VANTAGE

CHINA'S BELT AND ROAD INITIATIVE

AND THE FUTURE OF THE NEW SILK ROAD

ABOUT THIS REPORT

China's enormous capacity to shape consequences will affect every nation, organization, and individual on Earth. This report, and the insights offered on page 26—were designed for IFTF Vantage partners to quickly understand the implications of China's ambitious Silk Road Initiative and make use of them in futures planning efforts. Think of it as a primer on the world's most ambitious infrastructure project.

IFTF VANTAGE

Institute for the Future (IFTF) is the world's leading futures organization. Its signature program, IFTF Vantage, is a unique partnership of innovative global leaders that harnesses over 50 years of IFTF global forecasts and pioneering research to navigate volatility, identify emerging imperatives and opportunities, and develop world-ready strategies. IFTF Vantage partners represent businesses, governments, and social impact organizations from around the world that require the most comprehensive view of future forces directly affecting their organizations. To learn more about how IFTF Vantage generates organizational readiness for a world in flux, visit **iftf.org/vantage**.

ACKNOWLEDGMENTS

Lead Author:
Jeremy Kirshbaum, Research Affiliate, Institute for the Future

Contributing Authors:
Anum Ahmed
Joseph Andrews

Editors:
Mark Frauenfelder
Bradley Kreit
Carla Sinclair

Expert Advisors:
Ruslan Turarov, Kazakh Invest, Kazakhstan

Nael Hailemariam, Director, Design Ethiopia, Ethiopia

General Patadui, Major General Pakistan Army (retired), Pakistan

Nara Zhou, Partner, Yingke Global, China

Olushola Adelana, Lekki Free Zone Development Company, Nigeria

David Li, Shenzhen Open Innovation Lab, China

Leslie Zhan, Hanton Trading Co. Ltd., China

For more information, contact:
Sean Ness | sness@iftf.org

INSTITUTE FOR THE FUTURE

CONTENTS


每一笔交易都有诚信保障
where every business transaction is honest and credible
YIWU CHINA
世界小商
World' s Capital of S

Photo: Jeremy Kirshbaum

INTRODUCTION

No country's world role has changed more dramatically in recent decades than China's. From relative poverty and obscurity, it has risen to have the second largest economy in the world, a permanent seat on the United Nations Security Council, the largest standing army in the world, and private sector companies that are among the world's largest and most innovative. In the last few years, China's strategic positioning toward the rest of the world has started to shift as well, facing dramatically outward. In fact, Chinese president Xi Jinping gave this burgeoning movement a name when he officially launched it in 2013—the Belt and Road Initiative (BRI).

Explaining what this initiative is can at times be blurry. It is best understood as a vision—one of international cooperation, with China in the center. It encompasses infrastructure projects, financial agreements, and diplomatic engagements with over 150 countries. Its motives and incentives are complex and difficult to generalize. What we can say is that these relationships will profoundly affect the development of the world economy, geopolitics, technology, and culture in the upcoming decades and throughout the 21st century.

‹ An earnest billboard in the city of Yiwu, China showcases its diversity while declaring, "Yiwu, a city where every business transaction is honest and credible."

Over the past year, we conducted interviews with people in Pakistan, Ethiopia, Nigeria, Kazakhstan, and China at many different levels of interaction with China's global expansion. They included people in investment, military, media, trading, and education. Some were high-ranking officials representing huge organizations, and some were grassroots innovators working with a handful of individuals. Combined with these first-person accounts, we also conducted extensive desk research drawing on academic journal articles, think-tank opinions, journalistic books, and informal blog posts to build a plausible forecast of where these shifts will lead us over the next few decades.

THE NEW SILK ROAD

The name Belt and Road Initiative (一带一路, or One Belt One Road in Chinese) is short for Silk Road Economic Belt and 21st Century Maritime Silk Road. The name makes reference to the ancient Silk Road trade routes through Asia, Africa, and Europe. In his book *The Silk Roads*, historian Peter Frankopan argues that having world trade and power centered outside of Europe and the Americas is not a new phenomenon—it is a return to the historical mean. Throughout human history, the norm was to have large and powerful empires outside of Europe with global presence and reach, including China.

Official communication about the Belt and Road Initiative frequently emphasizes this narrative. The official action plan for the Belt and Road Initiative issued by the Chinese Ministry of Foreign Affairs opens with a theatrical flourish:

> *More than two millennia ago the diligent and courageous people of Eurasia explored and opened up several routes of trade and cultural exchanges that linked the major civilizations of Asia, Europe and Africa, collectively called the Silk Road by later generations. For thousands of years, the Silk Road Spirit—"peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit"—has been passed from generation to generation, promoted the progress of human civilization, and contributed greatly to the prosperity and development of the countries along the Silk Road. Symbolizing communication and cooperation between the East and the West, the Silk Road Spirit is a historic and cultural heritage shared by all countries around the world*[1].

This is an important context for considering BRI and China's international strategies. The BRI is something new and historical in scale and ambition but does not come from nowhere. Most of the trade routes that China is improving and leveraging, from land routes in Central Asia to sea routes through the South China Sea and Indian Ocean, are established routes that are being improved. It also emphasizes that the Chinese government views this project as not merely an arrival to prominence, but a return to a historical norm.

