Editorial

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Since 2001, China has been emerging in the world economy. With the Belt and Road Initiative (BRI), China is expanding its government-sponsored 'Going Global' development programs as part of the global 'China Dream' objective, both in size and in scope. Taking the 'Silk Road Economic Belt', the '21st Century Maritime Silk Road', and the 'Digital Silk Road' (DSR) as axes, DSR and BRI now are the largest platforms for international cooperation, reflecting the new approach on China's development and diplomatic strategy. In respect to international business and trade, the BRI and DSR aim to help Chinese companies, state-owned or privately-owned, to mitigate the hindering effects (such as liability of foreignness and outsidership) for their globalisation.

The BRI currently covers over 70 countries, representing 65% of the world's population and one-third of the world's GDP. The BRI is a pivotal component of China's geostrategic power play and its economic relations. The basic idea of the BRI is to consolidate and upgrade a dense network of bilateral free trade agreements (FTAs) into a multilateral arrangement, anchored by China's market. BRI is a massive project involving the funding and construction of a system of roads, railways, oil and natural gas pipelines, fibre-optic and communication systems, ports, and airports, and covers cooperation in all aspects, from policy dialogue to trade, from financial cooperation to people-to-people exchange.

Despite the currently hostile global trade environment, for many developing countries, BRI constitutes a chance to enhance their attractiveness as a location for foreign direct investment (FDI) and improves trade relations by reducing the disadvantages of being landlocked. However, this also implies various economic, political and technological dependencies.

Against this background, this special issue brings forward a selection of nine contributions dealing with various aspects of BRI and DSR – ranging from the impact and implications of the initiative for Chinese firms' internationalisation to geopolitical considerations and how European countries are affected economically as well as politically.

The first wave of research focuses on how BRI contributes to the discussion of topics in international business, which has brought a series of research trends in the new BRI context, compared with the traditional international business research. The first trend is the outward internationalisation of emerging multinational enterprises (EMNEs). The BRI provides unique opportunities for Chinese firms to become international, and more and more EMNEs are playing critical roles in the global market, especially in the forms of outward foreign direct investment (OFDI) and mergers and acquisitions (M&A) in developed countries in Europe. Another trend is to examine the role of institutional environment and government policies in corporate international strategy. The institution is a country's 'rules of the game', and has been proved to play an important role in shaping corporate strategies. In the context of the BRI, the Chinese government has been providing critical resources and supporting policies for firms to invest and start new businesses in the BRI-related regions, and the BRI policy helps EMNEs avoid institutional risks and challenges between home and host countries.

The first paper of this special issue, from Zhang et al., emphasises that the major aim of the BRI is to boost business confidence of Chinese firms to speed up the pace of China's internationalisation and the economic integration. Further, the BRI should help to overcome Chinese firms' liability of foreignness and their liability of outsidership in foreign countries. The paper argues that civilian, cultural, and economic ties are important to build trust and confidence and mitigate uncertainty and risks in trade relations and FDI. Hence, official sister-city relationships and bilateral trade agreements - fostered by BRI – affect Chinese FDI and trade relations for Chinese firms. The authors show that Chinese privately-owned enterprises are more dependent on these factors than state-owned enterprises.

The second paper in this special issue, from Nguyen et al., emphasises the challenges of Chinese companies on their way of internationalisation. They suggest that the state-driven BRI needs to be accompanied by activities on company-level by implementing counter-measures to the challenges that originate from cultural, administrative, governmental and economic distance. They argue that an active engagement in Corporate Social Responsibility (CSR) could help firms to build a legitimate corporate image and maintain good relationships with stakeholders. A good CSR reputation, therefore, would help to shorten the distance and ease off the pressure of being seen as a foreigner.

A long-standing research debate is whether BRI facilitates or inhibits overseas M&A by Chinese firms. The third paper in this special issue, from He et al., reveals that the BRI is effective in promoting the overseas M&A of Chinese firms but depends on the political risk in both home country and host country. The institutional misalignment caused by the rise of political risk in the home country can accelerate the escape of domestic capital and lead to an increase in FDI. In this case, the promotion effect of the BRI is also amplified. On the other hand, the rise of political risk in the host country will lead to the loss of legitimacy of enterprises in the host country and inhibit their OFDI. In this case, the promotion effect of the BRI would be weakened.

Beyond the economic benefits of BRI, the fourth paper in this special issue, from Yu et al., integrates the developmental visions between BRI and Agenda 2030, then provides a different lens to rethink BRI as a litmus test for global sustainability and regional cooperation. The authors argue that BRI can improve its performance if it integrates with the Agenda 2030 for Sustainable Development Goals (SDG). BRI may act as a fast, efficient 'vehicle' to achieve SDG for Agenda 2030. The alignment of BRI with SDG will allow BRI to further improve the overall well-being of participating countries in all areas of development. They further suggest that integration of BRI and Agenda 2030 opens new horizons to the world for global cooperation, connectivity, multilateral growth, and economic development for a better and more sustainable future.

The fifth paper in this special issue, from Heim et al., compares the level of sectoral integration resulted from BRI on a country level in two resource-rich countries (Kazakhstan and Russia), in two advanced resource-rich countries (Canada, Australia), and in two technology rich countries (Germany, China). The authors find that Chinese

BRI investments predominantly target resource-rich countries, which are affected by the phenomenon of the so-called ‘Dutch disease’. Hence, BRI potentially helps these countries in their attempt to build a more sustainable economy by diversification. The authors also highlight the risk aversion in technology adoption in developed countries and suggest that emerging resource-rich countries should support investments in critical infrastructure, including IT, whereas advanced countries should seek investments in the service sector.

