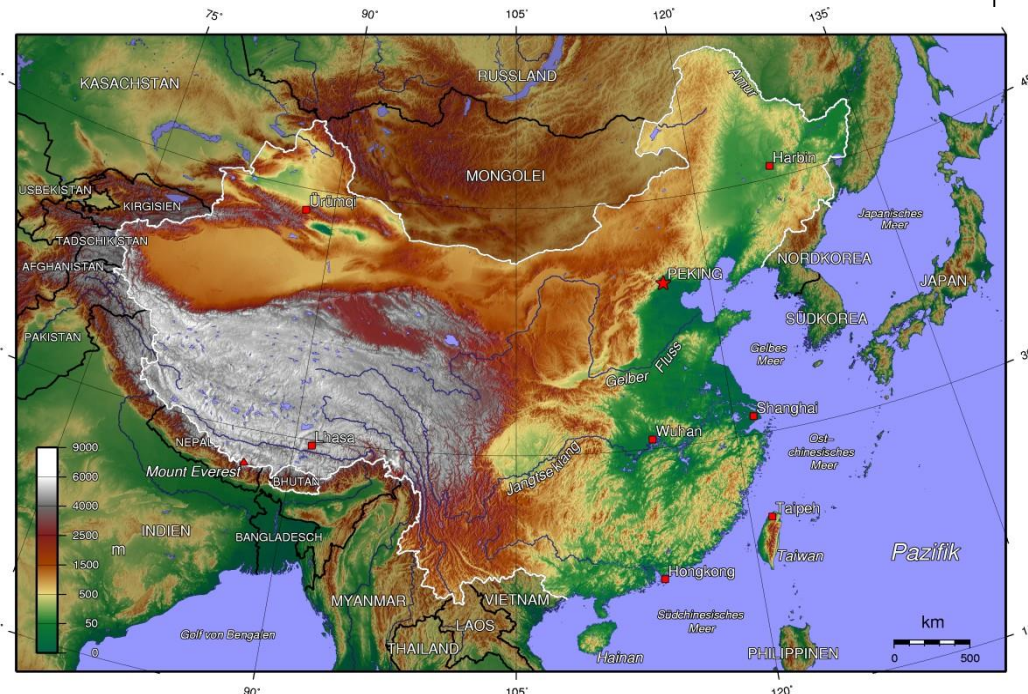
Harm de Blij: Why geography matters, p.133



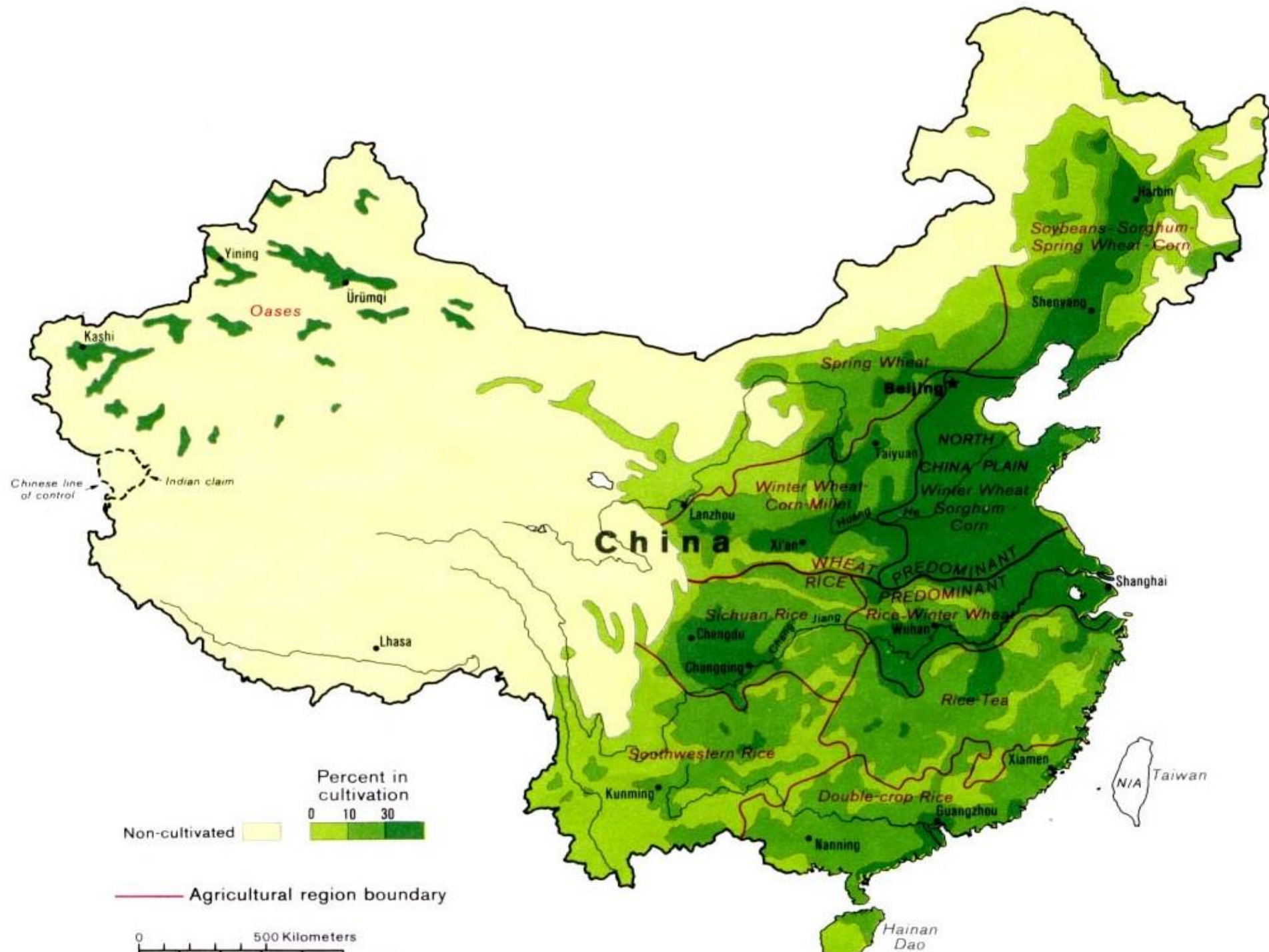


West of the Heihe-Tengchong-Line

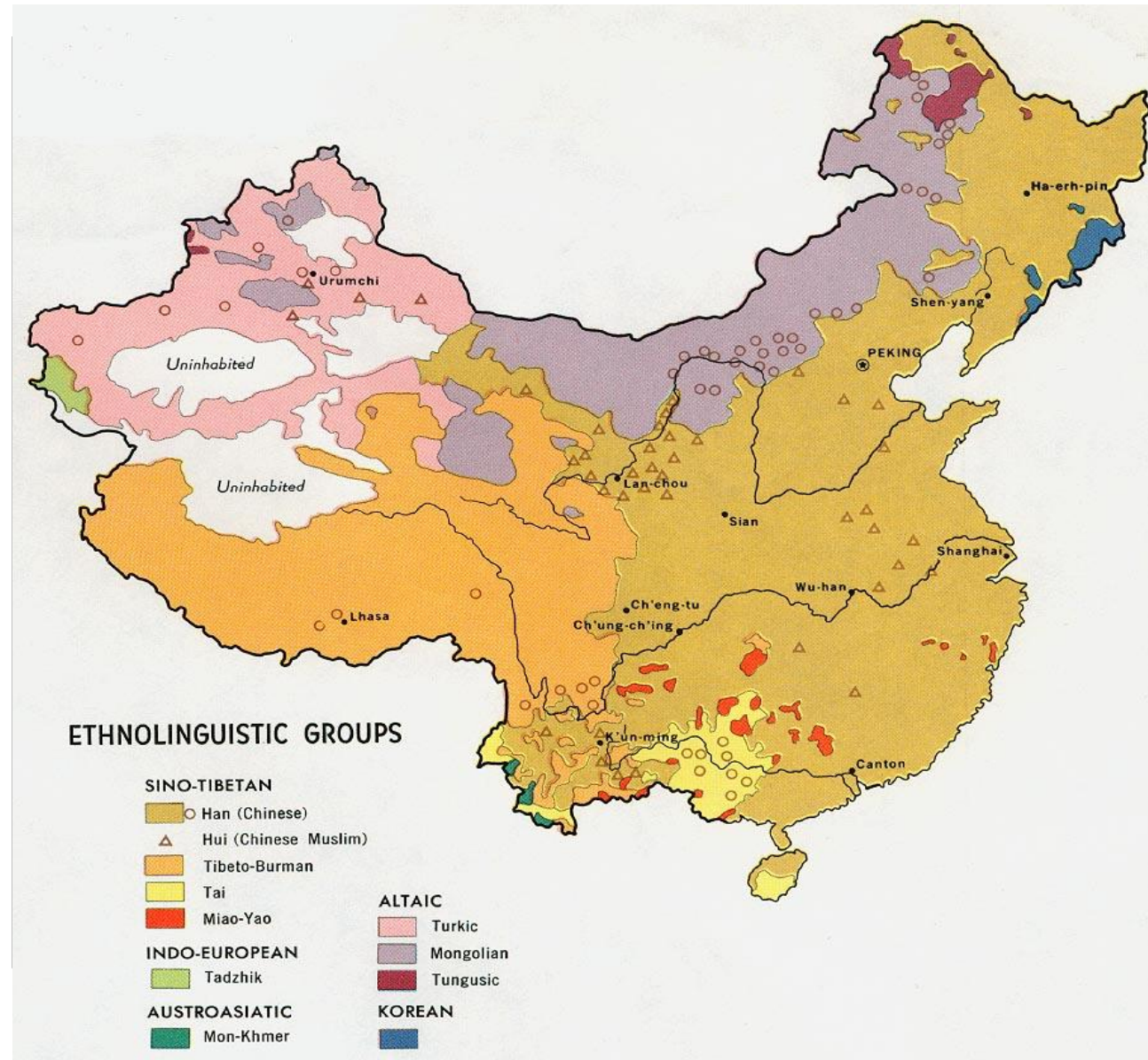
* 43 % of territory but ~ 90 % of population