THREE LENSES ON THE BELT AND ROAD INITIATIVE

The BRI's impact occurs at different levels, affecting global infrastructure, geopolitics, international business and economics, interpersonal relationships, and more. Borrowing from Kenneth Waltz's classic book *Man, the State, and War*, we use "three lenses" to examine the BRI in this report[2]. Through the widest lens, we look at China's expansive infrastructure and geopolitical push beyond its borders. Through a second lens we examine China's exportation of economics and business, and finally we take a close up look at how the BRI is impacting cross-cultural relationships on a personal level. Using these three lenses provides a comprehensive way to make sense of this variety of potential impacts.

Whether the intentions of BRI bear fruit or another future emerges, the BRI's impacts will be felt for many decades—in some of the fastest growing cities and countries in the world. This primer is designed to help you dig beneath the surface of the BRI, explore the large-scale efforts and personal-scale impacts, and identify insights about what this global effort means to your organization.

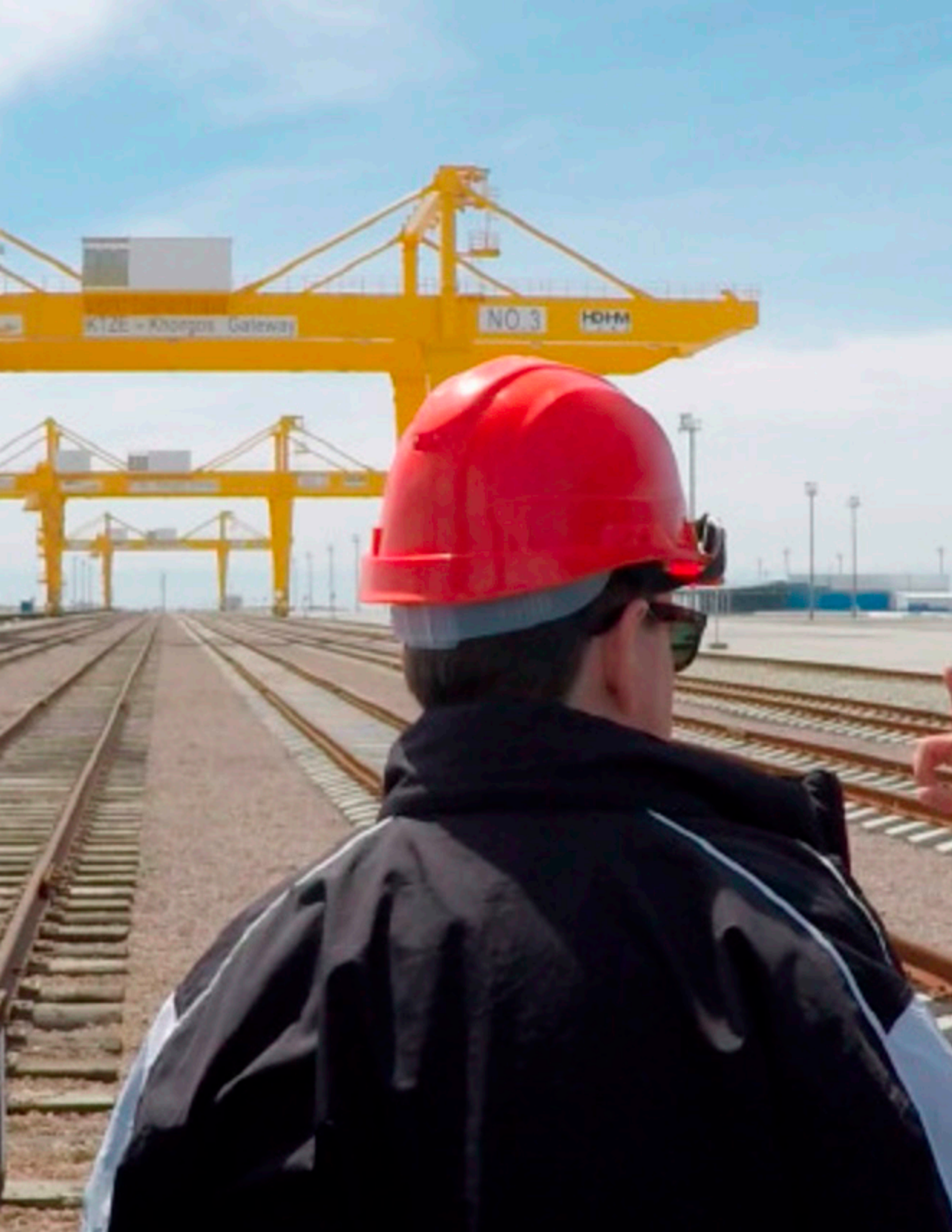
NO.3
HOHM

Photo: Flickr user Recon Asia https://www.flickr.com/photos/145858915@N04/28647301320/

PUSHING CHINA'S SWEEPING INFRASTRUCTURE AND GEOPOLITICS OUTWARD

A NEW SILK ROAD

Kazakhstan is expansive. Looking out from the high, sloping mountains at the Kyrgyz border you can see endless plains stretching far beyond the horizon in every direction but backwards. Space is important to Kazakh culture, according to Ruslan Turarov, Managing Director of Kazakh Invest, Kazakhstan's Investment Promotion Center. Nomadism was historically the best fit for the environment. Although a mere 18 million people occupy it, Kazakhstan is the 9th largest country in the world by land mass and the world's largest landlocked country. Being landlocked is often seen as a disadvantage, but alongside its ample natural resources, Kazakhstan's location is in fact a major strategic asset. What is now Kazakhstan was a huge part of the ancient "Silk Road" trade route that connected Persia to China. Much time has passed, and empires' fates have shifted, but geography has not. As Turarov said, "We don't have access to the sea, but we have access to two oceans on land—one is Russia and the other is China."

