

China: Economy and Economic Relations in New Era

By

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1- Introduction

The People's Republic of China has its own way of economic growth and development that has stunned the world by changing the fate of the country within the last four decades. It is a miracle. A country with more than 82 percent poverty in the 1980s, is now the second biggest economy in the world. China achieved this marvel by adopting the philosophy of learning and devising its own model and interventions to achieve the national objectives. The proverb, "crossing the river by feeling the stones" was the guiding principle. The story started with the first contradiction principal of Chairman Mao and it is culminating with the third principal of contradiction by President Xi Jinping.

China's story can be best understood by dividing it in three phases:

- 1- First Phase:** The first phase was dedicated to create a conducive environment for the country's development and economy. Chairman Mao led the country by targeting class differences and creating a generation of intellectuals, scientists, engineers and experts. Indigenous wisdom and knowledge were infused with a sense of national duty. The cultural revolution helped in eliminating class differences and tackle issues of waste and elimination of class differences. Bureaucracy was also targeted, because it was perceived as an evil. Chairman Mao erected a parallel system of party, which acted as a monitoring organ and representative of the people.
- 2- Second Phase:** The second phase was designed to enhance the production of economy to meet the demands of the economy and the people. It was done by adopting selective elements of the capitalist system of production but with Chinese characteristics. The human capital created during the first phase was used to convert the country from poverty-ridden to rapidly developing.
- 3- Third Phase:** The third phase was built on the progress made during the two phases. It was designed to move towards the global stage as a respectable country. The Go-Global policy was adopted, and international economic linkages started to take a new form. The local production system also started to witness a new phase, which was more concerned with climate change and environment. President Hu Jintao paved the way for the modernization of the production system and helped make the country one of big powers at the global level.

The three phases completed with a common denominator, the Communist Party of China (CPC). The CPC played a crucial role in all these phases by providing objective policy guidelines and the required mechanism for their implementation. The CPC is continuing its legacy and playing an active role in the modern China.

President Xi Jinping is building on the success of the three phases. He is working on a new concept and goal for China. He has the vision to transform China into, 1)- a

completely developed country in all aspects, 2)- a respectful and formidable country and 3)- a country which leads the march towards realizing a “community with a shared future”. These are humongous tasks and require huge efforts. President Xi and CPC are cognizant of the fact and are working tirelessly to devise tools for successful realization of the goals.

China is working on strengthening the existing initiatives and launching new ones. In recent times, China has launched different initiatives, including Belt and Road Initiative (BRI), Asian Infrastructure Investment Bank (AIIB), region and country-specific forums and initiatives and community with a shared future.

China is conscious of the fact that the goals cannot be achieved without transforming the domestic economy according to modern needs. Thus, domestic economy is also going through transformation under the vision of “China in a New Era”. The 14th development plan has provided the blueprint for future policies and actions to transform the country. China will be striving to look for answers for three specific questions to enter in the New Era:

1. How to transit from high production and high income to welfare, social well-being and sustainable development?
2. How to re-construct the Chinese model to meet the global requirements, as China is a leading global player?
3. How to share its prosperity by adhering to the principle of humanity-first and community for shared future?

2- Structure of Chapter

The paper has been structured by keeping in mind the three questions which were discussed above. The chapter has been structured in the following sequence:

1. Domestic Economy

Vision

- Eco-civilization and Economy
- High Quality Development

Policy and Actions

- Short Term: 14th Development Plan
- Medium Term, 2035
- Long Term, 2049

2. International Economic Relations

- Go Global Policy
- Belt and Road Initiative
- Asian Infrastructure and Investment Bank
- Community with a Shared Future

3- Domestic Economy

China has overcome the menace of absolute poverty by adopting a comprehensive and well-structured policy and policy actions. It was a necessary step to achieve the first goal of “moderately well-off” country in 2021. The first century goal was set to celebrate the 100 years of Communist Party of China (CPC). Now China is marching towards the second century goal to turn China into a “strong, democratic, modernized and fully developed country”. The second goal was designed to celebrate the 100 years of the establishment of the country in 2049. Sustainability will be another focus, as China is conscious of the impacts of climate change and environmental degradation. It will be a tricky process and will require dedicated efforts and reforms led by wisdom and knowledge. The successful execution and achievement of the second goal will complete the transformation of China into a global economic power. However, it is good to note that China has already started the process. The chapter has been divided into two parts, 1) vision and 2) policy and actions.

3.1- Vision

The domestic economy has been designed to achieve the dual vision:

1. Eco-civilization
2. High Quality Development

3.1.1- Eco-civilization and Economy

Eco-civilization has deep roots in Chinese civilization. The concept revolves around the harmonious relations between human-human and planet. It defines the economic and social system in such a way that it ensures to achieve prosperity and environmental development. Chinese philosophers, like Confucius and Tao gave great importance to nature in human development. They had strong belief in striking a balance between human and nature. The modern China, which is an outcome of revolution and reforms, equally tries to adhere to the values defined by the elders.

The reform period, which started from 1978, could not focus on environment the way it was required. China had to make a compromise due to higher poverty and low growth. China adopted the capitalist system of production to stimulate growth and tackle poverty. The country was cognizant of the fact that the Western production system have had certain elements which undermined the environmental requirements and distribution of resources but there was no other choice. Fossil fuels

were only source of energy, as renewable energy, except hydropower, was not in mainstream. The whole world was using the fossil fuels to sustain economic growth.

However, with the passage of time, China tried to minimize the impact by investing in forests and environmental sustainability. It is now a well-recognized fact that the total forest area has been increased during the last four decades.

The adaptation of the capitalist model helped China in stimulating growth and climbing the ladder of development. But the development could not qualify the standards of sustainable development; growth was not completely following the principles of sustainable development. The growth achieved by China during the last century has four distinctive characteristics (Yang and Zhao, 2018);

- 1- High input
- 2- High consumption
- 3- High emission
- 4- Low efficiency

The growth was fueled by a higher use of fossil fuel, like coal, and it seemed impossible to achieve rapid growth without the coal (Qi et al. 2016). As during the 1980s and 1990s, the global energy market was dominated by fossil fuels. So China is no exception in the use of fossil fuels.

China was always aware of the fact that this model was not sustainable, which is evident from a deteriorated environment and introduced inequality. Thus, China started to look for ways to improve the production and distribution systems to achieve dual objectives:

- 1- Control environmental degradation
- 2- Eliminate inequality

The State Council in 2005 issued a policy paper to deliberate on higher resource exploitation and rebalancing the policy. The policy paper concluded that it was unsustainable and there was need to revise it and looked for ways to improve the efficiency and introduce sustainable practices. The State Council, building on the findings of the policy paper, carried out rigorous consultations and discussions at party meetings, and introduced Circular Economy Promotion Law in 2008. The key interventions identified to achieve the objectives were: reuse, recycle and reduce. President Hu Jintao made it an important element of his tenure. He strived to introduce different policy initiatives to put the economy on a sustainable development path. The share of renewable energy started to increase, and special attention was given to poverty elimination.

However, the real impetus came with President Xi Jinping. He made eco-civilization the main pillar of his policy and government. He is extremely keen to improve the environment and efficient use of resources. He is convinced that to construct eco-civilization, there is a need to redefine the relationship between:

- 1) Market and Society
- 2) Resource allocation institutions and environmental regulators
- 3) Focus of governments at all levels

It is a pre-requisite to realize the dream of eco-civilization and a beautiful China. He is also focusing on the importance of social responsibility and asking the society to act as a unit. According to him, the goal of realizing a better environment and living cannot be achieved without the active and meaningful participation of society.

