

The Great Helmsman

With the arrival of Donald Trump in the White House, China is preparing to step in to the areas no longer overseen by the US administration to start exporting its own economic and cultural model.

by Marco Fosci *

On 17 January, while Xi Jinping was addressing a meeting in Davos, the economic elite in attendance in Switzerland listened to him with the kind of attention usually reserved for statesmen of proven experience and acknowledged foresight. "Just blaming economic globalization for the world's problems", the Chinese president informed them, "is inconsistent with reality and will not help solve the problems".

Xi recalled how in recent years the circulation of goods, services, people and capital had acted as a flywheel for development; he also sowed the seed that China would be prepared to take the place of the United States as the world champion of free trade. Perfect timing, considering the ways in which Brexit and the election of Donald Trump to the White House could affect the global balance of power.

Not a week had passed before the recently appointed American president signed an executive order calling for the US' immediate withdrawal from the Trans Pacific Partnership (TPP), which had been strongly promoted by Barack Obama and would have created a vast trade area involving 12 of the most vibrant nations which border the Pacific Ocean.

In spite of bland attempts by Australia and New Zealand to salvage the deal, the US' rejection has effectively scuppered the TPP, making it even less attractive for Japan, the second-largest economy involved. With his decision, Trump reiterated the US' new approach to political engagement and its intention of moving away from multilateral agreements. At the same time, whether intentionally or not, he encouraged Asian countries to join the Regional Comprehensive Economic Partnership (RCEP), a treaty in competition with TPP, which does not include the Americas and instead brings together ten Asian countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and the six other major economies in the area (China, Japan, India, South Korea, Australia and New Zealand).

Directly after the American elections in autumn, Beijing had immediately accelerated negotiations, and when speaking at the APEC summit, Xi voiced his belief that an agreement could be reached rather quickly. According to critical voices, the RCEP is likely to set fairly unsatisfactory stan-



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Left. **Chinese President Xi Jinping with Russian President Vladimir Putin during a meeting of APEC (Asian–Pacific Economic Cooperation) held in Lima last November.** Next page. **The inauguration of the Gwadar freight port in the Pakistani province of Balochistan. A Chinese contractor, China Harbour Engineering Company, bought the port in January 2013.**

dards in delicate sectors such as intellectual property, worker safety and environment legislation. Then again, the countries involved account for almost half of the planet's population and close to 30% of global GDP. A possible agreement would reorganise the chaotic proliferation of bilateral treaties in the area and, if some of the principles of the TTP were included (as many are suggesting), it would provide a regulatory model for international trade in the 21st century.

Such a treaty would have important geopolitical implications, and the nations engaged in shaping its architecture will undoubtedly gain an advantage. China in particular would find itself in the centre of a dynamic trade area that could become the most important on the planet in the long term, accelerating a process which Beijing has been working towards for many years and in which XI is investing heavily.

In 2013, the Chinese leader launched the ambitious strategic development plan for a new Silk Road, also known by the acronym OBOR (One Belt, One Road). This international cooperation project is designed to connect Europe and Asia, ideally along the trade routes that linked the Roman and Chinese empires: two connecting networks, each 8,000km long (one over land, the other over sea) which by passing through 60 countries would grant new significance to the term "Eurasia".

Last summer, *The Economist* was already pointing out that half of China's infrastructural spending was currently being funnelled into these two corridors. There was talk of a new Marshall Plan, without taking into account that the investments announced by Beijing are at least ten times greater than the approximately $100 billion (€92.7bn) that the United States spent to rebuild Europe at the end of World War II.

OBOR includes the purchase of the Greek port of Pireaus by the shipping company Cosco and the construction of a seaport at Gwadar in Pakistan. There are also plans to build new high-speed railways between Hungary and Serbia, Russia and Tatarstan, and Kirghizstan and Uzbekistan, as well as between Iran and Turkmenistan. And then there is the major project to connect the river basins among Poland, the Czech Republic, Slovakia and Austria, along with oil and gas pipelines joining Turkmenistan, Uzbekistan, Kazakhstan and Tajikistan. Riding this wave, Beijing has also signed a policy paper on cooperation with the Arab League and invested heavily in African countries which border the Indian Ocean and the Red Sea. The Silk Road Fund, a state fund of $40 billion (€37.1bn), has been set up, even though the main financial instrument is the Asian Infrastructure Investment Bank (AIIB).

The AIIB began operating in 2016 with $90 billion of capital (€83.4bn). It is considered to be the main competitor of the World Bank and is guaranteed by all the major economies of the planet (except the US and Japan). Beijing is the AIIB's major shareholder with 28% of voting rights. Owing to its capacity to corral major international capital, the AIIB is believed to be the vehicle for Chinese soft power, which can be considered the true cornerstone of Xi's foreign policy.

A term first coined in 1990 by Harvard professor Joseph Nye, soft power can be viewed as the capacity to make one's own interests appealing to others. Its main currency is not actual cash, but more that of a shared culture and values. The US has been adopting this approach for some time with countries under its influence.

The Chinese Communist Party quickly realised the potential of soft power as a political instrument. With the party's desire for a "peaceful rise", former President Hu Jintao had already started developing soft power as a way of providing Chinese development with a reassuring image. Rather than a threat to the peace and stability of neighbouring countries, it was presented as a tool that could be beneficial to all. In 2007, during the Communist Party's National Conference, Hu explicitly mentioned soft power and ▸▸





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hoped his country would cultivate its culture as a creative stimulus.

This came at a time when China needed to brush up its image and discard the reputation of being the very inward-gazing country it had been in the 20th century. Thus the relevance given by the Chinese to media events like the Beijing Olympics in 2008 and the Shanghai Exposition in 2010. Even China's growing involvement in the film industry, with international blockbusters such as *The Forbidden City, The Flowers of War* or the recent *The Great Wall,* are part of this strategy, as is the emphasis given to Xi's pretend U-turn on the environment, which gained in stature once he had reached an agreement with Barack Obama in November 2014 which then spawned the Paris Conference on Climate.

Addressing the National People's Assembly (the Chinese parliament) in March, Prime Minister Li Keqiang presented his annual report on government operations. The document reported that 137 Confucius Institutes and 127 Confucius classes had been introduced in the primary and secondary schools of 51 countries along the new Silk Road. For years, commentators have been wondering about the spread of new Confucius Institutes throughout the world, particularly in the United States. Directly funded by Beijing, they are considered to be the main tool with which this new Chinese narrative is being spread.

It is thus understandable that the attention paid to Xi's words during the meeting in Davos was not just due to Western uncertainty regarding international cooperation but was in fact a first harvest after a long sowing period.

It may be difficult to believe that with all its contradictions and problems (little regard for human rights, censorship and corruption), Chinese society may replace the model currently provided by the United States. On the other hand, paraphrasing Confucius, if we think in terms of one or ten years, then we plant a seed or a tree. But if the time span is greater, then it is more advisable to spread a cultural attitude. **e**

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