‹ A worker at the Khorgos Dry Port at the border of Kazakhstan and China. The huge machines switch containers between different-sized railways.

In recent years, the second "ocean" he mentioned has been growing at an incredible rate. China has been rising and continues to rise in economic and geopolitical strength. In the last decade, China has begun a massive global push outward, investing trillions of dollars across the world in different projects spanning infrastructure, commercial ventures, and military bases. Although its geography reaches far beyond it, at its core is the idea of reviving the ancient Silk Road. A New Silk Road would start with China and reach across 150 countries. Its immense scale is difficult to grasp. For example, just one small part of the initiative is the Yiwu-Madrid railway system. This is a single railway system that connects Yiwu, a mid-sized city in the East of China outside of Hangzhou, directly to Madrid, Spain. On the way, the train will pass through the massive, new Khorgos dry port inside Kazakhstan at the Chinese border, operated by Chinese company COSCO[3].

Photo: Jeremy Kirshbaum

This exhibit about the "Madrid-Yiwu Train" greets visitors to the Yiwu International Trade City.

Certainly, this kind of undertaking would be impressive on its own, but it is only a small part of the global effort.

CHINA OFFERS DISADVANTAGED COUNTRIES A BACK DOOR TO THE GLOBAL STAGE

The story of the Belt and Road Initiative (BRI) does have China at its center, but it is not just one story about China—it encompasses many stories about the many different countries that are engaging with China. For Pakistan, it is a story about Pakistan. For Ethiopia, it is a story about Ethiopia. The story of China's international vision is deeply connected to the future of industrialization and development in countries that have long been locked out of or heavily disadvantaged by financial systems led by the member countries of the Organization for Economic Co-operation and Development (OECD).

Many countries have access to OECD-led financing only under stringent conditions of austerity and structural reform. From the International Monetary Fund (IMF) website:

> *"When a country borrows from the IMF, its government agrees to adjust its economic policies to overcome the problems that led it to seek financial aid. These policy adjustments are conditions for IMF loans and serve to ensure that the country will be able to repay the IMF. This system of conditionality is designed to promote national ownership of strong and effective policies."*

These mandatory policy adjustments often include massive cuts to public spending and new policy conditions about how funds are spent. Greece felt these policies were unacceptable and intentionally defaulted on its IMF debt in 2015.[4] Since then, Greece has become an enthusiastic participant in the BRI, which has involved Chinese investments, such 51% stake in Greece's largest port.[5] Investments and loans from China often carry higher interest rates, but do not come with the requirements of accepting policy reforms.[6]

CHINA'S BULLISH BET ON UNDERSERVED MARKETS

Many of these countries face rising pressure from growing, young populations to create work and growth—a lot of it and quickly. These countries are not outliers—in fact, they encompass much of the world's population, including Pakistan's 200 million people, Nigeria's 200 million people, Indonesia's 280 million people, Bangladesh's 170 million people, Ethiopia's 120 million people, and many others. Pakistan is home to more people than Brazil. Ethiopia is far more populous than Japan. This list comprises a huge portion of the world population, and yet these countries are never considered to be a major part of U.S. or European strategic partnerships or economic thinking. Many of these countries have the youngest and fastest growing populations in the world, and many of them have quickly rising GDPs to boot. Even though they don't get a lot of attention in the United States today, these places will become increasingly important (in much the same way that China has) players on the international stage. China is making a long-term bullish bet on these growing nations.

If there is any common thread between the countries partnering most strongly with China, it is this: when deciding between a loan from the IMF or an OECD country (which requires the borrower country to reform its internal policies), or a higher interest loan from China (which allows a country to continue supporting its young and growing economies), the choice is easy. And, in fact, these countries may not have a choice. China is lending to countries that are considered almost unlendable by the OECD-led financial establishment.

Despite an overwhelming amount of American and European journalism citing "concerns" of predatory behavior in BRI, there is little evidence that China has dealt in bad faith with the vast majority of international initiatives. Instead, China is serving a market that would otherwise be shut out. Moody's reported in 2017 that "60 percent of BRI member countries have sovereign debt ratings at, or below, Ba1 [defined by Moody's as "subject to a substantial risk of defaulting"] or don't participate in this rating system to avoid broadcasting their poor performance. Over a third of all BRI investments to date have been deployed to these lower-rated countries, and if you remove Singapore from this analysis then this figure jumps to 54 percent."[7] This does not automatically place China on an ethical high ground—certainly there is no altruism to becoming the world's sovereign payday lender. But it does complicate concerns and complaints from OECD countries—none of which have offered a better deal—about China's actions.