President Xi's vision of eco-civilization is based on three distinct thoughts and practices. First, President Xi takes guidance from the Marxist philosophy and its focus on the relationship between man and nature. He particularly concentrates on the integration of three theories of Marxism, dialectics of history, dialectical materialism and dialectics of nature. Second, President Xi's vision of eco-civilization is rooted in the traditional wisdom of China and role of thoughts of elders of China. He is putting efforts into integrating the traditional Chinese knowledge and the elements of modern development and modernity. Lastly, it is based on the environmental governance history in China and environmental disasters, which happened in the recent past. Now he is focused on improving the environment and has concluded that "economic development is important but lucid water and green mountains are more important for a healthy living¹.

The guidelines for achieving the objectives of eco-civilization and for a beautiful China are:

1. *Protection first, scientifically demarcate and adhere to the ecological protection red line*
2. *Adhere to the rule of law and strengthen the legal guarantee of ecological civilization construction*
3. *Innovation-driven and enhancing the scientific and technological support of ecological civilization construction*
4. *Adhere to the system thinking and improve the top-level design of ecological environment management system*
5. *Insist on taking the people as the base and advocate the emergence of a new cultural movement for the people's ecological civilization*

3.1.2- High Quality Development

High quality development has been tagged with the dream of national rejuvenation of China. China has realized that growth in the past could not deliver to uplift the living standards and living conditions. Although China achieved miraculous growth and emerged as the second biggest economy, it could not divert the required attention towards environment, comprehensive development and meeting the standards of the social development of society. The realization has roots in the third

¹ <https://www.worldscientific.com/doi/abs/10.1142/S2345748119750022?journalCode=cjues>



principal contradiction by President Xi Jinping, as he said, “*unbalanced and inadequate development and the people’s ever-growing needs for a better life*”.

Inadequate development always leads towards inequality and disturbance in society. There is no secret that there are certain areas and groups which could not fully benefit from the development dividend of China. It has created inequality which is impacting the people at the lower cadres. Although the problem is present everywhere, it is severe in rural areas. In the early 2000s, China identified it as a key problem to address in the long run. China also recognized that poverty alleviation alone cannot solve the problem of inequality. The government started to combine poverty alleviation and growth strategies. The economy became scattered, especially in less developed areas. The government generated new economic and livelihood opportunities through the establishment of industry and businesses. It helped to control inequality to a great extent.

Now, President Xi is further fostering the efforts. First, he made sure that there should be no poverty till 2020. After achieving the goal of a poverty-free country, he is marching towards bringing inequality at the lowest level. Thus, he is reforming the country to ensure equitable development.

Second, imbalanced growth is another area of concern. China is conscious of the fact that growth in the past could not give due attention to environment, which has created multi-faceted problems. China has decided to rectify this mistake and will take every step to protect and improve environment in future. The production systems and energy resources will go through comprehensive reforms. The third area of work would be to meet people’s demand of the rule of law, democracy, better living conditions and better environment. These are key areas which will help remove the third contradiction.

Since the inception of the contradiction, President Xi is trying to minimize contradiction in medium term and eliminate it in the long run. China is now working on improving the environment, governance and individual liberties. It has developed a roadmap with policy actions and required reforms. Innovation and technology would be leading factors to achieve the goals. Environment protection and rehabilitation are key drivers to materialize the concept of blue sky, clean water and lush green mountains. This provides sound bases for improved living conditions, free of pollution and environmental hazards. The key area of work would be to redefine the energy sector and its use. It has been identified as a leading player to improve the environment and ensure a good quality of life.

The London School of Economics conducted a study titled, “Strong, Sustainable and Inclusive Growth in a New Era for China, Challenges and Ways Forward,” to find

answers for inadequate and imbalanced growth. The study identified four key areas of work for China which includes²:

1. Climate Change
2. Inclusiveness
3. Low Carbon
4. Market Orientation

These factors will also be critical to achieve the goal of high-quality development. China has started to take concrete steps, which will help achieve adequate and balance development. The country is striving hard to mitigate the GHG emissions, improve well-being of the people and access a well-connected market at the global level through the dual circulation model.

China also identified four capitals to realize the dream of high-quality development:

1. Physical Capital: refocus the use to make it more environment and human-friendly
2. Human Capital: to tune the capital according to the needs of future and train them to promote the idea of high-quality development and community with shared future
3. Natural Capital: China will work to preserve natural capital and ensure sustainability
4. Social Capital: It will be promoted to assist society work in a smooth manner

4- Policy and Actions

The distinctive character of Chinese policies and action is that it always believes in process, not shock therapy.

China does not believe in vision without policy and supported by actions. The distinctive character of Chinese policies and action is that it always believes in process and not shock therapy. It is clear from the reforms since 1978. China is adopting the same strategy to achieve the vision of eco-civilization and dual circulation. Although China announced the concepts of eco-civilization in the tenure of President Xi Jinping but the process of policy formulation started much earlier. President Hu Jintao formally started to talk about these and took the required steps. He managed to start the process to bring down the share of trade in the national

² Cameron Hepburn, Nicholas Stern, Chunping Xie and Dimitri Zenghelis, April 2020, Strong, sustainable and inclusive growth in a new era for China Challenges and ways forward

GDP. Environment, human-centric economic development and eco-civilization also became part of his policy.

President Xi Jinping formalized the process and introduced a comprehensive vision, policies and actions to materialize the dream of prosperous China. He has branded all these initiatives under the “China Dream”. He has launched a comprehensive campaign to achieve that China.

He started with the short-term goal of alleviating poverty. Now he is working to realize the long-term goal of “China Dream” by building a prosperous, democratic, rule-based and environmentally-friendly China. China, under his leadership has devised a policy and action framework. The framework can be analyzed by dividing it in three phases:

1. Short Term
2. Medium term
3. Long term

4.1- 14th Five-Year Plan

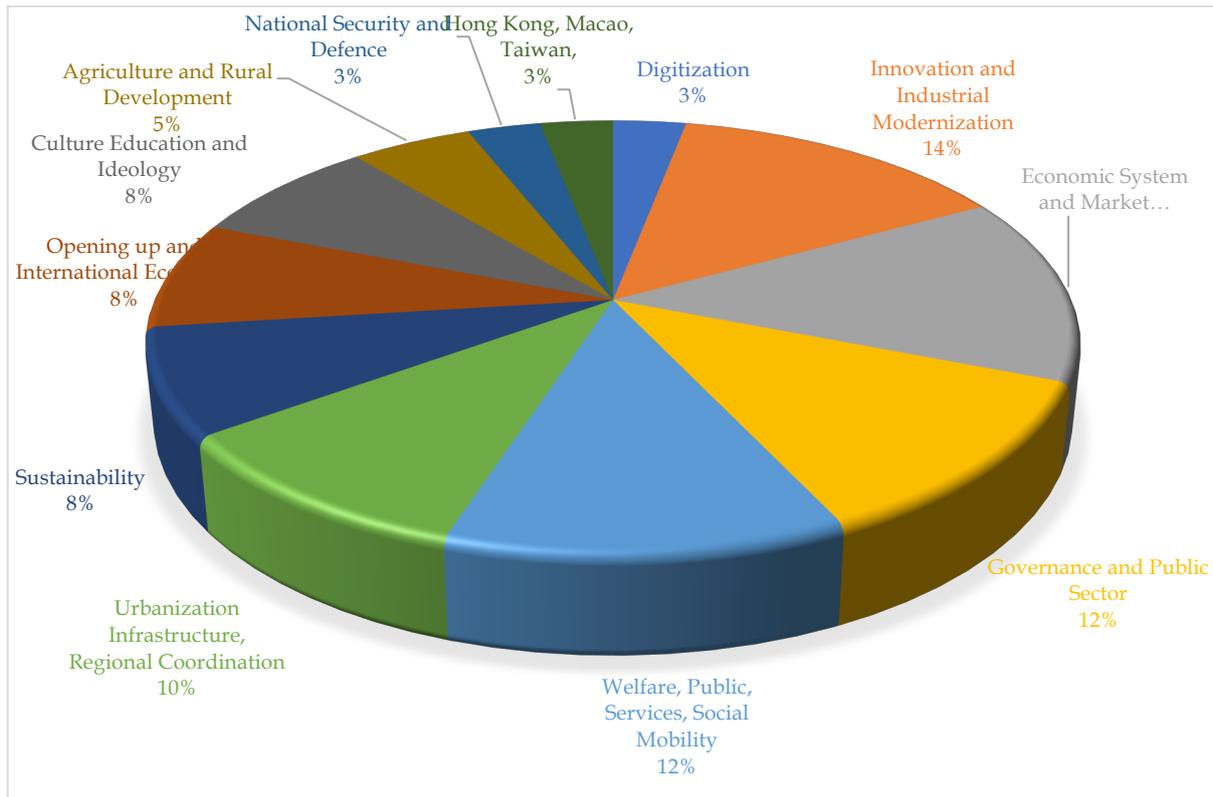
The 14th Five-Year Plan is a blueprint of China in the New Era, which provides the future course of actions. It is beginning to implement new strategies and policies. It provides a brief overview of the vision of high-quality development, national rejuvenation and China Dream. It is a short-term plan and has been designed to achieve short objectives. The point to note here is that short-term objectives have been designed in such a way that these will act as stepping-stones for the long-term objectives and goals.

An analysis of the plan highlights that the plan prioritized the following areas:

1. Industrial modernization and innovation
2. Economic system and market reforms
3. Governance and public sector
4. Welfare, public services and mobility

However, it does not mean that other areas will be ignored. China will also be working on other areas (Fig-1)³; but priority would be given to the above-mentioned areas.

³<https://merics.org/en/short-analysis/chinas-14th-five-year-plan-strengthening-domestic-base-become-superpower>



Industrial modernization will help China to achieve the goal of world “manufacturing superpower”. It will be achieved by prioritizing innovation through heavy investment in research and development. The innovation and technological development will transfer China from the world’s factory into world’s laboratory. The world’s laboratory status will consolidate the status of China as a major power at the global level.

China also dreams of leading the country in the fourth industrial revolution and innovation. Again, technology and innovation factor to ensure the success. Hence, China has decided to enhance research and development-spending enormously. The plan is to mobilize the public and private financing, simultaneously. China accelerated its efforts by taking practical steps, which is evident from the allocations of funds for research and development. The 14th plan has promised to increase spending substantively. As Prime Minister Li Keqiang announced, the allocation and spending on R&D will observe a 7 percent increase during the 14th plan. The allocations are in line with the total investment in R&D in 2020, which was US\$ 378 billion. It was 10.3 percent higher than the previous year. It was accounted as 2.4 percent of the total GDP of China⁴.

The major contenders for future investments would be semi-conductors, healthcare, cloud computing and quantum computing sectors. The investment in technology and future technologies is essential because China is facing challenges from the USA

⁴ <https://www.cnbc.com/2021/03/05/china-to-boost-research-and-development-spend-in-push-for-tech-breakthroughs.html>

and Western allies in these areas. Recently, the USA and Western companies had blocked the supply of cutting-edge technologies to China on the basis of baseless allegations. It is expected that the trend of sanctioning will continue to play its role and the USA will impose new sanctions.

Simultaneously, China will also be focusing on refining of the economic system. It will be working to further open up the markets at a larger scale. As China has already started the process of comprehensive openness, it will be further accelerated. It has been perceived that opening up will be a good step to attract investment. It will also help create deeper linkages with other economies. China is also working on the “Dual Circulation Model of Economy”, which has been designed to cater to the future economic needs of the country.

Better living and environment, social environment and governance are other areas which have been identified to work on. It is one of the key interventions, as President Xi has highlighted in third principal contradiction. President Xi Jinping is especially concerned about the imbalance and inadequate growth and development. Inadequacy of growth left many people behind and it gave birth to the problem of inequality. Thus, President Xi made it the prime focus of its strategy and worked tirelessly and steer the country to eradicate inequality. The first step was to eliminate poverty and the second step is to eliminate inequality. Thus, he is steering the country towards equality and better living for everyone. President Xi is also convinced that environmental problems have emerged basically due to uneven growth. China heavily relied on fossil fuels to support rapid growth, which resulted in high pollution and other issues.

Hence, the Chinese leadership is working hard to mend past mistakes and steer the country to a safe future. The 14th Five-Year Plan is a reflection of the commitment of Chinese leadership for sustainable development and eco-civilization. The plan underscored that China will be working to control the factors of climate change and devise strategies to combat the challenges that emerged from climate change. Thus, in the next five years China will be working to lower carbon, energy and resources consumption intensity. It has set targets for 2025 in following sequence;

1. Carbon intensity will be decreased by 18 percent.
2. The energy-intensity will also be brought down by 13.5 percent
3. Resource productivity will be increased by 20 percent
4. Water consumption will be reduced by 16 percent on per capita of GDP
5. China will utilize 60 million tons of paper waster and 320 million ton of steel waste
6. China will promote recycle industry and output value of sector will be around US\$ 773 billion

Simultaneously, China will be working to enhance the role of non-fossil energy. It has planned that non-fossil energy use will be increased by 20 percent in the coming

years⁵. Central government has also given targets to provincial and local governments. Although, the targets have been given but they are free to adopt most suited policies and actions. The autonomy has been given because every province and local areas differ from each other. Hence, they require different solutions on the basis of local dynamics⁶. 14th Five-Year plan has also targeted to curb the waste and set the targets to achieve till 2025 (Table-1)⁷.

Activity	2020 level	2025 target
Utilisation rate of crop stalks	over 86%	over 86%
Comprehensive utilisation rate of bulk solid waste	56%	60%
Comprehensive utilisation rate of construction waste	50%	60%
Use of wastepaper (m tonnes)	54.9	60
Use of scrap steel (m tonnes)	260	320
Output of recycled non-ferrous metals (m tonnes)	14.5	20

The analysis shows that government set very ambitious targets, and some experts term these targets as a wish-list. The experts are wondering how China will achieve such an ambitious plan. To meet the targets, China would be in need of huge investment. They are questioning, from where China will acquire the resources? It will have to turn around the production and consumption systems and practices. There is also the question how will it affect the competitiveness of China? Moreover, how will the government be convincing the people and the business community to adopt new systems and practices?

Despite all these questions, experts appreciate the commitment of political leadership to go for green development. However, experts are also conscious about the capacity of China to implement these plans as China has exhibited in the past. For example, in 1978, China was a poverty-ridden country with low growth and few avenues of development. In the next 40 years the leadership of CPC turned around the fate of the country and the people. Now China is the second biggest economy with zero poverty. History is unable to present an example of development at such a large scale.

