**Neo-globalization: Is BRI, The Bridge Road Initiative, a template?**

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## The problem

The concept of globalization as we once knew it is in bad need of a rewrite. Signs of wear and tear are visible. Foundations established most notably during the Reagan era including free markets, open economies, small governments, deregulation, private initiative and corporate dominance are losing coherence. The ongoing shift in economic growth vehicles away from manufacturing and services towards disruptive technologies as much as the gradual shift in economic drive away from Western economies towards China and its environs, have hastened the blur. Politics in the United States echoed protective noises and Brexit followed. And BRI took shape.

The following article is an attempt at exploring the BRI concept as a template for Neo-globalization.

## Classic premises and outcomes of the globalization concept

Globalization connotes a cross-border economic, social and technological exchange under free market conditions. It is a worldwide movement towards a high measure of economic, financial, trade, technology and communications integration. Globalization as a concept and as an operational wave rests largely on economic policy foundations conceived and consummated by President Reagan of the United States. Reagan's economic premises of free market, deregulation, income and wealth tax cut , reduced government spending and tight fiscal and monetary policies provided the core of a globalization wave that took off in the early eighty's and continued ever since. A wave that had many landmarks.

Prime among those landmarks, in the authors view, are the creation of a monitor for international trade, the deregulation of the United States investment banking industry and the introduction of a mechanism for economic restructuring of countries in dire economic conditions. WTO, the World Trade Organization, was created in 1995, as a comprehensive rule-making body for international trade. SALs or the Structural Adjustment Loan program was created in the early 1980's by the World Bank and the International Monetary Fund in order to extend loans to countries in need of economic restructuring and settlement of past indebtedness. The repeal, in 1999, of the investment banking regulatory Glass–Steagall Act opened the door for the development of non-conventional capital market instruments and practices.

Did "classic globalization' work?? The answer is yes if one is to measure it in terms of volume of global trade, capital or FDI flows, selective country GDP growth and global volume of merger and acquisition. The value of trade (goods and services) as a percentage of world GDP increased from 42.1 percent in 1980 to 62.1 percent in 2007. Foreign direct investment increased from 6.5 percent of world GDP in 1980 to 31.8 percent in 2006. The stock of international claims (primarily bank loans), as a percentage of world GDP, increased from roughly 10 percent in 1980 to 48 percent in 2006. (IMF, May 2008). A core element of this globalization is the expansion of world trade through a significant downward adjustment of tariff and non-tariff barriers.

But negatives seem to outweigh positives. Capital market stability, country income distribution, human resource mobility and several other core parameters have all assumed decade's long negative attributes. Supporting evidence is abundant but let us consider capital markets malfunctioning and income distribution slant before the 2008 economic distortion events.

Global capital markets reached a state of near collapse in 2008 following an era of United States deregulation and rampant securitization. Repeal of the Glass-Steagall Act in 1999 have encouraged the emergence of high risk , low viability capital market instruments that triggered financial institution discontinuity and financial markets chaos. Dangerous country and market instabilities observed then have led to the policy view that countries must carefully weigh the risks and benefits of unfettered capital flows before embarking upon capital market liberalization.

Income inequality has, on the other hand, risen in most regions and countries. Recent research reveals a world where the top 20 percent of the population enjoys more than 70 percent of total income, contrasted by two percentage points for those in the bottom quintile in 2007 (under PPP-adjusted exchange rates). Using market exchange rates, the richest population quintile gets 83 percent of global income with just a single percentage point for those in the poorest quintile. (UNICEF, 2011)

More recent data do not alter those findings significantly.

Time has come for the birth of a different concept of globalization. And Chinese leadership took the initiative.

**Neo globalization: the birth of a new concept**

**The BRI framework**

BRI is an economic, and possibly political, cooperation and integration framework introduced by the Chinese President Xi in 2013. The core is a desire for a wide scale economic exchange between a broad variety of countries in search of ultimate national and global value added. This is to be achieved with massive investment in infrastructure, including roads, rail, airports, ports, pipelines, and communications. It reflects President Xi's "China Dream" , or the notion of a rejuvenated nation that is internally prosperous and internationally engaged , supplementing Deng Xiaoping's maxim that China should gradually but subtly develop an explicit outward looking foreign policy,

Once completed, the BRI could cover over 4.4 billion people and generate a Gross Domestic Product of over $21 trillion (BRI Summit, 18 May 2016.). Countries involved produce, today, a near 55 percent of global economic output and possess, again today, an estimated 75 percent of known energy reserves. And although the BRI does not include a military component, it does have the potential of changing global geopolitical configuration.