China's plans are no secret, and other countries and groups, including the United States and European Union, are forming counterstrategies to China's approach. Ultimately, the winning approach is a simple one—offer countries a better deal than China is offering them. Of course, it is not purely a financial calculation. National relationships cannot be reduced to transactional efficiency—history, ideology, and culture also play a role. If another country figures out how to offer BRI partners a viable path to development, industrialization, and global influence at better terms, it is unlikely that many countries would remain on the path to alignment with China in the way they are now.

A WIN-WIN DYNAMIC BETWEEN CHINA AND ITS BRI PARTNERS

So far, China has had a policy of "non-interference" within other countries. Although there have been exceptions, China has tried to offer its loan and aid packages without restrictions or requirements for recipient governments regarding domestic governance issues. This is in part a deliberate juxtaposition to offerings from OECD countries that come with stringent requirements for recipient countries as a prerequisite. If this policy continues, a China-led economic and political sphere would center China and benefit China first, but each country would keep its own counsel on domestic issues. Likely, countries benefiting from Chinese investment will tend to back China on international disputes such as control of the South China Sea.

During our interviews, a similar sentiment was expressed by General Patadui, a global geopolitics expert and retired major general in the Pakistani army. Regarding the China-Pakistan Economic Corridor and Gwadar Port, a prominent BRI project, General Patadui said he is unsure why others are worried about Pakistan accepting China's support. "If you look at the numbers, it's not a debt trap," he argued, suggesting that the payment schedules are feasible for repayment. He feels that this partnership was needed to help build the necessary infrastructure in Pakistan. "If Pakistan manages to get these projects going, which hopefully seem to be on track, our payment schedules are very relaxed, and we will be able to meet our obligations. At the same time, the increased infrastructure and power will be able to generate growth, will be able to decrease unemployment, et cetera."

Photo: Wikimedia user Paranda https://commons.wikimedia.org/wiki/File:Gwadar_Port.jpg

The Gwadar Port in Pakistan is one of the largest projects under the BRI umbrella.

Many of the largest infrastructure projects for the BRI also appear to have a national security component. This includes actual military bases, like the new Chinese base in the tiny African nation of Djibouti (the stable but geographically small state is also home to a large U.S. base due to its proximity to a gateway to the Suez Canal and several major conflicts).[8] Some are not so explicit. For instance, the Gwadar port in Pakistan and the Khorgos dry port in Kazkhstan have an economic component, but also provide China with a way to circumvent the Strait of Malacca, a vulnerable maritime route through which 80% of its energy imports currently travel.[9] Many BRI projects have this kind of double-count in terms of economic and geopolitical importance.

This is true for BRI partner countries' considerations for these large-scale projects as well. Pakistan's partnerships with China factor into its contentious relationship with neighboring India. Several BRI recipients, including EU members like Greece and Hungary, have started not-so-surreptitiously supporting China's South China Sea claims in international fora. It appears so far that much of this is not explicit tit-for-tat from China—there is no evidence that China is explicitly requiring their support in return for financing. However, with few other financial offerings available, pleasing China can become an economically wise move.

THE BRI IS GAINING MOMENTUM, BUT OFFERS NO GUARANTEES

The popular assumption is that China will continue to be a global influence, and that its influence will continue to grow and increase—but this is by no means guaranteed. It remains to be seen whether this vision of a new economic sphere will emerge. China has experienced and continues to experience one of the most incredible growth spurts in history, but as they say in finance, past performance is no indication of future success. The experience of Japan and others have shown us that fast economic growth and industrialization can easily plateau. Faltering here might mean difficulty in China's ability to recoup loan payments and project power overseas.

China's involvement in BRI countries has invigorated U.S. and European interest. For instance, during the recent launch of the United States' new Prosper Africa initiative, former National Security Adviser John Bolton mentioned China 14 times. The most often mentioned African country, South Sudan, was mentioned only five times.[10] If China is able to put its desire to compete into action, it could result in a new era of international involvement in markets that were previously considered fringe or "frontier."


未来
汽车大国
消优惠购车
公安部警
警用车销售中心
THE POLICE VEHICLE
SALES CENTER
联世电动汽车

Photo: Jeremy Kirshbaum

EXPORTING ECONOMICS AND BUSINESS OUT OF CHINA

A GROWING WAVE OF CHINESE COMPANIES MOVING OUT

Nara Zhou moved to Ethiopia from China in 2013 to work for the Huajian factory being constructed there. The factory, which still exists (along with others Huajian has built since then), makes shoes and other consumer products. The factory moved there for two reasons—access to Ethiopian workers, and access to new markets. Zhou moved there because she was looking for an adventure.

Chinese labor costs are rising. As China develops, its economy is moving up the value chain, and its increasingly educated workers expect higher pay.[11] Chinese firms are looking outside of China for cheaper labor to do factory assembly and other frontline tasks. Often these countries are still within Southeast Asia—Vietnam or Malaysia, for instance—but Sub-Saharan African countries are also increasingly an option. Firms are looking for markets that are less competitive than the hyper-saturated United States and Chinese economies.

Huajian launched in Ethiopia before the Belt and Road was officially announced, driven purely by market opportunity. After its initial success, its involvement has continued to grow. It is one of many companies that has in recent years begun looking outward for new markets. The company where Zhou is now working, Yinkaglobal, is a signal of this. Originally, Yinkaglobal was dedicated to helping foreign companies incorporate and do business in China. Now it has shifted its services entirely to help Chinese companies incorporate and do business in BRI countries.