Kar

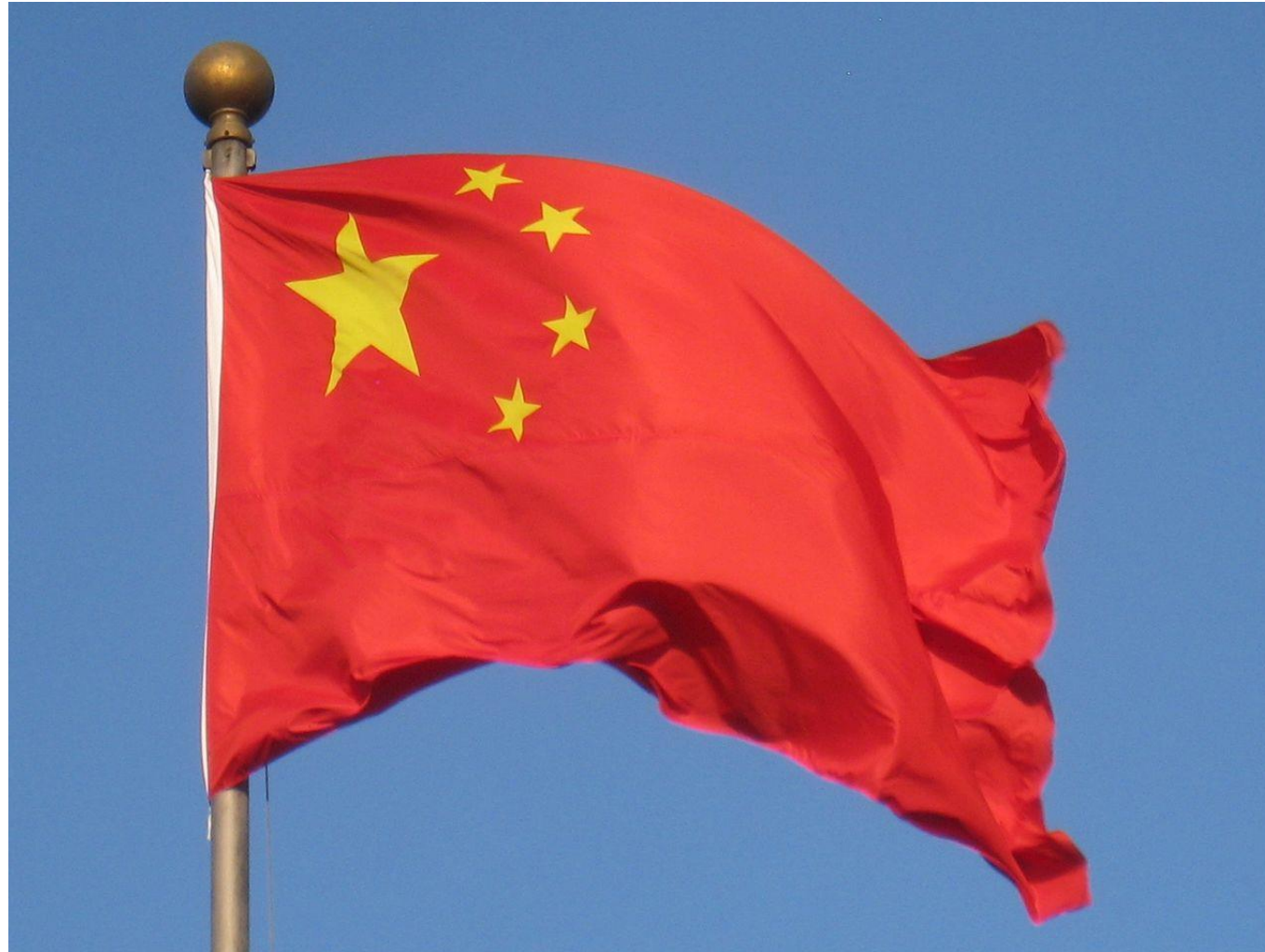


Karte1971



People's Republic of China (PRC): Administrative Divisions & Territorial Disputes





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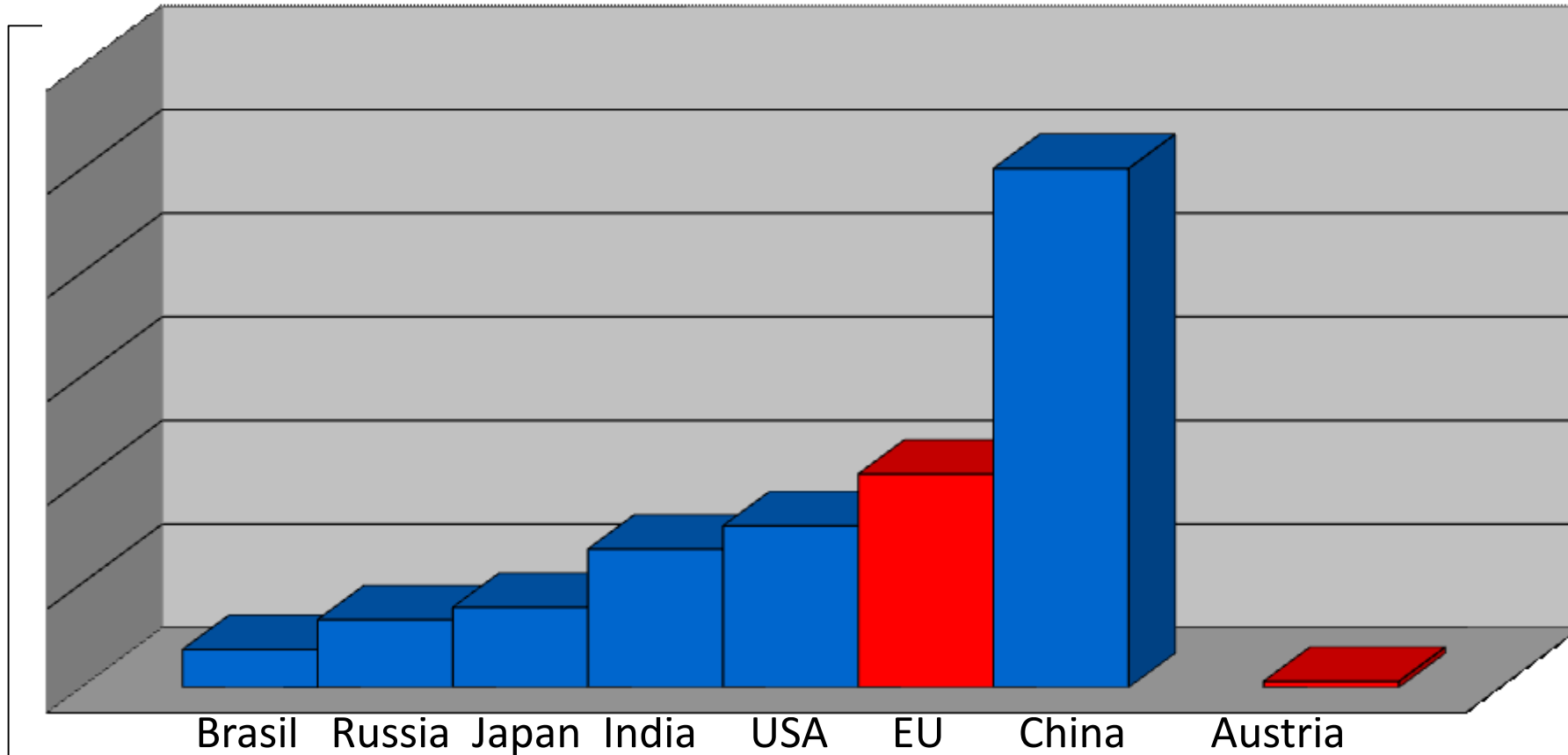
Basics China

The spread in the prosperity gap between and within the regions of China is large and similar to that in the EU.