BRI framework is broad and ambitious. The respective State Council statement stresses "embracing the trend towards a multi-polar world, economic globalization, cultural diversity and greater IT application". It goes further to state that the initiative is designed to "uphold the global free trade regime and the open World economy in the spirit of open …........ Cooperation". And, in the process, it promotes, in the first instance, connectivity of Asian, European and African continents, align development strategies, tap market potentials, promote investment, enhance consumption, stimulate demand, induce job creation and encourage cultural exchange (The State Council, 2015).

When it comes to the specific rational for China's initiation of this effort, the State Council stresses China's commitment to open up and build a pattern of involvement and global integration. Also to expand and deepen its opening up and shoulder more global responsibilities and obligations within its capabilities.

If one is to probe further,   one can discern three fundamental premises:

- China's search for new economic impetus. China's recent economic growth levels are lower than historical performance and the reason is structural change. A new growth mode is needed. Infrastructure development within the BRI framework creates an effective channel for economic growth and a novel venue for economic globalization.

- China's search for energy. Central Asian partners in BRI are endowed with energy and China's economic growth relies on that. BRI infrastructure projects as the new gas pipelines in Central Asia and new deep water harbors in South Asia are all a step in that direction.

- China's strategic and geopolitical interests. China aspires regional stability and Chinese leadership firmly believes that economic prosperity is the only way to maintain peace in its fragile neighborhood. (World Economic Forum, Nov, 2015)

All in all BRI is likely to make China a pivot of dynamic global economic growth...

**How does BRI provide a template for a Neo-globalization?**

Premises of BRI provide a novel and challenging framework for cross country interaction within a global context. It is a comprehensive template that includes new concepts and creative practice.

**Cross country dynamic synergy**

Synergy connotes an interaction between two or more inputs leading to an output that is greater than the sum of the individual inputs. BRI terms and conditions reflect an underlying element of economic, technological, finance and even political synergy. Chinese Russian agreements on a wide range of economic issues from energy through the Siberia gas pipeline to the 6 billion yuan "Baikalbonds" (a yuan-denominated Russian government bond issued in Russia) are typical examples here.

**Infrastructure investment base**

BRI is built around an infrastructure investment core. Investment is envisaged in cross country roads, high-speed rails, power plants, pipelines, ports, airports and telecommunications links. It is a prudent choice of an effective medium for economic growth and cross country communication. Those investments will not only enhance all forms of exchange but also place China at the heart of a dynamic economic framework embracing considerable number of countries, regions and even continents.

**Novel capital market institutions and instruments.**

BRI framework allows for the emergence of novel global capital market vehicles and instruments leading to regional financial integration as much as the elimination of barriers to financial integration. And stabilize financial markets after the turbulence of the 2008 crisis. The Asian Infrastructure Investment Bank, a $100 billion multilateral development bank dedicated to infrastructure project lending, is one of those. The 40 billion USD business lending development fund, is another.

**An economic development component**

BRI framework recognizes economic growth as a goal. The media are infrastructure enhancement , economic activity generation and job creation projects as China–Pakistan Economic Corridor CPEC) , a collection of infrastructure modernization projects that cover transportation , energy and special economic zones is an example.

**Governments and international organizations drive**

Strong economic and political links seem to bind the signatories to the agreement and between the organization itself and international organizations operating within the global economic arena. China has signed BRI cooperation agreements with over 40 countries. The Chinese government has also signed a memorandum of understanding on facilitating BRI projects with both the UNDP, WHO and ESCAP

**Political empathy!**

Globalization should ideally be built on a high measure of political empathy and BRI seems to embody this premise. Consider President Xi's statement " there's "no point" in blaming economic globalization for the world's problems, many of which have nothing to do with global trade" Also "BRI will serve as a new platform for all countries to achieve win-win cooperation ..." ( January 17, 2017 , NPR) . And the statement by BRI heads of States "We stand for enhancing international cooperation including the Belt and Road Initiative and ... uphold the spirit of peace, cooperation, openness, transparency, inclusiveness, equality, mutual learning, mutual benefit and mutual respect" (Leaders Round Table of Belt and Road Forum, Beijing , 2017

## Summary and conclusions

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The article traces contours of what is known today as globalization and identifies signs of blur. It identifies areas of relative fulfillment and others of failure. Failures include capital market instability, income disparity, failing economic development and rising unemployment. BRI, in contrast, advocates mutual exchange, dynamic synergy and political empathy.

A template for a BRI inspired Neo-globalization introduces elements that have never been taken into consideration in the classic model as the multi factor dimension, the dynamic synergy, the infrastructure investment base, the new financial institutional framework, the economic development component, the feeder agreements , the government drive and last but not least political cohesiveness..

The article provides a novel contribution to the concept of globalization. It highlights opportunities emerging from this new template. It could prove helpful into positioning countries and businesses within the emerging new global economy. It may also be helpful into adjusting mission and modus operandi of institutions as the WTO and the IMF.

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