‹ This low-cost electric car company in Shijiazhuang is selling vehicles all over the world, including Pakistan and Nepal, with plans to expand to African markets.

This wave of Chinese companies spreading outward is not new, and is not part of a central, coordinated plan by the government. It is, however, bigger than ever before. According to the American Enterprise Institute, in 2005, total foreign direct investment from China and Chinese companies was just over $19 billion globally. In 2018, it was over $195 billion.[12] Unlike the major, big-ticket infrastructure projects, these commercial projects often have little direct involvement from the Chinese government. Even before the United States began raising tariffs in 2019, China was looking for ways to reduce its economy's reliance on consumption from the United States. This has proceeded in fits and starts. In some cases, the Chinese government has made it more difficult for Chinese companies to operate abroad, not easier, as in the case of the capital controls introduced for Chinese companies operating abroad that were introduced in 2017.[13] The Chinese companies that do receive direct support from BRI initiatives are often state-owned enterprises (SOEs). However, the SOEs don't follow an overall coordinated plan, often competing with each other abroad for the same tenders and markets. However, their efforts are aided by the enabling ecosystem created by the larger projects and support an important part of the BRI—diversifying China's consumer markets.

LOOKING ABROAD FOR NEW MARKETS (OTHER THAN THE UNITED STATES)

Even before the United States began raising tariffs in 2019, China was looking for ways to reduce its economy's reliance on consumption from the United States. A major contributor to China's climb to manufacturing superpower status was its decision to open its economy to foreign companies for joint ventures in China. According to Irene Yuan Sun in her book *The Next Factory of the World* about China's business in Africa, China views outsourcing cheap labor overseas through the lens of its own recent industrialization. Knowledge transfer and wealth acquisition from these partnerships are what allowed Chinese manufacturers to start creating their own factories. Because of this, the Chinese government and Chinese businesses consider leveraging cheap labor in markets

Photo: Jeremy Kirshbaum

People from all over the world visit hardware markets like this one housed in the Opium Mansions of Guangzhou, China, to purchase new technologies to take back and sell at home.

abroad as part of exporting a development model. Far from considering it oppressive, they see it as the first rung of a ladder that leads to modernization. This is sometimes referred to as the "flying geese" model of development, where advanced economies spur development to less developed economies through labor relationships. Originally used to describe Japan's relationship with other countries in East Asia, it has widened to describe China's relationship with many different nations, including Sub-Saharan African countries and Vietnam.

Chinese companies, particularly manufacturers, have been looking abroad for new markets for a long time—many with great success. Huawei, for instance, has had sizable markets in places like Afghanistan or Iran that are inconceivable frontiers for American or European companies when they are not totally off limits legally. In many parts of the African continent, Huawei is nearly the only network provider, with essentially no other option—not due to anti-competitive behavior on the part of Huawei, but simply lack of interest by competitors.

In Nigeria, a wave of Chinese industrialists in the 1960s arrived, as Sun describes in her book. The most successful families from this era still own Nigerian factories that control major market share in key products. For instance, the Lee family that arrived during this wave has "99.99% market share" in plastic sandals for Nigeria and the surrounding region.[14] Decades later in the 1990s, Transsion cellphones arrived on the African continent from Shenzhen and have grown to the largest cellphone company by far.[15] The latest wave of Chinese expansion is not, therefore, without precedent. But there is a change now in the level of scale and quantity. More and more companies, hearing of these successes, are venturing into Sub-Saharan Africa. As the continent's largest market, many of them start in Nigeria.

CREATING FREE-TRADE ZONES IN NIGERIA

The Lekki Free Trade Zone lies about an hour outside of Lagos. It is a private free-trade zone formed through a partnership between the Lagos State government and a consortium of private Chinese companies. Anyone who sets up in the trade zone receives self-contained infrastructure like roads, power, water (things that are unreliable in most parts of Nigeria), and special tax breaks. The free-trade zone is 60% owned by the Chinese companies[16]—notable in that it is a controlling share. There are several trade zones like this scattered throughout the country, including the Ogun-Guangdong Free Trade Zone and Calabar Free Trade Zone. They host dozens of companies, most of them (though not all) Chinese.

Photo: Jeremy Kirshbaum

Lekki Free Trade Zone is currently home to 28 enterprises and growing. These enterprises are part of a wave of private entrepreneurs and companies that are entering Nigeria looking for new markets. For the Managing Director of the Lekki Free Trade Zone, it is about developing the Nigerian economy. “We are looking towards industrialization and we can not expect just Nigerian companies to do that.” He also emphasized the need for job creation—a desperately urgent task for Nigeria, whose quickly-growing 200 million-strong population has an average age of around 20 years, and getting younger. If things go well in Nigeria, these new partnerships could create upstream and downstream effects that move Nigeria toward industrialization.

Photo: Jeremy Kirshbaum

However, this benefit is not guaranteed. It is contingent on whether knowledge transfer actually occurs from the foreign companies to the workers doing the manufacturing and assembly. If their skills increase and aggregate over time, eventually it could be more indigenous companies doing the same work. If it does not, it will mean permanent status as a cheap labor pool for companies based abroad—a situation with strong echoes of colonialism that no one is eager to repeat.