Eco-Industrial Parks is another idea, which is contributing to green development agenda of China. These parks achieved the 90 percent recycling of solid waste and water reuse. It is marvelous. Second, China has also substantially increased the

⁵<https://www.wri.org/news/statement-chinas-14th-five-year-plan-sets-foundation-climate-action-important-details-are>

⁶<https://www.china-briefing.com/news/chinas-circular-economy-understanding-the-new-five-year-plan/>

⁷<https://www.icis.com/explore/resources/news/2021/07/08/10660850/china-unveils-5-year-circular-economy-plan-for-environmental-goals>

domestic use of renewable energy, which was 12.7 percent in 2018. It is only second to EU which is 14.1 percent in 2018⁸. By considering the difference in population, state of development and resources, China's performance is exceptional. Thus, on the basis of the past experience and commitment to achieve targets by CPC leadership, experts are hopeful that China will achieve these targets.

In nutshell, the 14th Five-Year Plan can be summarized as;

1. It will pave way for green development
2. The resource productivity will be enhanced
3. High-quality development dream will be materialized
4. Recycle and Reuse will be promoted
5. The concept of circular economy will be implemented with true spirit
6. Innovation and technological development will be leading areas for development in New Era

4.2- Medium-Term, Vision 2035

Vision 2035 has been designed to lead the transformation from a moderately prosperous country to a prosperous country. The objective of prosperity will be achieved by turning the country into a moderately developed country. A closer look at the goal and objectives of medium-term vision reveals that it has all the elements which have been included in the 14th Five-Year Plan. China has identified the key areas which will ensure building the country on the principles of eco-civilization. Further, it also highlights the step wise approach of China. The 14th Five-Year plan is the first step towards the medium-term vision. The 15th Five-Year Plan would be the second step and the 16th Five-Year would be the final step to achieve the goal. Thus, many experts have assumed that the execution of the 14th Five-Year plan will provide us a blueprint of the future success of China. The CPC leadership is also putting a lot of efforts to turn the 14th plan into success. The success of the 14th would be a morale booster and give new energy to implement the second step.

The vision has all the ingredients which will help China climb further on the ladder of development (Fig-2).

⁸ <https://waste-management-world.com/a/china-unveils-new-circular-economy-plan>



Vision 2035 revolves around the new philosophy of development put forward by President Xi Jinping. The new philosophy of development has five pillars, 1) innovation, 2) coordination, 3) go-green, 4) openness and 5) sharing, said Yang Weimin, deputy director of the Economic Affairs Committee of the Chinese People's Political Consultative Conference National Committee. Innovation and technological advancement got special attention in the Vision 2035. President Xi is advocating and leading the path to ensure success. He believes that innovation and technological advancement are critical instruments to transform the economy. These will also help China to benefit from digital economy. It will strengthen the future prospects and status of the country at the global level.

Besides, innovation and technological advancement will also lay the foundation of high-quality growth. Resultantly, high-quality growth will assist in achieving the dual objectives: 1) efficient and improved economic structure and 2) trickle down of prosperity and well-being. Furthermore, the trickle-down effect will be achieved by constructive interference and a strong hand of government.

The success of Dual Circulation Model of Economy has also been tagged with a successful execution of high-quality growth supported by innovation. It will act as a stepping stone to pave the way for success in future. On the one hand, it will ensure restructuring and reform of the supply side. The supply chain will become more efficient and achieve global standards. It will help give impetus to global linkages and trade. As it has also been envisioned under the Three-Dimensional Transportation Network Plan, enhanced linkages and improved trade will assist to sustain the growth.

On the other hand, the improved well-being of the people will give a push to domestic demand and consumption. Enhanced consumption has been identified as the basic ingredient to actualize the dream of consumption-led growth. However, to increase consumption, China will have to work in two areas: first, it will have to

introduce interventions, which can increase the real income of people on a sustainable basis. As it is a well-established fact that increased income and sustainability leads to consumption. Second, China will have to increase the social security net so that people can consume their income without fear of future disturbances, like health, etc. The successful execution of the plan to boost consumption will help China to avoid the middle-income trap and ensure the march on the path to China Rejuvenation.

“Go green” is another area which the Communist Party of China (CPC) is pursuing for a long time. The drive for green development got impetus after the 2007’s meeting of the party. The CPC decided to redefine the development path and started to introduce green measures. However, President Xi gave it a new dimension as it is very close to his heart. He described it as a pre-requisite to achieve high quality growth and national rejuvenation. China has launched numerous initiatives under his leadership, including building 10 national parks, drive for a pollution-free China, renewable energy, intelligent production and many others. He is trying to transform the production systems and consumption behaviors. These initiatives have been dubbed as transformative in nature, which will assist China to achieve the goal of high-quality growth and development. President Xi also considers it a necessity of today and strength of tomorrow.

China also considers high-quality growth a tool to combat the challenges of non-traditional security threats. There is no second opinion that non-traditional security threats, including climate change, food insecurity, health, cyber security, etc., are a reality. It is a widely accepted fact that food insecurity has direct relevance to national security. Climate change presents an existential threat to the mother earth.

Openness and sharing are the other driving elements of the new philosophy of development and President Xi’s thoughts. Since the times of Confucius and Tao, China believes in shared prosperity and prosperity for everyone because it believes that prosperity can only be sustained by sharing. Moreover, it also has a business dimension. As there is a saying in Chinese, “you cannot do business with the poor.” So, to have better business you will have to raise the standards of the customers. Openness and sharing have been identified as tools to achieve the above objective. Hence, China is promoting openness and reforming its economy to create more opportunities for the rest of the world. To strengthen openness, China took a unique initiative by launching the International Import Expo. In human history, we do not find any precedent where a country organized an import expo to benefit others.

President Xi equally emphasizes on the need of better coordination at all levels, which is the fourth pillar of the new philosophy of development. He is advising all government and party officials to pay special attention to quality coordination. He tagged macro-economic reforms and adjustments with better macro policy coordination. According to him, the macro-adjustment would require “*making discretionary choices and issuing corresponding prescriptions*” and coordination will be key.

Human Capital is another area which will attract equal attentions from the leadership. It is not new to leadership as it has always been part of all plans and actions of China. China is cognizant of the fact that education and health are the key factors of development of the country and welfare of the people. This triggered Prime Minister Zhao Enlai to conclude that *“Among other things that the overwhelming majority of Chinese intellectuals had become intellectuals belonging to the working people and that science and technology would play a key role in China's modernization.”* It was a key finding which he presented to assure the nation that China was moving in the right direction and was ready to take off. China equally invested in health and made tremendous achievements, especially in terms of life expectancy. The statistics show that life expectancy in China was 35-40 years in 1949. It reached the level of 65.89 years in 1978. Education and health provided the base for a rapid development of China after the 1978 reforms. Thus, we can say, the investment of decades in human capital paid off in the form of rapid development of China.

China is aware of the role of human capital during the last four decades and importance of quality human capital in the next phases of development. Hence, China has started to transform human capital under the leadership of President Xi Jinping. President Xi defined three very specific goals for education, 1) compatibility of education and development status of the country, 2) adherence to national culture and values and 3) learning hard work. He stressed that China needs to focus on education and skills in accordance with the development status of the country. It requires continuous focus and reforms as China is rapidly growing. He also highlighted the importance of opening up and international cooperation to further sharpen the skills and education development. The President also believes in learning national values and culture to define the future course of action.

The goal of learning hard work is, perhaps, the most significant pillar of Chinese education vision. Through different policy initiatives, it is aspired to improve the work ethics. Students must learn to do physical work. It is in line with five objectives of the vision of President Xi, i.e., *morality, intellect, physical ability, aesthetics, and work ethic [labor]*. Prime Minister Li Keqiang echoed the same and assured that the state will prioritize allocation of resources, including financial resources for education.