(similar Gini-values)

The historical continuity of Chinese civilization has been essentially determined by unity, but also by high differentiation and cohesion processes

Geopolitical Potential in Comparison



www.euro-info.net - Heinz Kienzl

$=v(\text{Population} * \text{GDP}) * \text{Growth} * \text{expenses on research\&development}$

Dimensions of the global economy 1700-1995

Shares of World GDP

, 1700-1995 (per cent); Table 2.2a. aus **Maddison Angus (1999): Chinese Economic Performance in the Long Run**

	1700	1820	1890	1952	1978	1995
China	23.1	32.4	13.2	5.2	5.0	10.9
India	22.6	15.7	11.0	3.8	3.4	4.6
Japan	4.5	3.0	2.5	3.4	7.7	8.4
Europe	23.3	26.6	40.3	29.7	27.9	23.8
United States	0.0	1.8	13.8	28.4	21.8	20.9
USSR/Russia	3.2	4.8	6.3	8.7	9.2	2.2

Dimensions of the global economy 1700-1995

Table 2.2b. **Rates of Growth** of World Per Capita GDP,
1700-1995

(annual average compound growth rates), Table 2.2b. *Maddison, Angus*
(1999): *Chinese Economic Performance in the Long Run*

	1700-1820	1820-1952	1952-78	1978-95
China	0	-0,08	2,34	6,04
India	0	0,1	1,81	2,53
Japan	0,1	0,95	6,66	2,68
Europe	0,22	1,03	3,56	1,48
USA	0,62	1,63	2,1	1,47
USSR/Russia	0,19	1,04	3,15	-2,35
World	0,09	0,92	2,56	1,01

Historical view: China's global GDP share

Consideration over 200 years:

- China at **1820: peak** in the share of world GDP: 35 %
- Then relative relapse- only very limited industrialization,
- Decrease to **5% share until the 1970s**
- 1995 increasing to 11%
- **Currently: ~ 20 % (similar to global population share)**

Dimensions of the global economy 1700-1995

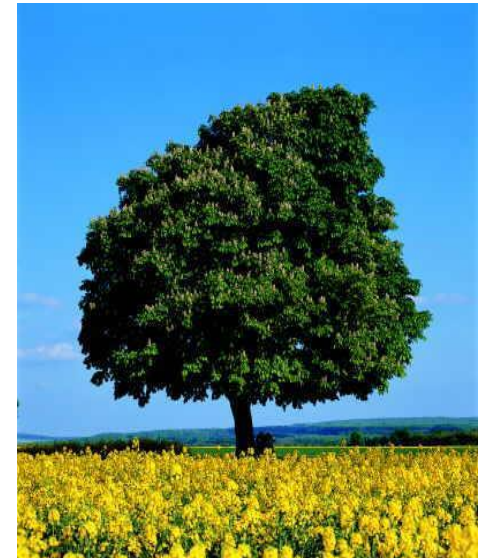
Comparative Levels of Economic Performance, China and Other Major Parts of the World Economy, 1700-1995; Table 2.1 *aus Maddison Angus (1999): Chinese Economic Performance in the Long Run*

	China	Japan	Europe	USA	Russia	India	World
GDP (billion 1990 "international" dollars)							
1700	82.8	16.2	83.5	0.6	12.6	81.2	359.0
1820	228.6	20.9	188.0	12.6	33.8	111.0	706.4
1952	305.7	202.9	1 758.2	1 677.1	512.6	226.6	5 916.1
1978	935.9	1 446.2	5 220.9	4 062.3	1 715.2	630.8	18 683.1
1995	3 196.3	2 476.3	7 004.8	6 149.5	648.7	1 437.0	29 421.3
Population (million)							
1700	138	27	96	1	21	153	594
1820	381	31	167	10	45	209	1049
1952	569	86	402	158	186	372	2 609
1978	956	115	481	223	261	649	4 264
1995	1205	126	502	263	148	917	5 664
GDP per capita (1990 "international" dollars)							
1700	600	600	870	600	600	531	604
1820	600	675	1 129	1260	751	531	673
1952	537	2 351	4 374	10 645	2 928	609	2 268
1978	979	12 581	10 860	18 251	6 565	972	4 382
1995	2 653	19 720	13 951	23 377	4 383	1568	5 194

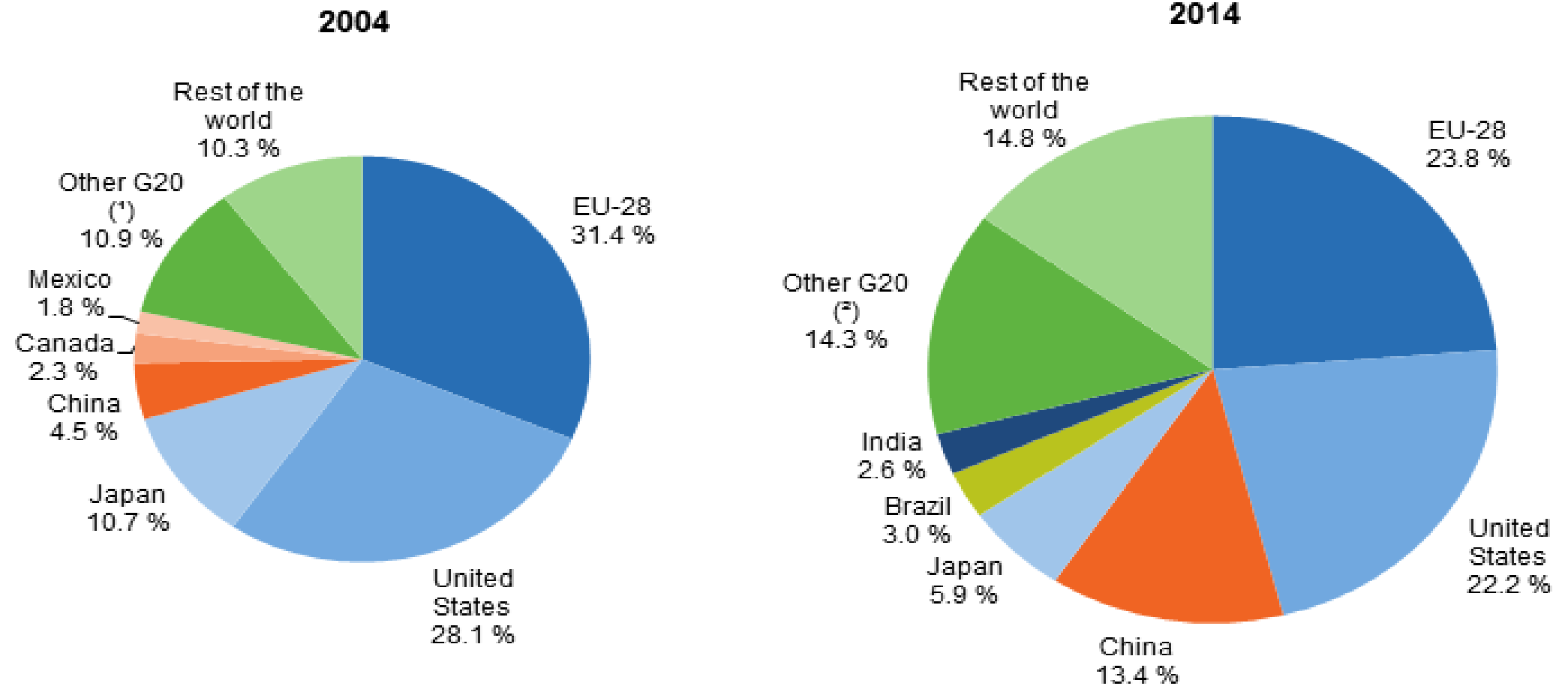
Globalisation and the European Welfare State

The attackers of the welfare state in EU argue simply like this: *We are ~7 % of global population, but afford ~50 % of global social benefits*

It is also true that the global share of GDP for the EU is wide above average, and that the EU still is the biggest economic entity



Shares of global GDP 2004-2014



(*) Argentina, Australia, Brazil, India, Indonesia, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

(°) Argentina, Australia, Canada, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

The EU global shares will probably decrease further,
and this is necessary to attain global justice

The welfare state was realized in times of the “cold war”
when **the capital side accepted it to prevent further transformations.**

A core idea was solidarity within a nation; but
transforming it to the EU level is still in first stages, let
alone the global level.