Top: The official booklet for the Lekki Free Trade Zone emphasizes high level government cooperation at both the state and federal level. Both the President of Nigeria and of China appear alongside the Governor of Lagos and the Chinese Ambassador to Nigeria.

Bottom: A sign outside a warehouse in the Lekki Free Trade Zone demarks the area for the China Railway Construction Corporation, a Chinese state-owned company.

FREE TRADE-ZONES VERSUS FOREIGN INVESTMENT

Turarov at Kazakh Invest emphasized this. The situation in Kazakhstan is the reverse of Nigeria's Free Trade Zones. In Nigeria, the Nigerian state governments form joint ventures with private Chinese companies. With Kazakh Invest, the Chinese government invests into Kazakh companies through mechanisms like the Silk Road Fund. The 56 different investments are very diverse, from mining to food production. He put it very simply: "Are they bringing the value, or are they just taking the resources?"

The role of people like Turarov within recipient countries is invaluable, because investments and loans must be repaid. Few if any projects within the BRI are aid packages, and several countries have defaulted on loans resulting in loss of land, assets, or other unfavorable concessions. Turarov referenced this happening within Central Asia in Kyrgyzstan and Tajikistan. "It's not just about the investments, it's also about the debts," he said. "So, what risk is behind that? How some countries, which mainly are developing or even poor countries, sometimes they are not that much experienced of financial literacy, that they can come in. This is not the responsibility of China, to look how they can repay that." People like Turarov ensure that incoming projects benefit local countries financially in the short term, and support their development and economic health in the long term.

Photo: Jeremy Kirshbaum

A young seller gives a thumbs up at Zelyoniy (Green) Bazaar in Almaty, Kazakhstan. The Bazaar was originally a "guest yard" for traveling merchants and caravans.


Champion

Photo: Jeremy Kirshbaum

BRIDGING COUNTRIES WITH INTERPERSONAL CONNECTIONS

CONNECTING CULTURES THROUGH SOCIAL MEDIA

Muhammad Humza Butt believes in the power of social connection. He recognized the important role social media could play in creating an online Pakistani-Chinese network and made a Facebook page to start conversations with other individuals interested in seeking work, scholarship, and cultural service opportunities across the two countries. Despite the strong relationship between the two nations, Butt considers Pakistan and China to be antithetical to one another. With differences in language, culture, economic, and political systems, he noticed an opportunity for both countries to learn from one another to better understand these differences.

‹ Tanzanian artist Mwasongwe paints in a traditional style in a shop in Yiwu, China. He traveled there after meeting the shopowner in South Africa and befriending her.

Screenshot from https://m.facebook.com/learnpaktochinese

The Pakistan Chinese Community Facebook group provides resources and information for people from the two nations to learn about each other and connect.

Through this Facebook page, he found that individuals have already started seeking out ways to bridge this gap. Like himself, many Pakistanis are learning Mandarin in order to do business abroad. Similarly, with the growing interest in the China-Pakistan Economic Corridor, many individuals in China have also started learning Urdu, the national language of Pakistan. With his understanding of Mandarin and social media following, he was able to turn his Facebook page into a Pakistan television series: *Agla Station*. Marketed for an Urdu-speaking audience, Butt was able to film his travels around Pakistan with his Urdu-speaking, Chinese colleague, where he showed her important Pakistani landmarks and customs and conversed with the locals regarding their upbringing and careers.[17] He hopes to eventually film a sequel to the series in which the pair travels to China to further expand the dialogue about these two cultures and communities.

PIVOTING TOWARD CHINA AS A CULTURAL LEADER

The largest overall effect of this mutual exposure is a change in how China is perceived. Many countries now look at China as a role model for development. Not only is it easier for most people to get a visa to China than it is to the United States, but in the last couple of decades, China has industrialized, changing its stature from that of a poor country to a rich country. Looking outward, China leads a flock of nouveau riche and upcoming countries including Rwanda, Saudi Arabia, UAE, Rwanda, Singapore, and others with a notable shared characteristic: highly centralized or authoritarian governments. For some citizens of democratic but economically challenging countries like Pakistan or Nigeria, doubt is starting to creep in about whether democracy is the right blueprint for successful development. At the very least, the economic influx from China is shifting the global cultural metropole. China is becoming the go-to name for resources and opportunities in business and education.

CROSS-CULTURAL RECRUITMENT WITH AN INNOVATIVE COMPETITION

A signal of this phenomenon is Design Ethiopia, a project led by the young and ambitious Nael Hailemariam. Design Ethiopia aims to foster creativity and an interest in technology and design in the people of Ethiopia to "encourage and attract more Ethiopians to follow" in the professional footsteps of other global designers. To harbor interest, Design Ethiopia hosted a nationally advertised contest in partnership with the Ethiopian Ministry of Technology and Shenzhen Open Innovation Lab, where over 400 teams competed to submit new product ideas for judging. The winning teams were given the opportunity to work with the Shenzhen Innovation Lab to bring their ideas to life leveraging Chinese manufacturing resources.