This fact is also evident from the allocation of budget for education. In 2019, China spent 5017.5 RMB on education, which is 8.74 percent higher than the previous year. The allocation for compulsory education was RMB 2278 billion, for senior high education it was RMB 773 billion and for higher education it was RMB 1346.4 billion. An interesting fact to note here is that the allocation for vocation training at senior high education and higher education level was also substantial. According to government statistics, China allocated RMB 261.7 billion for secondary vocational education and RMB 240.2 billion for higher vocational education. China also increased spending per student in 2019, for example, spending was RMB 11,855, for kindergartens, RMB 13,493 for primary schools, RMB 19,562 for junior high schools, RMB 22,115 for senior high school, RMB 21,203 for secondary vocational students,

and RMB 38,681 for higher education students. The allocations have shown yearly increase in allocation under President Xi.

The same is true for the health sector. China is equally focused on health and considers it a basic human right and an element of growth. President Xi take it as a priority area as he said, “*a healthy population is a key mark of a prosperous nation and a strong country*”. He is trying to reform the sector so that everyone has access to health facilities without creating additional burden on the state exchequer. The Chinese government is also allocating generously to support the vision of a healthy nation. According to World Health Organization, the total allocation of China rose 300 percent during the period from 2009 to 2017. The World Bank calculated that the total spending on health in China was 5.15 percent of the GDP in 2017, which is huge. The WHO further highlighted that China provided basic health insurance system to the 95 percent population in 2017. Out-of-pocket expenditure also has witnessed a historic drop and reached 28.8 percent in 2017 from 37.5 percent in 2009. These historic facts highlight that China always focuses on human capital development. China wants to continue the legacy with a new enthusiasm and vigor. It is also the need of the hour due to two important factors: 1) China wants to lead the fourth industrial revaluation and 2) Covid-19 has proved that better health system is a pre-requisite to combat shocks and sustain growth. For the fourth industrial revolution there would be a need to be innovative. It has been learnt that China will adopt a model of education where innovation would be a major element of the entire mechanism.

The blueprint of the 14th five-year plan presents an encouraging picture. A quick glance at the blueprint of the 14th plan shows that the state will encourage partnerships among educational institutes and the private sector. The partnership will deliver the objective of innovation and create better jobs for the youth. It will introduce the habit of hard work and physical participation in the field. It will also give a sense of job security to the youth. The educational institutes will also be given more autonomy to make decisions at the institutional level. It will create opportunities for institutes to develop partnerships and venture into new areas. In the field of health, comprehensive reforms will be implemented to further improve the status of health and life expectancy. Life expectancy has already reached at 76.96 in 2020. The government will also ensure insurance for serious illnesses in rural and urban areas. It will help reduce the burden on families and help produce a healthy society.

The proposed interventions in the fields of education and health will help produce human capital to match the vision of President Xi which can *keep pace with China's comprehensive national strength and international status*. However, we will have to wait for a detailed plan of action in the fields of education and health till March 2021. The detailed plan will not only aid in drawing a comprehensive picture of future vision but would also provide support in practical actions.

4.3 Dual Circulation Model

Dual circulation model will be one of the key interventions to achieve the high-quality development in short to medium term. The concept has attracted immense attention since the announcement of its leading role in the future economy of China. There are speculations and assumptions about the dual circulation model of China. It is now a widely debated subject among experts and governments. It has proponents which highlight the sheer size of the Chinese market and opportunities for investment and business by following the concepts of sustainable production and consumption. On the other hand, it also has critics, who see it as reversing the phenomena of opening up.

Economic experts from China and other parts of the world are trying to decode the term and possible policy and strategy of China. They are also putting forward suggestions for the government consider. But they have a consensus that the dual circulation model seems to be the need of the time due to two major factors: 1) the USA and Western allies' opposition to the economic rise of China at the global level and 2) Covid-19 impacts on the global supply chain and trade. It is not a secret that the USA is keenly pursuing global players and allies to create economic obstacles for China. The prominent examples are the imposition of trade war and restrictions on technology companies of China. President Trump used both the tools freely and asked the allies to follow suit. Thus, the EU, India, Japan and others have joined hands with the USA to support the campaign.

President Biden is no different from President Trump. Rather, he has introduced new mechanisms. He is also trying to use traditional instruments like human rights and democracy to put pressure on China. He has used G-7 and NATO to echo the sentiments of the USA. The G-7 and NATO communiques have clearly tagged China as a potential threat and urged members to do whatever is needed to check the rise of China.

Covid-19 is another factor which has pushed China to look for a new model of growth and development. The pandemic has put great stress on the world economy. An economic recession is on the cards. The global supply chains and trade have been badly impacted and China cannot rely on it for future growth and development.

Howbeit, it is pertinent to mention here that dual circulation concept is not new in the Chinese discourse. From the early 2000s, China was looking to lessen its dependence on the "export-led" growth. The process started during President Hu Jintao's period. China realized that the share of trade increased from 10 percent of the GDP in 1978 to 68 percent in 2006 (highest level)⁹. It was not sustainable to move on the ladder of development and to achieve the status of a major power. It was

⁹https://www.igef.cuhk.edu.hk/igef_media/people/lawrencelau/presentations/english/200912.pdf

calculated that it could also introduce the problem of “Middle Income Trap” which needed to be avoided. The best available option would be to enhance the role of domestic market, as it is one of the recognized instruments to avoid the middle-income trap¹⁰.

Hence, from 2006, China started to refocus on the growth model and started to work to enhance the role of domestic consumption to achieve two specific objectives:

1. Balance out the role of internal and external sectors’ share in economy
2. To avoid middle income trap

With concrete plans and actions, the percentage of trade started to decline. It is exhibiting a steady decrease in the GDP since 2006. It was calculated that the total share of trade in the national GDP was 37 percent (2019), which is a substantial decrease. However, we have to see how Covid-19 will impact this. As it is expected that exports will increase after the pandemic as China is the only major economy which is exhibiting positive trends.

On the other hand, China is also working to enhance the share of domestic consumption in the national GDP. Experts suggest that to achieve the objectives China will have to increase the domestic consumption enormously. China has huge scope and a vast market to explore at the domestic level, as in 2019 the share of domestic consumption in the GDP was 38.9 percent. China can exploit this huge potential of domestic market. For that purpose, China will have to increase the income level and spending capacity of the people. On the supply side, China will have to look for ways for enhancing the efficiency of the industry and the allocation of resources that will include the talent, land and financial resources.

Experts also believe that the adaptation of model will introduce three types of opportunities for the world: 1) increase in demand of commodities and products in China, 2) increased demand of raw material, and 3) investment opportunities.

This is against the notion of decoupling, as it has been put forward by Western experts and countries. They consider it an attempt to decouple from the international system. In reality, China will need to import food, iron, and other commodities to meet the domestic demand. It is also in need to import advance semi-conductor and aircraft along with other products¹¹. Moreover, China is a staunch supporter of globalization, as it is one of the biggest beneficiaries of globalization. The country also showed the willingness to share its prosperity with the rest of the world. Thus, China will not go for decoupling, as President Xi Jinping has said, “*China’s door of opening up will not be closed and will only open wider*”¹².

¹⁰ <https://harrisbricken.com/chinalawblog/chinas-dual-circulation-policy-and-the-u-s-response/>

¹¹

https://www.igef.cuhk.edu.hk/igef_media/people/lawrencelau/presentations/english/200912.pdf

¹² <https://www.emerald.com/insight/content/doi/10.1108/CPE-09-2018-002/full/html>

Hence, it can be inferred that the dual circulation model will be deployed to absorb the shocks of international politics. It has nothing to do with decoupling. It is a firewall against unnecessary pressure and malicious campaign. Thus, the world needs to work to find avenues to enhance cooperation with China to benefit from the new emerging market of China.