The **far right** on the contrary want a regression;
(reduced) welfare only to “true people” of a nation



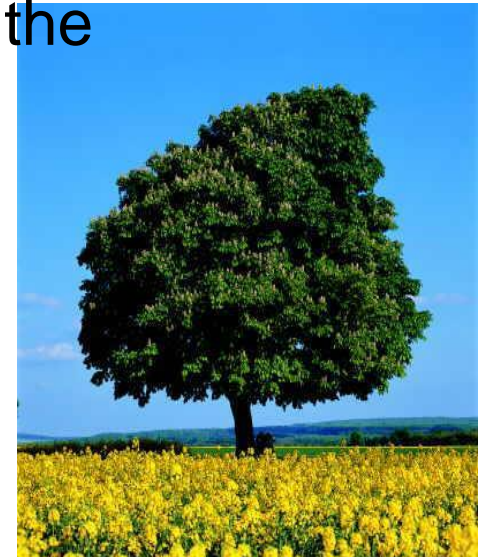
Existing welfare states are not perfect and not the end of the story

E. g. also ecological elements are missing

Social Darwinists: social security decreases incentives for working, **productivity and innovation.**

But e.g. **Wilkinson-Pickett** (2009) underpin the contrary

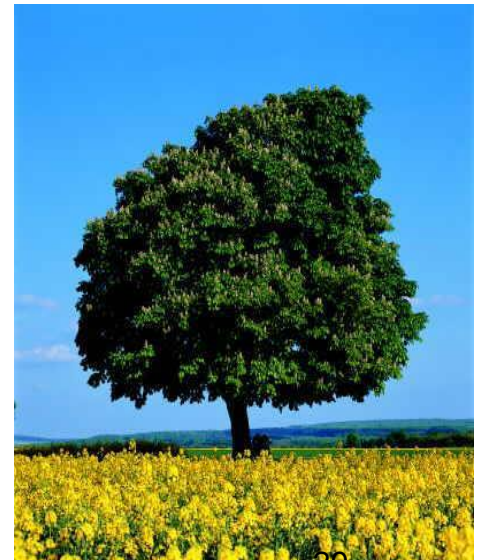
Especially a post-Fordist production mode requires more **participation**



Basics on China

- very high population density in most eastern parts of the country (– “**space-compressed**”)
- the total **size** of the population and economic activities,
- the sectoral dominance of the **industry** with a focus on export (world factory),
- rapid **urbanization** and
- the (“**time-compressed**”) rapidly industrialization and catching up ...
- ...together with other major emerging countries

→ Unique size of “space-compressed” and “time-compressed” development





Basics on China

- **0,09 hectare of arable land per capita = less than 1/3 of the global average**
- **Water resources per capita about 1/4 of the global average**
(„too little“ in the north, „too much“ in the south)
- **Wood about 1/4 of the global average per capita**
(annual growth of wood 1/6 of the global average)
- **18 Chinese Provinces hit by desertification**

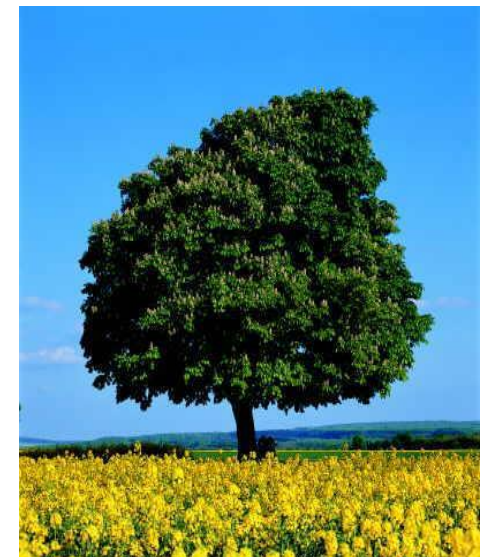
Basics on China

- China all in all is **not poor in total resources**.
- It has significant shares in global production of many (mineral) commodities.
- But China can meet the domestic demand in 2010 at only eleven of 45 **mineral resources**, probably in 2020 only at nine, and at only two to three in 2030.
- By the foreseeable higher dependence on foreign resources still **higher cost** will arise.



Basics on China

- **External extractivism**
- **fierce oligopolistic battles**
- **→ Diversification of suppliers**
- **curse of emissions**
- **Urbanization and motorization as usual?**



“Development state”

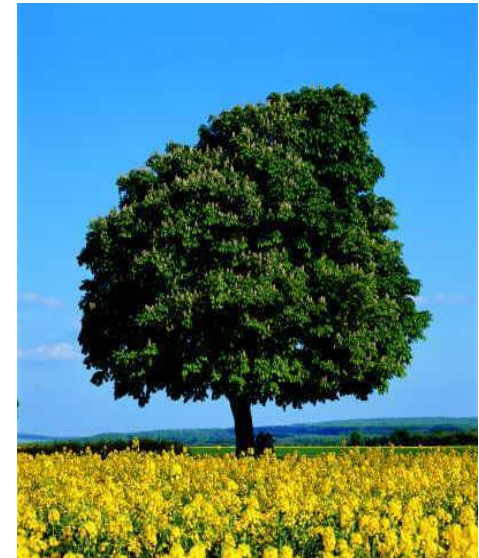
(Johnson) focus on

- *development
- *industrialization
- *interventions in the economy more directly
- *promoting strategic sectors
- *shifts in investment and profits
- * governance of (partly) public enterprises

“Chinese characteristics” of industrial development

- Special stage of "post-colonial" development
- Industrialization of China under different international circumstances: **resources not “at colonial terms”**- prices much higher.
- ➔ Challenge can stimulate higher resource efficiency.

.....



Unique scale of the Chinese Economy

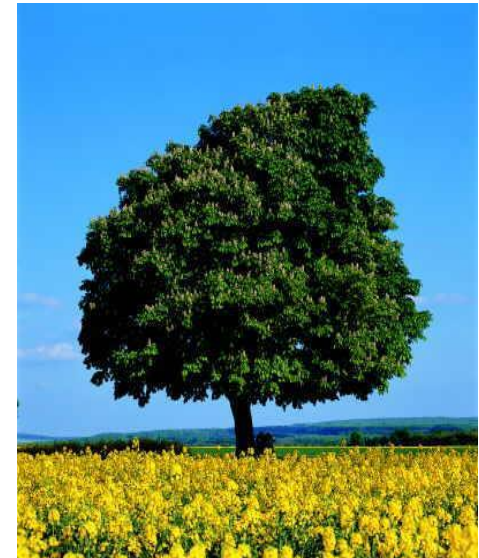
- The realization of **economies of scale** (mass production) and
- **economies of scope** (gains from combined production)

are “secrets” of the Chinese success

But:

In the current global configuration + oligopolies in most markets:

- Most resources which China buys and imports are **increasing in price**
- Most products which China sells and export are **decreasing in price**



Chinese Economic Policy

- Keynesian-like "**macro-planning**" (governance) - limited by the willingness to participate in the provinces
- **Infrastructure** investment, interest rate policy, monetary policy export subsidies ...
- Relevant segments of **state-influenced companies** in very different forms
- **Clusters** in a very broad scope compared to other European countries with the realization of economies of scale and scope.
- **High level of competition**, especially due to the prevalence of SMEs- see book of Giovanni Arrighi: **ADAM SMITH IN BEIJING**
- **promotion of "national champions"**

Chinese Economic Policy

Chinese planning system was very rigid

Regulatory system has been transformed - in contrast to the states of Eastern Europe **gradually**

- some economists emphasize the free market, others state regulation

The strategic steering mechanism is above all the **"Development and Reform Commission"**.

Significant control element are (majority) **state-owned banks**

Real "macro-control" limited by the willingness to participate in the **provinces**

Chinese Economic Policy

Demarcation between state and private is fluent, this "mixed sector" is relatively large.

Private sector: about two-thirds of GDP

Labor laws improved from 2008. Implementation and execution of labor laws insufficient at different levels. Largest deficits exist in the labor-intensive companies owned by Chinese companies from Taiwan

The **current orientation on money and profit targets** can be interpreted as a pendulum rash after the long undervaluation

CORRUPTION!