It is no guarantee that any one of the teams participating in Design Ethiopia will survive or get to scale. What is notable is the process and the partners involved. Many small teams are trying to develop new innovations, and their ideas are deliberately designed with Chinese resources in mind. It has the blessing of the Ethiopian government, but it not managed by them in a detailed way. The innovations found in the initiative are much different than what you would find in Silicon Valley, and their path to scale is very different, but they are cutting edge ideas nonetheless. All of the teams will spend time learning about China and the capabilities it can introduce for manifesting their ideas in the future.

BATTLING XENOPHOBIA AND DISCRIMINATION

That said, tensions and outright discrimination remain. In China, immigrants in Guangzhou, particularly African immigrants, have been the target of harassment and deportation from Chinese citizens and officials.[18] Chinese workers and immigrants abroad have also become the target of xenophobic attacks in some countries.[19] Overall, there is a huge gap to be bridged in terms of mutual cultural understanding—a much more difficult problem even than the already massively complex economic and diplomatic issues and problems to be solved. The author of this paper has personally visited a Chinese restaurant in Kano, Nigeria that serves very authentic Sichuan-style hotpot, but only to Chinese people and, apparently, their American guests. Nigerian people were working there but were not allowed to eat there. This kind of racist isolationism at best aggravates local people and at

Photo: Jeremy Kirshbaum

A group of adult students at the Confucius Institute at the University of Lagos in Nigeria study Chinese for beginners.

worst creates systemic, colonial-style oppression against people in their own country. Hopefully this kind of discrimination will greatly decrease as interpersonal connections and cultural understanding increases. If it does not, no amount of economic and political incentives will be able to repair the damage.

With many of the countries involved in the BRI, particularly Africa, this lack of understanding is not particular to Chinese people, but it is of heightened importance because of the outsized economic and political role China is playing within these countries.

CHINA AS BOTH INFLUENCER AND INFLUENCED

When faulting the cultural narrative around China and BRI recipient countries, the focus is almost exclusively on how China is affecting these countries, and not the other way around. However, in the process of cultural contact, both societies are transformed, no matter whether there is an imbalance in power dynamic. An unexpected signal of this was reported on the *China in Africa Podcast* by Dr. Christopher Rhodes, a lecturer at Boston University. He described how members of churches in Sub-Saharan Africa are learning Mandarin specifically for the purpose of proselytizing to Chinese construction workers and engineers. Some of these Chinese workers become members of the churches, finding a local community and converting to Christianity. When the workers return home, the subdued state-approved Three Self Patriotic Movement protestant church and Catholic church contrast disappointingly with the energetic and expressive churches they found abroad. Some of these returnees go on to create underground churches where they can practice their newfound faith in the way they experienced it originally.[20] This specific movement does not yet appear to be large, but it is a thousand little examples like this that will slowly start to transform Chinese culture as much as China is influencing people in other countries.

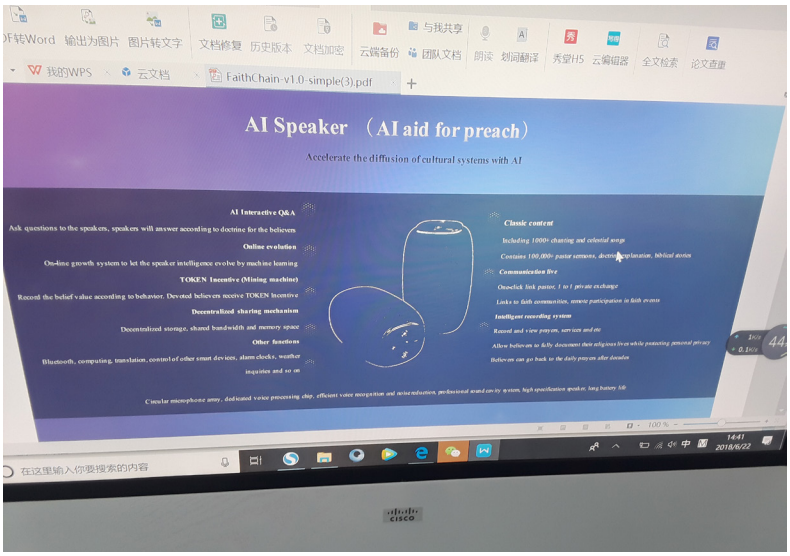

Photo: Jeremy Kirshbaum

A PowerPoint slide at a company in Shenzhen outlines plans for a Christian-themed smart speaker, with BRI markets like Ethiopia as the primary target.

Hailemariam is doing his part to create more intercultural dialogue. He organized a trip for Chinese graduate students at Tsinghua University (one of the best universities in China), to visit Ethiopia with him. Although students at Tsinghua are some of the brightest in China, he found that their perception of Ethiopia and Africa in general were wildly inaccurate, made worse by television and documentaries that focused on cliché themes like wildlife and famine. Through their interpersonal connection with him, they were able to come to Ethiopia to get a much clearer picture of what is happening on the ground. Hailemariam believes that this interpersonal connection and direct learning is the most important element looking forward, “The relationship between these two countries should begin with people, people to people. So that’s why I actually made a trip to Ethiopia with my Chinese classmates. To really make them understand who we are, and where are we, and what are we.”

INSIGHTS

As demographic patterns continue to play out—with populations stabilizing in the U.S., Europe and parts of Asia—the countries shaped by BRI, which are younger and growing rapidly will become an increasingly potent global force whose lives and livelihoods will be shaped by today's investments in infrastructure. As you consider your organization's strategy for these areas, use the insights below to guide your thinking.