4.4- Three-Dimensional Transport Network Plan

The Vision 2035 and 14th Five-Year Plan identified that modernization of supply chain would be critical to realize the dream of moderately developed country in 2035. It was also recognized by the policymakers that the supply chain modernization would be a deciding factor for the success of dual circulation model of economy. The transport sector has been pinned as the first priority area. China has been working on it for some time and came up with the three-dimensional transport network plan. The first and foremost intervention would be to connect the transport infrastructure in a way that it enhances the efficiency of the system. Moreover, it will also contribute to boost trade within and outside the country. The three-dimensional transportation network plan has been designed keeping in mind these dimensions. The major indicators of the plan have been summarized below in table 2:

<i>Major Indicators by 2035</i>		
	<i>Indicators</i>	<i>Targets</i>
<i>Convenient and unobstructed</i>	<i>Proportion of population served by rapid transit within 1 hour</i>	<i>Over 80%</i>
	<i>Half-hour accessibility from city centre to integrated passenger transport hub</i>	<i>Over 90%</i>
<i>Economical and efficient</i>	<i>Rate 1-hour completion of multimodal transport changes</i>	<i>Over 90%</i>
	<i>Utilization rate of the national comprehensive three-dimensional transportation network's backbone</i>	<i>60%-85%</i>
<i>Green and Intensive</i>	<i>Increase in the rate of comprehensive utilization of multi-modal land space for new transport infrastructure in major corridors</i>	<i>80%</i>
	<i>Proportion of green construction of transport infrastructure</i>	<i>95%</i>
<i>Intelligent and advanced</i>	<i>Digitalization rate of transport infrastructure</i>	<i>90%</i>
<i>Safe and reliable</i>	<i>Ratio of multi-path connectivity in key regions</i>	<i>Over 95%</i>
	<i>Integration rate of safety facilities in national comprehensive three-dimensional transportation network</i>	<i>95%</i>

China will aim to building three-dimensional network with 6 axes, 7 corridors and 8 channels, which will connect 4 poles, 8 clusters and 9 groups¹³. A total of 700000km (200,000 km of railways, 460,000 km of roads and 25,000 km of high-grade waterways) of transportation network will be built¹⁴. It will help turn one hundred cities into a transportation hub. The plan also highlighted that China will be putting efforts for turning 20 cities into a comprehensive international transport hub. The cities included in this list are: Beijing, Tianjin, Shanghai, Nanjing, Hangzhou, Guangzhou, Shenzhen, Chengdu, Chongqing, Shenyang, Dalian, Harbin, Qingdao, Xiamen, Zhengzhou, Wuhan, Haikou, Kunming, Xi'an and Urumqi. The list of cities indicates the diversity in terms of geography and ethnic regions. It highlights that China is equally concerned about the development of all areas and ethnicities of China.

The network would be built by applying principles of green infrastructure development. It has been made mandatory to follow the principles upto the maximum level. It is the first of its nature intervention at such a huge sale. It shows the commitment of China's green development. It also indicates that the targets set for reducing carbon and energy intensity in the 14th Five-Year Plan were not built in the air. China is trying to support policy with practical actions. It will help China reach the peak of carbon emissions in 2030 and ensure carbon neutrality by 2060, as it has been committed by China. Hence, the transport network building will be supported through investment in innovation and modern technology. It will open up new avenues of job creation and generation of wealth. China will try to use the opportunity to lead the world in building green infrastructure and technology for green infrastructure.

It has been estimated that the network will be completed in 2035. It will transform the supply chain and commuting in China. It will also help China transform its international supply chain. China will achieve "national 123 travel traffic circle" till 2035. It will be achieved by ensuring one-hour commute time for the metropolitan areas, two hours access in urban agglomerations and three hours coverage in major cities. Simultaneously, efforts will be made to achieve the target of "global 123 fast cargo logistics circle". It will be built around the three key areas: 1) one-day delivery in China, 2) two-day delivery in neighboring countries, and 3) three-day delivery in major cities around the world. It is expected that the completion of the network will be a huge turn-around for the Chinese economy. It will also contribute in improving international supply chain and trade across the world would be benefiting from it. It will create new opportunities for exporters, especially of perishable commodities with a limited life span, to exploit the opportunities.

¹³ Poles: Beijing-Tianjin-Hebei (Jing-jin-Ji), Yangtze River Delta, Guangdong-Hong Kong-Macau-Greater Bay Area and Chengdu- Chongqing economic circle; Clusters: Middle reaches of Yangtze River, Shandong Peninsula, West Coast of the Strait, Central Plains, Harbin-Changchun, Central-South Liaoning, Beibu Gulf and Guanzhong Plain; Groups: Hohhot- Baotou- Erdos - Yulin, Central Guizhou, Central Yunnan, Central Shanxi, Northern Slopes of Tianshan, Lanzhou- Xining, the Yellow River area · in Ningxia, Lhasa and Kashgar

¹⁴<https://www.changing-transport.org/wp-content/uploads/Outline-of-the-National-Comprehensive-TDT-network.pdf>

Economic efficiency and safety would be other prominent features of the plan. It will ensure that all the networks must be affordable for the common citizen and businesses. It should help the business community to become more competitive by reducing external costs. It is envisioned that the network will introduce new markets for perishable and sensitive commodities. It will be achieved by improving the delivery time and safety. Second, safety and reliability will be ensured so that the common citizen and businesses benefit greatly.

5- International Economic Relations

The second century goal has a strong relevance for the world community. China is mindful of the fact that being a great power it will have to fulfil certain responsibilities. It will have to share its economic fortune, technology and opportunities with the world, especially with less-developed countries. Thus, China has launched reforms to refine international economic relations under the slogan of “community with a shared future” which has been put forward by President Xi Jinping. China, under the leadership of President Xi, is refining its international linkages and role. China has committed to share its prosperity with the world through practical steps and innovative means. The Belt and Road Initiative (BRI) is one example on this front, which is growing with the passage of time. Now 140 countries and 32 organizations are working with the BRI. The total trade volume of the BRI countries, since its inception, has reached US\$ 9.2 trillion in 2020. Further, in 2020 alone the trade volume was US\$ 1.35 trillion. Chinese companies have also invested US\$ 130 billion in BRI countries, which is increasing with the passage of time.

The BRI is one example; China has also built other forums and institutions to enhance its economic linkages and share prosperity. China has established the Asian Investment Infrastructure Bank, Shanghai Import Expo, SCO free economic trade zone, Silk Route Development Fund, BRIC bank, etc. However, in this only three major initiatives of China have been selected for discussion due to their importance and wider relevance at the global level. These initiatives also have direct relevance to the new philosophy of development, which revolves around green development, according to the principles of eco-civilization. The selected areas are:

1. Greening Belt and Road Initiative (BRI)
2. Asian Investment Infrastructure Bank (AIIB)
3. Shared Prosperity

5.1 Greening of Belt and Road Initiatives

Although a lot has been written and discussed about the BRI, there is little literature which highlights the focus of the BRI green development. China, under the leadership of the President, has a clear vision of green development and focus on environment-friendly development. Unfortunately, this dimension is not part of the

discussion and Western countries try to criticize China on the issue of environment. They have organized a campaign without understanding the new philosophy of development of China in the New Era. The New Era policies and actions have been designed to achieve the development which ensures a better living. Thus, this section is an attempt to highlight a new philosophy of development and its relevance for the BRI.