Chinese Economic Policy

hundreds of millions have been led across the poverty line
hundreds of millions migrant workers out from agriculture

Paying for health care has led to a significant deterioration of
medical care due especially in rural areas

Social security systems expanded considerably in the last years

3 big inequalities
 regional disparities
 City-country differences
 conventional poor-rich scheme (capital-labour)

“Incidents involving mass participation” (protest meetings, strikes,
etc.) on high level

Historical explanation

The current Chinese development is a reaction to the (colonial) expansion of European states and Japan **a restoration of China's global position**

Various attempts to catch up quickly **in the 50sd and 60s resulted in further setbacks** such as the utopian-inspired "big jump"

After decades of civil war, and limited successes or further setbacks and turmoil in the first 30 years of the People's Republic, the **last 4 decades have been a real catching-up process**

By further oscillations: to a realistic course









High speed of urbanisation in China

From a level far below global average
With a speed far beyond global average

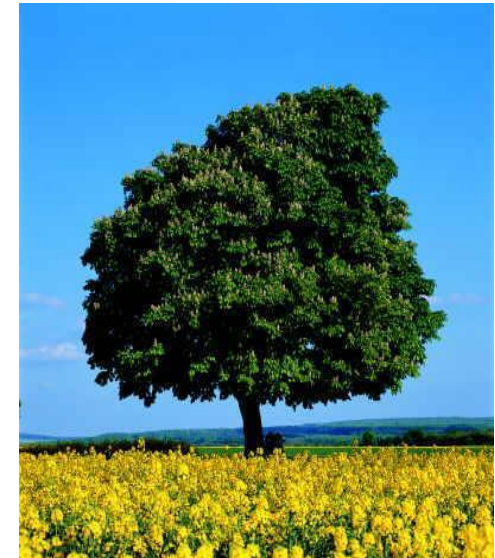
+1 %point per year !

2000: 36 % urbanized

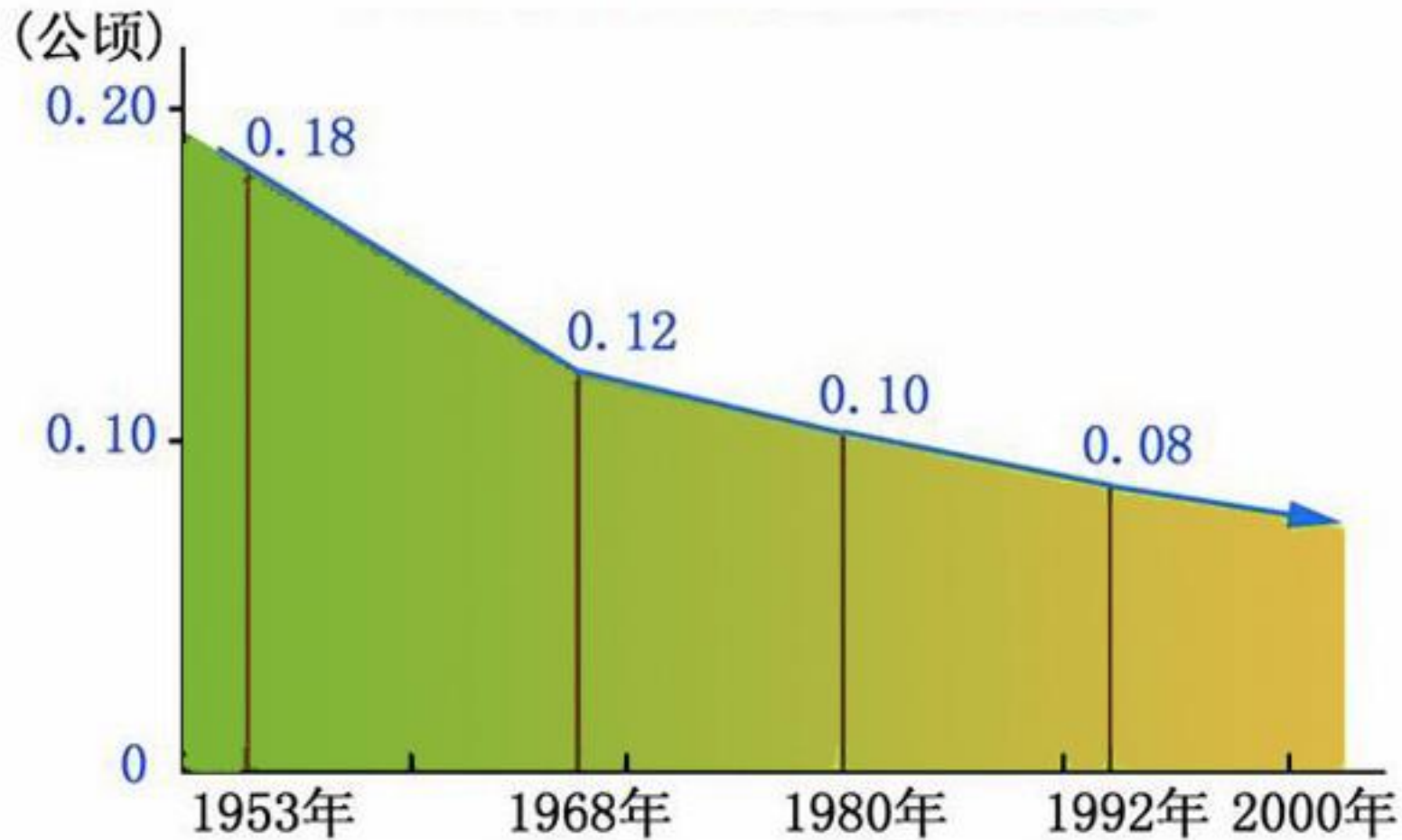
Now : > 50%

Ongoing

Target: 70 % 2035



Urbanization and Loss of the Resource Land in China – ha p.c.



中国人均耕地面积的变化

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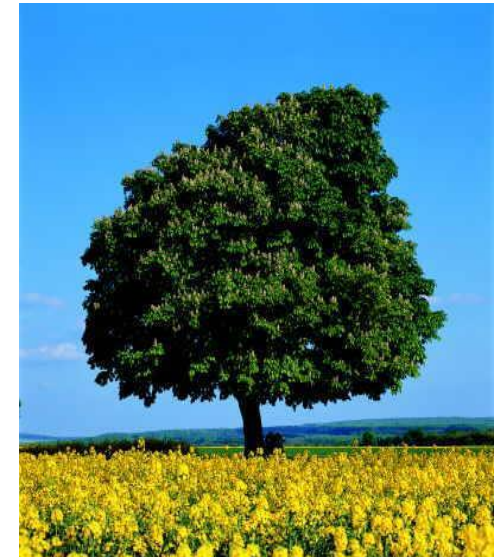
SOIL specifically under pressure in China

- Desertification
- Erosion – Loess!
- Losses because of urbanisation
- Losses because of building of infrastructure
- Qualitative degradation by chemicals and immissions
- Deepening of groundwater levels
- Growing meat production need a multiple of land
- Risks for floods and droughts (climate change)

- Historically:

- „inward colonisation“ =labour intensive agriculture**

- Elvin: high labour intensity, high labour supply
- ==> less incentives for industrialisation















Using Genuine Progress Indicator (=alternative to GDP)