The argumentation about critical infrastructure projects opens the discussion about the increasingly important, yet mostly overlooked element of the BRI: the DSR. The DSR is about connectivity, interoperability, and standard setting in the high tech sector. Chinese government’s standard setting plans are mentioned in ‘Made in China 2025’ and in ‘China Standards 2035’. Decisions about the future technological development is highly political and build long term dependencies. As Petersen et al. in this special issue state, “standards have gained a geopolitical dimension, as standard setting is seen as an effective means to grow domestic industries and ensure competitiveness in an increased digital era.”.

The DSR includes projects and investments in artificial intelligence, smart city development, blockchain and 5G technologies in particular in service industries, such as telecom, information and human services, e.g. health care. The Belt Road Initiative Blockchain Alliance (BRIBA), a government-supported block chain platform, is just one of these initiatives. DSR-branded infrastructure projects are increasingly viewed as an opportunity for Chinese private telecom giants to build up China-centred technology standards. Examples are Alibaba – with their electronic World Trade Platform (eWTP) – but also Tencent, Baidu, Huawei, and Chinese state-owned enterprises such as China Mobile, China Telecom, and China Unicom (Zhang, Alon, Lattemann 2020).

So far, China has signed DSR-specific MoU with more than a dozen countries, including European countries such as the Czech Republic, the UK, Hungary, Poland, and Serbia. As of now, European companies have largely played niche roles in DSR projects. This uneven participation might cast doubts on the benefits of DSR and BRI from a European perspective but might also open avenues for new forms of strategic alliances as well as innovative modes of knowledge and resource sharing. Taken together, from its very beginning the BRI, and particularly the technological part of the BRI, has been a controversial issue with different viewpoints in areas such as the Chinese trade policy agenda, the restructuring of global value chain and logistical connections, geo-political strategy, debt trap diplomacy, security and standard setting aspects, etc. (Zhang et al., 2018).

Petersen et al. in this special issue discuss the question how DSR supports China’s ambition to become a technological standard setting nation, and how this development likely affects European firms. The authors agree that technical standard setting is becoming increasingly politicised, and states are beginning to view standardisation as a tool of great geopolitical importance. For affected countries, it is the question of standard making or standard taking. In this sense, China’s standard setting ambitions arguably affect the European Union (EU) and may influence EU’s ability to set global standards and, thereby, shape the global business environment. Petersen et al. expect a weakening bargaining power of European firms as a result of DSR, because Chinese firms possess valuable and inimitable IT resources and capabilities.

In the following paper, Szunomár offers a comprehensive mapping of responses to the DSR challenge in Central and Eastern Europe (CEE), with the aim to analyse how these responses differ in CEE and why they differ. Szunomár focuses on economic, political, and security dimensions to compare the developments in Poland, Czech Republic, Hungary, and Serbia. She concludes that China aims to involve CEE countries as potential hosts to the DSR initiative, because the digital transformation in these countries is still ongoing, and because China can gain from reputation arising from successfully implementing projects in Europe, which reduced the liability of foreignness and of outsidership for Chinese firms. Szunomár observes that the majority of European countries consider Chinese tech companies as a threat and many of them fear that countries like Hungary or Serbia might become Trojan horses, allowing Chinese tech companies – and the potentially resulting influence and security risk – into Europe. However, there are countries who embrace Chinese technologies and standards (Hungary and Serbia) generally because of economic motives. Opposing countries (Czech Republic and Poland) view that decisions were driven by political rather than purely economic considerations: they choose not to engage further based mainly on security and political reasons.

Blanchard and Hoojimaajiers aim to answer the question if China is more prominent than European companies in selected Asian and European countries in regard to standard setting. They analysed investments from Chinese and EU high tech companies in Malaysia, United Arab Emirates, Pakistan and Hungary. They found that Chinese DSR investments are prominent in all four countries. However, European tech firms also have a notable presence in Malaysia, the UAE and Hungary, but less in Pakistan. Because of these observations, they conclude that the DSR will not automatically lead to a Chinese dominance. In their analysis, the EU should be rather less alarmist about the DSR. In addition, Blanchard and Hoojimaajiers suggest that EU countries should support programs that bolster the strategic advantages of their companies.

In recent years, some European countries worry that China was using the DSR to enable recipient countries to adopt its model of technology-enabled authoritarianism, which would be detrimental to national security in those countries. Lv et al. answer two basic questions: Does the BRI encourage Chinese enterprises to invest more in the DSR sector of European countries? Does the BRI make China's DSR investment in European recipient countries more likely to cause problems? Based on the second-hand data analysis, the authors find that BRI brings the DSR development to European countries involved in BRI, rather than a threat to national security.

Hence, the question is still unanswered if China's DSR is threatening the Western political framework or not. However, it is unquestionable that the BRI started a world-wide competition about influence, power, and standard settings. Major great powers – in contrast to the smaller and poorer countries – reject or object the BRI, including the USA, the UK, Germany and France, Japan, India, South Korea, and Australia. Their common primary concern is about the BRI's strategic role and the political purpose of infrastructure building and standard setting. Economic concerns about debt and financial risk, and environmental and social concerns are also raised.

The competition about influence, power, and standard settings has brought up many other regional initiatives. The European Commission have launched the Global Gateway, as a European response to boost smart, clean and secure links in digital, energy and transport sectors across the world. Between 2021 and 2027, Team Europe, meaning the EU institutions and EU Member States jointly, will mobilise up to EUR 300 billion of investments. Russia initiated the Eurasian Economic Union in 2014, South Korea started their own Eurasian 'Silk-Road Express' project with the aim to strengthening logistics, ICT and energy network projects between Busan and Europe. Given the BRI investments in neighbouring countries, India aimed to reinforce its claim to leadership in the south Asia region since 2016 by revitalising the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). These new networks and initiatives show that China is already now triggering a change towards a new world order.

Reference

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