The new philosophy and agenda of green development according to the principles of eco-civilization can be best understood from the statement of President Xi Jinping: “*We will never again seek economic growth at the cost of the environment*”. It clearly spells the future course of action of China; that it will be led by the vision of eco-civilization. China will be putting in place policies and actions, which ensure that the dream of green development comes true.

In accordance with the vision, China is trying to transform the BRI according to the goal and objectives of the New Era. The New Era clearly spells out the need for green development to combat environmental problems. It is also required to ensure the prosperity and better living of the people, in accordance with the vision of President Xi Jinping. Thus, China started to transform the BRI and is now working hard to make it green. The country is leaving the old technologies and fossil fuel behind and is looking for new clean sources of energy and more efficient and environment-friendly technologies.

China has learnt it from its history of 5000 years that development without consideration, rather respect, of nature is not sustainable. It is pertinent to mention here that China was the first country which introduced punishments for waste and damage to environment. President Xi, building on the history of China and under the vision of eco-civilization, has declared environment as part of the system and not as external factor. This philosophy has changed the whole dynamics of the development policy of China.

Although China has started the process to mainstream green growth and development for the last many years, President Xi has given it new dynamics. The adaptation of Vision 2035 further accelerated the process. China is complimenting the policies with actions at the international level. China issued rules for Promoting Green BRI, BRI Ecological and for Environmental Cooperation. President Xi at the second forum of BRI assured the world that China would work for building the infrastructure which would have the following characteristics:

1. Sustainability,
2. High quality,
3. Reasonable pricing,
4. Risk resilience,
5. Inclusiveness and
6. Accessibility.

The Second Forum of BRI followed by the launch of Belt and Road Initiative International Green Development Coalition (BRIGC). The goal of the BRIGC is “to promote international consensus, understanding, cooperation and concerted actions to realize green development on the Belt and Road, to integrate sustainable development into the BRI through joint efforts and to facilitate BRI participating countries to realize SDGs related to environment and development”. Since its inception, BRIGC is working diligently to realize the dream of green development.

According to official statistics, 140 countries and international organizations have joined the BRIGC. BRIGC has ten thematic areas and each area hosts a good number of organizations (Table-3)¹⁵.

Thematic Areas	Chinese partner(s)	International partner(s)
Biodiversity and Ecosystem Management	1. International Environmental Cooperation Center, Ministry of Ecology and Environment (MEEE) 2. Nanjing Institute of Environmental Sciences, Ministry of Ecology and Environment 3. Center for Satellite Application on Ecology and Environment, Ministry of Ecology and Environment	1. UNEP International Ecosystem Management Partnership 2. International Union for Conservation of Nature 3. Conservation International 4. WWF International
Green Energy and Energy Efficiency	Energy Research Institute (ERI), National Development and Reform Commission	Global Energy Interconnection Development and Cooperation Organization (GEIDCO)
Green Finance and Investment	Center for Finance and Development of Tsinghua National Institute of Financial Research	1. International Institute for Sustainable Development (IISD) 2. World Resources Institute (WRI)
Improvement of Environmental Quality and Green Cities	1. Belt and Road Environmental Technology Exchange and Transfer Center (Shenzhen) 2. Chinese Academy of Environmental Planning, Ministry of Ecology and Environment	1. World Resources Institute (WRI)
South-South Environmental Cooperation and SDGs Capacity Building	1. International Environmental Cooperation Center, Ministry of Ecology and Environment	1. United Nations Office for South-South Cooperation 2. Global Green Growth Institute

¹⁵ Table has been taken from <https://green-bri.org/belt-and-road-initiative-green-coalition-brigc/>

	2. China Center for International Knowledge on Development , Development Research Center of the State Council	(GGGI)
Green Technology, Innovation and Corporate Social Responsibility	1. China Business Council for Sustainable Development 2. China Everbright International Limited	World Business Council for Sustainable Development (WBCSD)
Sustainable Transportation	1. Transport Planning and Research Institute (TPRI), Ministry of Transport 2. China Highway and Transportation Society (CH>TS)	International Road Federation (IRU)
Climate Change Governance and Green Transformation	National Center for Climate Change Strategy and International Cooperation	1. Children’s Investment Fund Foundation (CIFF) 2. Environmental Defense Fund (EDF) 3. Energy Foundation (EF) Beijing Representative Office
Environmental Legislation and Standards		
Maritime Community with A Shared Future and Marine Environment Governance		

China has also launched “Green Investment Principles” initiative in collaboration with many Western countries, including the UK, France, etc. It has 27 member states. It is built on the seven key principles:

- Principle 1: Embedding sustainability into corporate governance
- Principle 2: Understanding environmental, social, and governance risks
- Principle 3: Disclosing environmental information
- Principle 4: Enhancing communication with the stakeholders
- Principle 5: Utilizing green financial instruments
- Principle 6: Adopting green supply chain management
- Principle 7: Building capacity through collective action

Green Development Coalition is another initiative to strengthen cooperation in green development. The coalition has been joined by 25 countries and some international organizations, think tanks and civil society organizations. The purpose of the

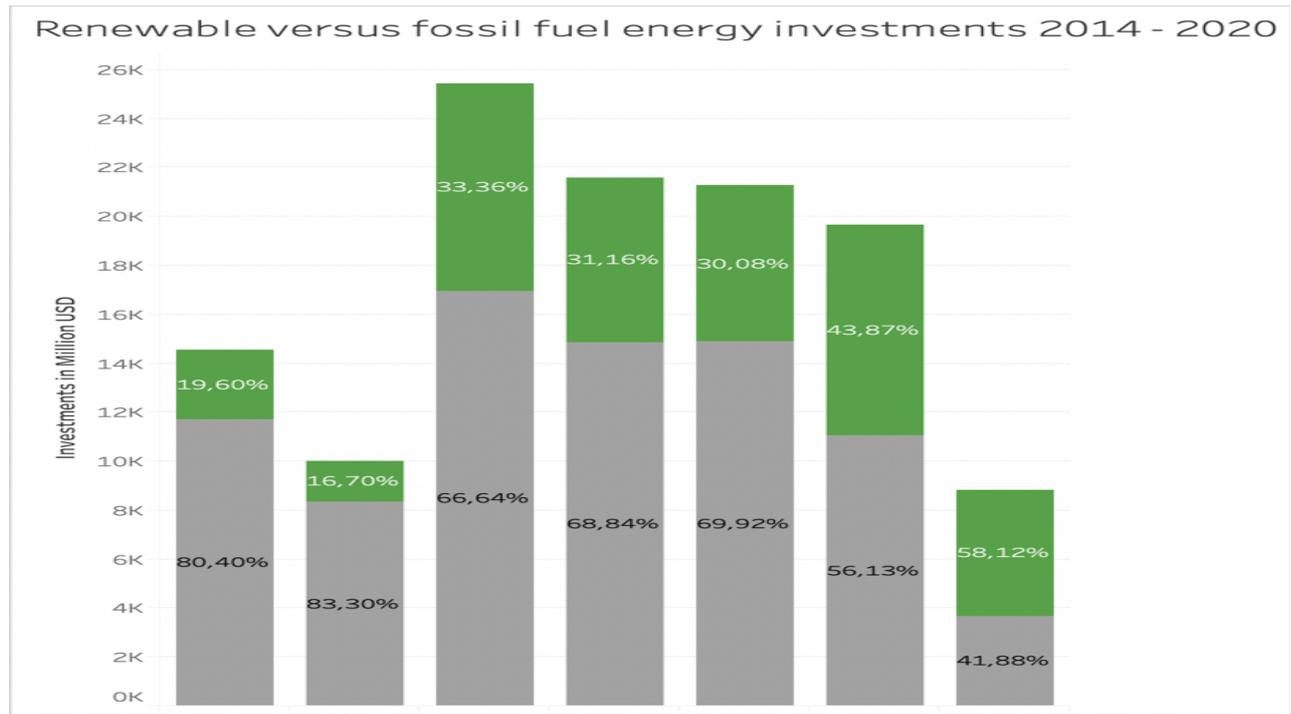
coalition is to build a network for research, experience-sharing and the means to achieve the Agenda 2030 under the SDGs.