From GDP to GPI: quantifying
thirty-five years of development in
China

Zongguo Wen, Yan Yang, and Philip Lawn

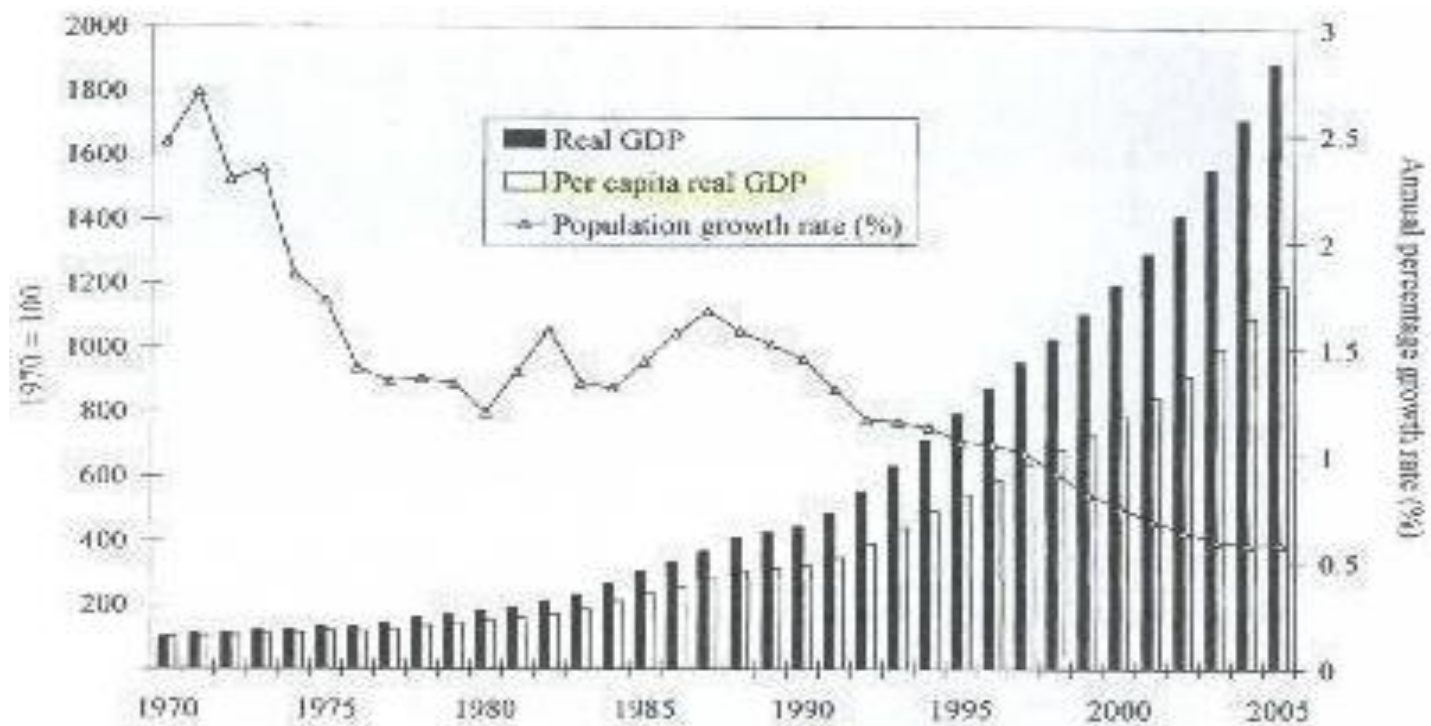
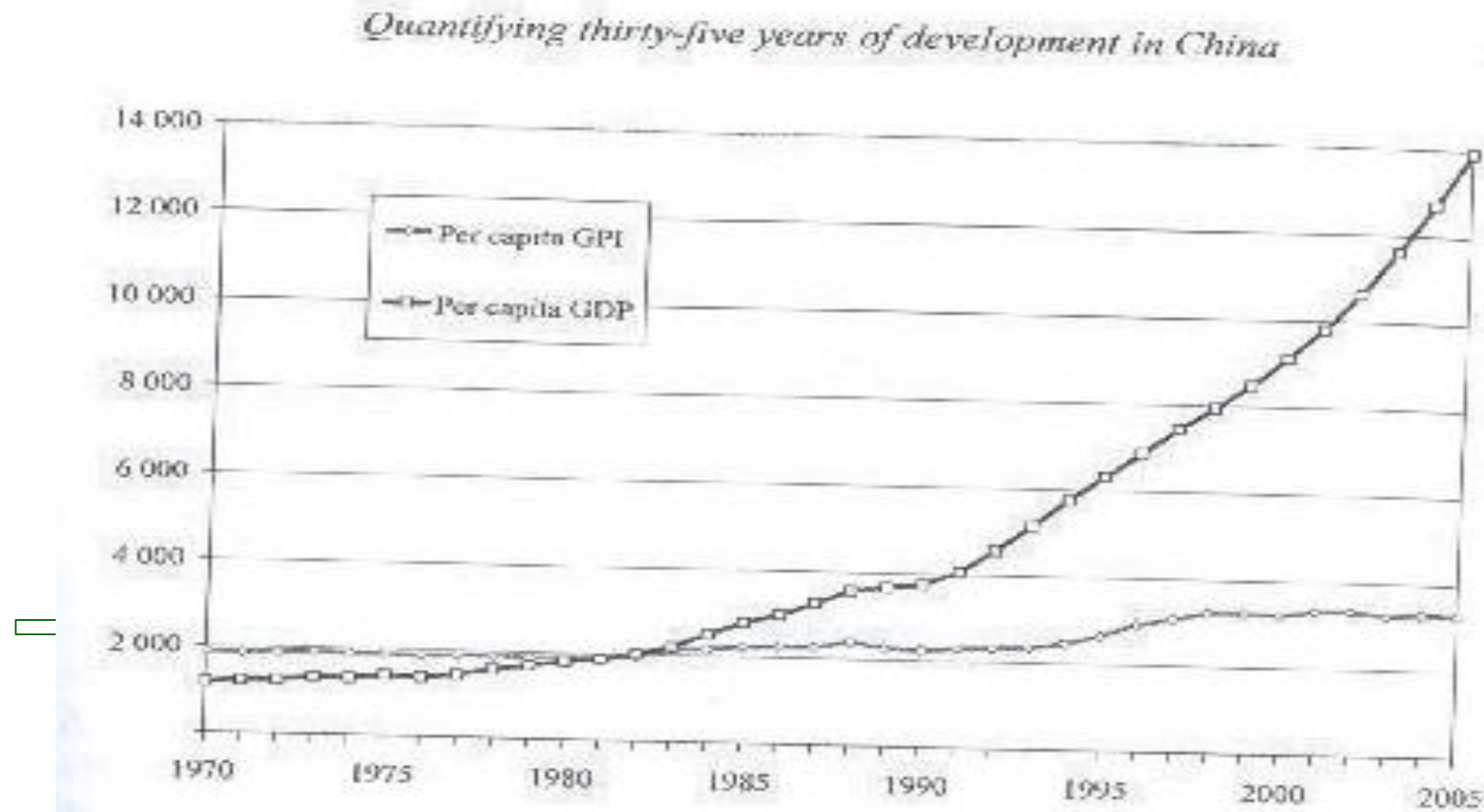


Figure 9.1 *Index of real GDP, per capita GDP, and population growth rate: China, 1970–2005*

Using Genuine Progress Indicator (=alternative to GDP)



Note: Valued in Chinese yuan at 2005 prices.

Figure 9.3 Per capita GPI versus per capita GDP: China, 1970–2005

“Ecological civilisation”

The “ecological civilisation” is not only A Chinese dream; it is a global dream.

The building of an “ecological civilisation” in China is crucial for mankind.

In this context the way of Chinese urbanisation is very important



The strange solar case –why no socio-ecological approach?

- EU competition case against Chinese PV producers. (now eased).
- For decades we waited for cheaper production of energy by the sun.
- In the last years finally there was a breakthrough in the costs but also a sharp competition because of many new competitors (in China).
- The EU did not look at the problems at Chinese companies similar to the EU.
- Are subsidies negative from an necessary overriding importance of climate change mitigation and promotion of renewable energy?
- Over- capacities” of the solar industry in the age of climate change?
- Why not solved by public procurement programmes?



„Chinese characteristics“

Historical explanation for **ONE-PARTY-concept**

Low representation of workers

Low representation of women in leading party structures

„**STRONG**“ policy (last congress), increasing censorship, collective leadership downgraded

Civil society considerably getting more **vibrant**

„Chinese characteristics“

Historical explanation: accumulation of capital
Regulated by “development” state

Benevolent interpretation: **transition society**
with long horizon

Open perspectives: Workers produced big assets
Who – which classes - decides about (future) use

FDI as indication for imperialism? -Who decides on surplus?

~ 90 million party members!

China's arms build up?

Positive contrast to former Soviet Union: **NO** engagment in arm's race

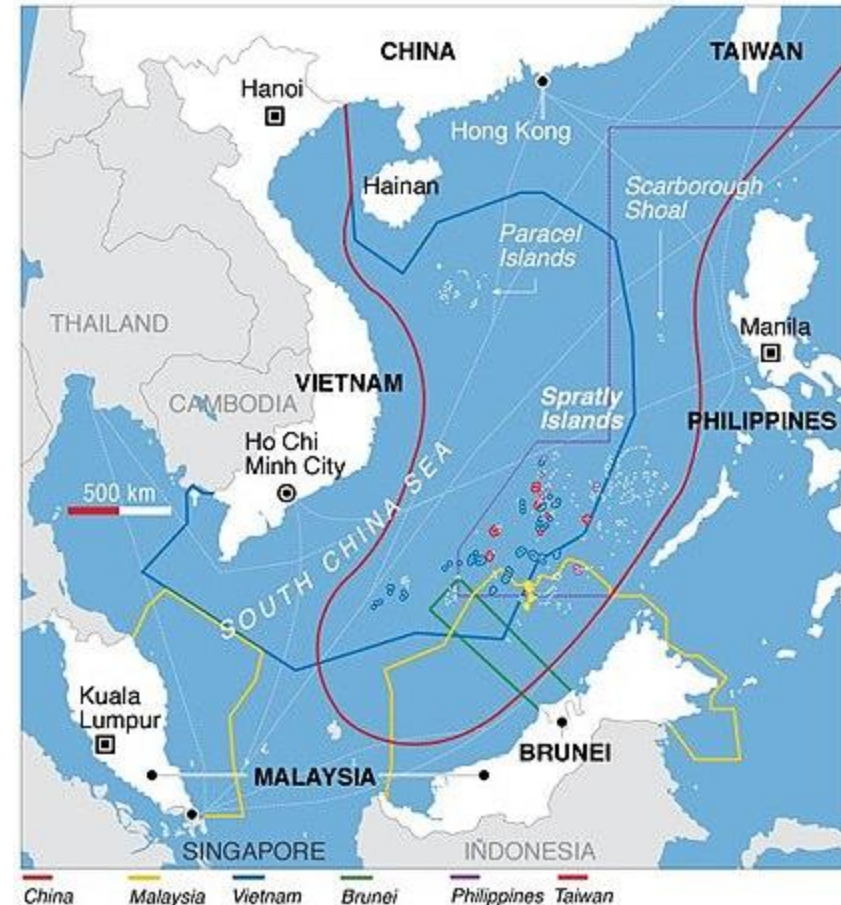
Military strength US/China: ~10 to 1

But **tolerated „nationalist“ fraction** (e. g. „Global Times). Could maybe gain influence