Re-evaluate the cost of doing business in BRI markets:

As countries build new infrastructure, doing business there will get cheaper. Whether or not BRI loans are on bankable terms, the built projects will remain even if they default financially. The infrastructure projects of BRI make it easier and cheaper to buy Chinese products, but they will also reshape the cost of logistics, supply chain, and other operating expenses in BRI partner countries. This means it is time to re-evaluate the potential risks and costs associated with doing business in markets connected to BRI.

Treat infrastructure gaps as a market opportunity:

A core driver of BRI is the desire of countries previously considered "unbankable" by OECD-led institutions to industrialize and develop their economies. Whether or not recipients of BRI-related loans are able to pay them off, the initiative has already proven that there is a huge market for bridging infrastructure gaps for which recipient countries are willing to pay dearly. Try to reframe your thinking around infrastructure gaps as market opportunities instead of barriers, and start thinking about what partners would allow you to access those opportunities.

Shift your map of global stability toward the Association of Southeast Asian Nations (ASEAN):

For many organizations, the OECD countries like the United States and Western Europe have represented the points of greatest political and economic consistency. China's focus on stability and peace, even at the cost of its own citizen's freedoms, may produce a new economic sphere of sustained and steady economic growth with clear, stable policy guidelines as these things falter in the United States and the United Kingdom. This is an ethical decision as well as an economic one. What level of censorship or individual control is your organization willing to accept as a result of stability-driven policy decisions?

Look for new transnational consumer segments:

New groups of consumers that will emerge from economic and geopolitical migration will have new tastes and needs. Groups like Urdu-speaking Chinese people living in Pakistan, Ethiopians living in China, Nigerian youth using WeChat will emerge slowly at first, but gain traction quickly over the next decade. Being able to serve these new forms of consumers in ways that transcend previous national and cultural boundaries will be essential for global marketing and communication.

Understand Chinese culture as a global reference beyond regional markets:

In the same way that cultural paradigms from the United States and Europe carry a global premium and influence, Chinese cultural values and principles will become a global center of gravity. Young people in particular will increasingly look to China for models of success and progress. Chinese language will begin to be as common a second language as English, and Chinese education will carry as much cachet as French or US-based education. This will mean that being persuasive globally in marketing and communications will include understanding these influences and effects.

ENDNOTES

1. http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html
2. https://en.wikipedia.org/wiki/Man,_the_State,_and_War
3. https://en.wikipedia.org/wiki/Yiwu%E2%80%93 Madrid_railway_line
4. https://money.cnn.com/2015/06/30/news/economy/greece-imf-default/index.html
5. http://www.globaltimes.cn/content/1150049.shtml
6. https://www.econstor.eu/bitstream/10419/200198/1/1668908891.pdf
7. https://www.moodys.com/research/Moodys-Chinas-Belt-and-Road-Initiative-is-credit-positive-overall--PR_372698?WT.mc_id=AM~RmluYW56ZW4ubmV0X1JTQl9SYXRpbmdzX05ld-3NfTm9fVHJhbnNsYXRpb25z~20170918_PR_372698
8. https://www.bbc.com/news/world-africa-33115502
9. https://en.wikipedia.org/wiki/Strait_of_Malacca
10. https://www.csis.org/analysis/prosper-africas-partial-answer-promoting-us-trade-and-investment
11. https://www.cnbc.com/2017/02/27/chinese-wages-rise-made-in-china-isnt-so-cheap-anymore.html
12. https://www.aei.org/china-global-investment-tracker/?ncid=txtlnkusaolp00000618
13. https://www.ft.com/content/5e692f82-7b45-11e7-9108-edda0bcbc928
14. *Next Factory of the World* by Irene Yuan Sun
15. https://qz.com/africa/1374404/chinas-transsion-dominates-africas-phone-market-with-tecno-itel/
16. https://lfzdc.org/about-us/
17. https://m.facebook.com/learnpaktochinese/
18. https://qz.com/945053/china-has-an-irrational-fear-of-a-black-invasion-bringing-drugs-crime-and-interracial-marriage/
19. https://www.wsj.com/articles/SB10001424052970204652904577194171294491572
20. https://chinaafrica-podcast.com/the-unintended-religious-consequence-of-chinese-investment-in-africa

REFERENCES

The Silk Roads: A New History of the World by Peter Frakopan https://www.peterfrankopan.com/the-silk-roads.html

Belt and Road Action Plan http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

The Next Factory of the World by Irene Yuan Sun https://www.goodreads.com/book/show/35288650-the-next-factory-of-the-world

Agla Station TV Show and Facebook page https://m.facebook.com/learnpaktochinese/

Man, the State, and War by Kenneth Waltz https://www.goodreads.com/book/show/117002.Man_the_State_and_War

"China's Overseas Lending", Working Paper by Kiel Institute for the World Economy https://www.econstor.eu/bitstream/10419/200198/1/16689 08891.pdf

Official Resources Regarding United States Department of Commerce's Prosper Africa Initiative https://www.trade.gov/prosperafrica/

INSTITUTE FOR THE FUTURE

201 Hamilton Avenue
Palo Alto, CA 94301
650.854.6322 | **www.iftf.org**