Questionable proceeding in the South China Sea

South China Sea

- **Claims from different countries**
- China's claims existing already **before People's Republic** – similar by Taiwan
- Most countries pushed **unilateral actions**
- Conflicts aggravated by USA



Direction of global distribution disparities dependent on China

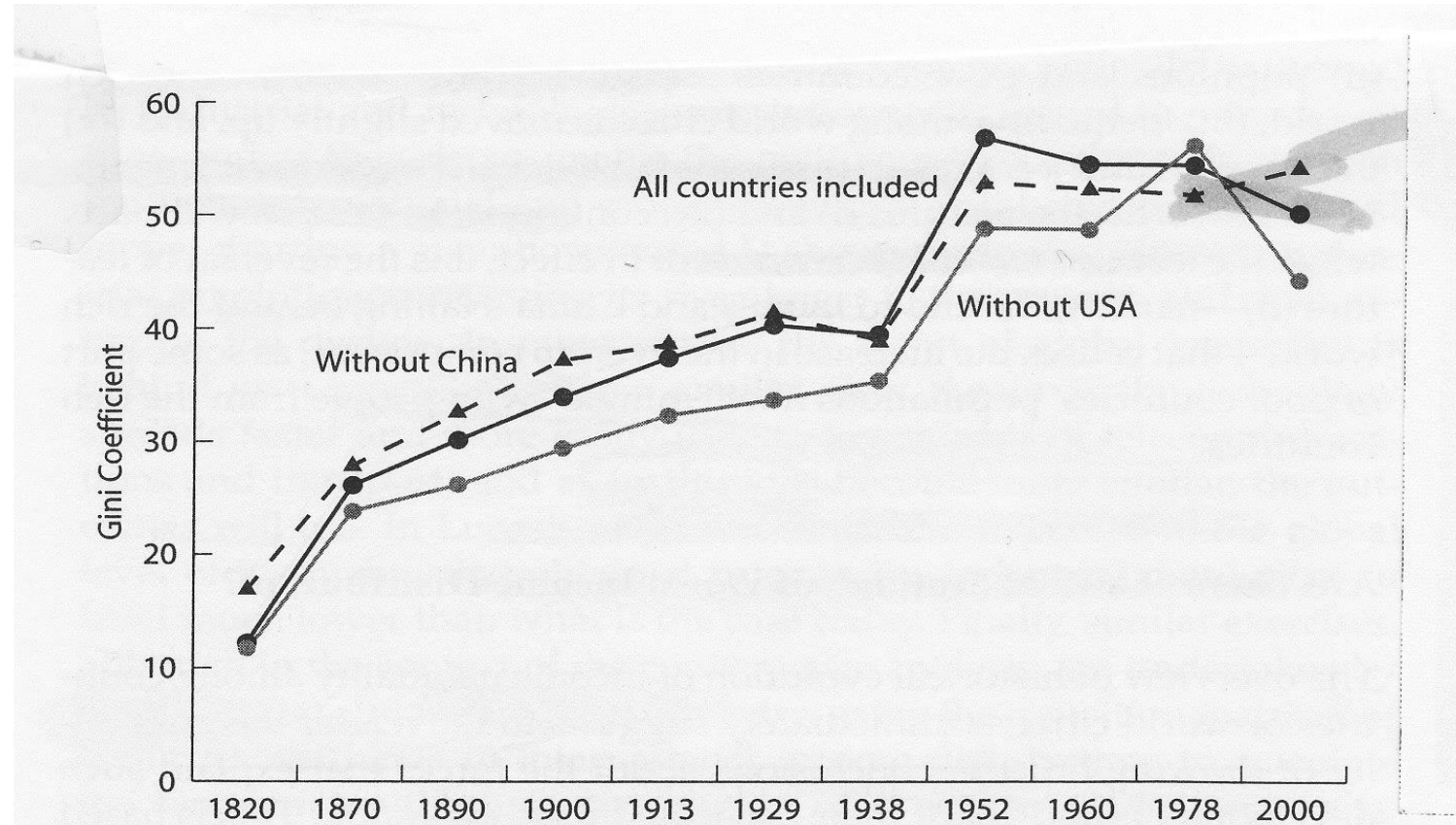


Figure 11.2. Concept 2 (Gini) inequality without China and without the United States, 1820–2000.

Milanovic(2005)p.143

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„Socialism with Chinese characteristics“



Is there Socialism with **European** characteristics?

Gramsci – hegemony, civil society

Rosa Luxemburg – democratic standards

Rule of law

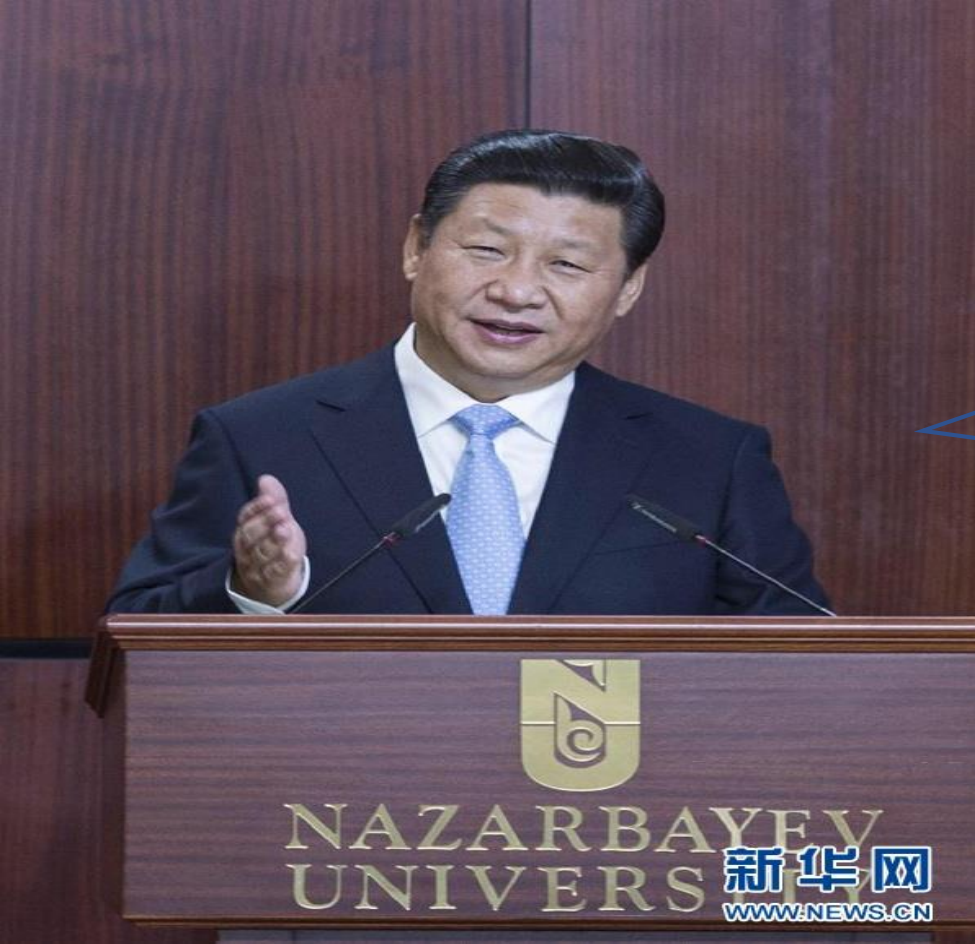
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Peace architecture after catastrophies

Welfare state after long fights



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7/9/2013, U. of Nazarbayev, Kazakhstan:

Jointly building Silk Road Economic Belt with
Central Asian countries

From: Michael Dunford &
Liu Weidong

3/10/2013, Congress, Indonesia

Jointly building the 21st Century
Maritime Silk Road with ASEAN
countries

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“New Silk Road” is symbolic

➔ BELT AND ROAD (initiative)= BRI
=One belt one road (OBOR)

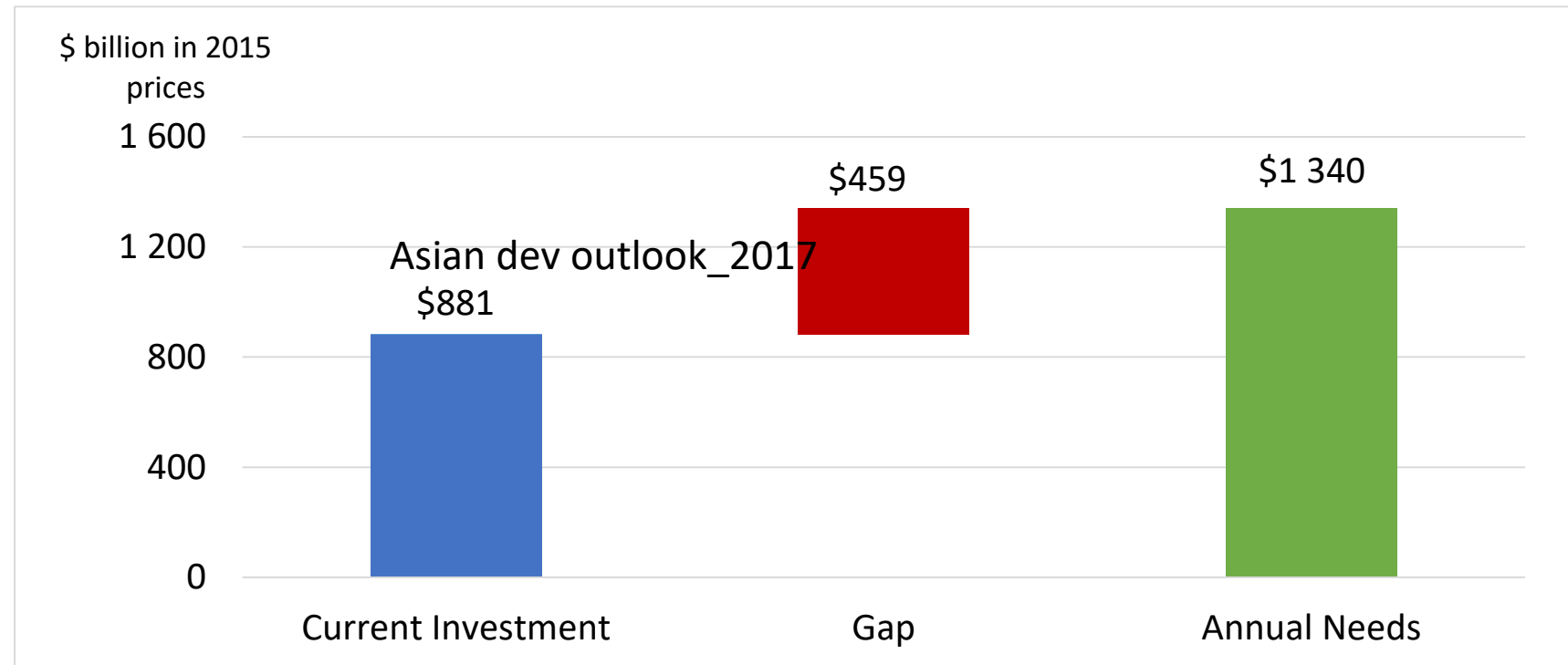
*biggest investment strategy in
history*

- Some **reasons for the New silk** road stemming from development of Chinese economy (**resources, capacity utilisation, shifting in exports**)
- Also **reaction to US policy turn to Pacific**
(„America's Pacific Century“ (HillaryClinton, Foreign Policy, 2011))
- Reaction **against containment strategy** by US
- **Development of Eurasia – „Inclusive globalisation“**
- Important also for economic basis **for security and peace from Afganistan - Iran - Irak – Syria**
- - **Notion „New silk road“** minted by Hillary Clinton for a program -not realized - Afghanistan

Asia still has large infrastructure needs

Meeting the Investment Gaps, 2016-2020
(annual averages)

[Asian Development Outlook 2018]



From: Michael
Dunford &
Liu Weidong

China's Belt and Road Initiative (BRI)

- **At a cross roads for globalisation** in a world of **geo-economic competition**, collaboration and competing development models
- China's (BRI) reflects China's rise as a **global power, industrial redeployment, increased outward investment, and need to diversify energy sources and routes**
- is a call for an open and inclusive economic, political and cultural exchange that draws on the deep-seated meanings of the ancient Silk Roads, and
- involves new multilateral **financial instruments** to lay the infrastructural foundations and establish the industrial capacity to secure and solidify China's relations with Europe and for extend the march of modernization and poverty reduction to emerging countries.

Globalisation at a crossroads: retreat from globalization, geoeconomic competition and gated globalisation

Slide from: Michael Dunford &
Liu Weidong

- Globalisation phase reached limits with western financial crisis
- Global interdependence resulting from globalisation after collapse of SU is used as political instrument:
 - economic warfare (sanctions, trade restrictions and regulations, freezing of financial assets, domestic MNCs, boycotts, political control of migration flows)
 - Institutional conflict (gridlock institutions, US demands compliance with laws it will not ratify, creation of parallel complementary and potentially alternative institutions, exclusive groups such as TPP, TTIP) and
 - physical and virtual infrastructure competition, asymmetric interdependence of cores and peripheries
- Countries seek to protect themselves, decrease vulnerabilities

Transatlantic Trade and Investment Partnership (TTIP) and Transatlantic Trade and Investment Partnership (TPP)

Slide from: Michael Dunford & Liu Weidong

- In 2013 TTIP discussions. In 2011 the US had announced its 'Pivot to Asia'. (In 2012 Russia also announced an Asian pivot marked by hosting the APEC summit in Vladivostok).
- In February 2016 a TPP involving 12 Pacific Rim countries was signed. US President Barack Obama announced that the TPP 'would give the United States an advantage over other leading economies, namely China', and that 'TPP allows America - and not countries like China - to write the rules of the road in the 21st Century, which is especially important in a region as dynamic as the Asia-Pacific'

2011 US New Silk Road (NSR)

Slide from: Michael Dunford &
Liu Weidong

- **A development and expansion of a Northern Distribution Network (NDN) to convey supplies from Europe across Russia to NATO forces in Afghanistan rather than through Pakistan.**
- US Secretary of State Clinton explained: ‘Turkmen gas fields could help meet both Pakistan’s and India’s growing energy needs and provide significant transit revenues for both Afghanistan and Pakistan. Tajik cotton could be turned into Indian linens. Furniture and fruit from Afghanistan could find its way to the markets of Astana or Mumbai and beyond’

Competing development models?

Slide from: Michael Dunford &
Liu Weidong

- **Fukuyama (2016)** argued that BRI is part of '**an historic contest ... over competing development models** ... between China ... and the United States (US) and other Western countries ... [whose] outcome will determine the fate of Eurasia for decades to come'.

Slide from: Michael
Dunford &
Liu Weidong



New financial instruments

Slide from: Michael Dunford &
Liu Weidong

- Massive projects will be funded by alternate institutions for the World Bank and IMF
- Asian Infra Investment Bank (AIIB)
- Silk Road Infrastructure Bank
- New Development Bank

Visions and actions

Slide from: Michael Dunford &
Liu Weidong

Visions and actions proposes five cooperation priorities

- policy coordination
- facilities connectivity
- trade facilitation
- financial cooperation
- people-to-people bonds.

Spatiality of the BRI: No spatial boundary but a multi-scaler open platform

Slide from: Michael Dunford & Liu Weidong

- At macro-scale, it is targeted at creating a high-level COOPERATION NETWORK among the countries involved
- At meso-scale, it tries to jointly build six land economic corridors and three maritime routes
- On land, the Initiative focuses on jointly building a new Eurasian Land Bridge, and developing five economic corridors (China-Mongolia-Russia, China-Central Asian-West Asia, China-Indochina Peninsula, China-Pakistan, and Bangladesh-China-India-Myanmar)
- At sea, the Initiative focuses on jointly building smooth, secure and efficient transport routes connecting major sea ports along the maritime silk roads
- At micro-scale, it will have a huge number of supporting nodes (e.g., major cities and industrial parks)

Major axes

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Maritime Silk Road

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Eurasian challenges

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- **Complex inter-country relations** and tensions (over borders for example between Uzbekistan and its Tajik and Kyrgyz neighbours)
- National political **instability, cross-border crime, cross-border nationalisms, separatism, ethnic, religious and sectarian conflicts**, religious extremism, poverty and under-development.



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