The Chinese Academy of Sciences came up with the idea of Silk Road Environment Program. The program has been designed to build close cooperation with research institutes across the world with a focus on BRI member countries. The research community of China wants to share its experience with other countries. Moreover, China had announced that it will train 1500 officials under the “Green Silk Road Envoy Program”. Big Data Platform is another landmark initiative. It will be a huge intervention to tackle issues of environment and climate change in the coming days. Data is key to formulate sound and focused policies for achieving the desired results. The Ministry of Ecology and Environment also established a Belt and Road Environmental Technology Exchange and Transfer Center. It is one of the most important initiatives. As we know, many developing and poor countries lack the technology to combat the challenges of climate change. Thus, it will be interesting to watch how China is trying to assist these counties. The National Development and Reform Commission introduced the initiatives of Green Lightening and Green Cooling initiatives.

In addition, China has already started to take practical steps to refine its investments under the BRI. It has started to shelf or replace fossil fuel power projects with renewable and clean energy. Data shows that half of the planned or negotiated coal-fired plants have been shelved or cancelled during 2014 to the end of 2020 (table 4). It is a huge shift in policy and investment from China. Investment in coal-fired power plants has also observed a steady decline.

	announced	pre-permitted	permitted	construction	operation	shelved	cancelled
announced	52	15	8	7	1	25	8
pre-permitted		40	15	11	4	9	5
permitted			35	16	8	4	1
construction				34	19	4	0
operation					32	1	0
shelved						32	9
cancelled							13

On the other hand, China has increased investment in clean and renewable energy sources. The graph below shows that there is a steady increase in investment for green energy. It is very encouraging because it is the need of the hour. It gives hope to the world that China will assist them in green development.



Covid-19 has further given impetus to green development under the theme of green recovery. China, along with other leading countries of the world, looks at this as an opportunity to reset the economic and development agenda.

It is pertinent to mention here that Pakistan is member of almost all initiatives. It provides Pakistan a unique opportunity to benefit from the green development policy and learn from eco-civilization practices of China. Pakistan will use this opportunity to turn CPEC into a green initiative. Pakistan can also work with China to make CPEC a flagship program for green development of the BRI. It will be a win-win proposition. Pakistan will be able to achieve the goal of development and environmental protection. China can turn it into a pilot project for the world and other member countries of the BRI.

5.2- Asian Infrastructure Investment Bank

5.2.1- Introduction

Asian Infrastructure Investment Bank (AIIB) is a multilateral financial institution, which is young among the community of multilateral development banks. The goal of AIIB is to assist Asia for a prosperous future. The AIIB works with the slogan to build infrastructure for tomorrow by adopting principles of sustainability, innovation and prosperity for the people. The AIIB is motivated to assist countries for adopting innovative solutions and technology for building infrastructure, which can generate economic activities and enhance connectivity. It also tries to present solutions, which can meet the need and demand of clients.

Although AIIB has the mandate to work for Asia and Oceanics but it has wider membership from across the world, including European and Western countries. The western countries are looking at AIIB as a new avenue to increase the rate of return on their investment in Asia. They were looking for such avenues because the return on investment in Western countries has been low for some time. In 2020, the membership reached at 103. The members of the institute constitute 79 percent population and 65 percent of the GDP¹⁶. The AIIB has also been admitted as a permanent observer at the UN. It has performed well since its inception and it is holding AAA rating. It is working to devise the best governance model, which can help member countries.

Since its creation, AIIB has ventured in multiple sectors and provided funding to numerous countries and companies. It provides funding either to governments or private firms. The list of projects is very long and diverse. According to data, it has financed 134 projects and programs. 49 projects are under the process of approval. It had also extended a special grant to 14 cases. Moreover, it has approved US\$ 26.45 billion and committed US\$ 21.43 billion. It has also extended US\$ 30.14 million for project preparations¹⁷.

The AIIB also generously contributed and is still contributing in the fight against Covid-19. It has created Crises Recovery Facility to speed the process of funding. It has been decided that it will provide at least US\$ 13 billion till 2022. There is a special window for productive expenditures support in the fight against Covid-19. It is deemed necessary to create resilience and promote economic activities.

In a nutshell, the overall mission and vision can be summarized in the following points:

- 1- *Foster sustainable economic development, create wealth, and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors;*
- 2- *Promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions*¹⁸.

5.2.2- Distinguish Characteristics

It is the first multilateral institution, which has been established by China. It is also the first non-Western multilateral financial institution. It is the sign of a new approach of China to contribute at the global level. The initiative has been designed

¹⁶ <https://www.aiib.org/en/about-aiib/index.html>

¹⁷ <https://www.aiib.org/en/projects/summary/index.html>

¹⁸ https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKewiA8MXh1PjxAhU6VBUIHT_cDnwQFjABegQIBBAD&url=https%3A%2F%2Fum.dk%2Fen%2F~%2Fmedia%2FUM%2FEnglish-site%2FDocuments%2FDanida%2FAbout-Danida%2FDanida%2520transparency%2FConsultations%2F2018%2FAIIB.pdf&usg=AOvVaw1wI9GBDn3XshEQr33zjVeB

to create a facility with the goal of equity and mutual respect. China does not want to use it to dictate its terms the way IMF and World Bank have been used by the USA and Western allies to dictate their terms. President Xi has said at numerous forums that there is the need of a fair and respectful global order, which can ensure respect for every country, irrespective of their development status.

In 2013, President Xi announced the establishment of AIIB with the same spirit. He presented it as a rule-based organization which will not follow 'politics'. Later, he emphasized that the decisions will be made on the basis of needs and financial rules, not political preferences. The spirit is evident from the disbursement of funds. For example, India is the largest borrower of AIIB, as till 2020 it had borrowed around US\$ 4.3 billion. India is also looking to secure more funding (US\$3-5 billion) from the AIIB in the coming years. AIIB also provided two loans worth of US\$ 500 and 750 million to fight Covid-19 in India.¹⁹ It is happening despite the fact that China and India are engaged in border conflict, which is a sign of non-interference on the basis of political matters.

However, there are some experts who believe that it will enhance the influence of China at the global level. A bird's eye view of facts and dynamics supports the argument. It will contribute at four levels:

- 1- China will become a more powerful member at the global level to set the rules for economic and financial sectors. Presently, the USA along with Western allies, dominates the global economic and financial system through the IMF and World Bank.
- 2- It is also important to note that the USA is not approving voting rights of China at the IMF in accordance with the development status of China. It is the same situation since 2010²⁰. China is asking to calculate voting right according to the agreed upon voting calculation formula: weighted average of GDP (.5), openness (.3), economic variability (.15), and international reserves (.05)²¹. Thus, AIIB will provide leverage to China mitigate the negative impacts of this attitude of the USA²².
- 3- The AIIB will act as an alternative to the existing multilateral financial institutions so that China will have a say.
- 4- The process of RMB globalization will be accelerated as China will prefer to use RMB for business purposes in the long run

Now the question is, will China use this influence to secure Chinese interest at the expense of others? History shows that China has never used power to exploit others. So, it can be hoped that the same policy will be adopted in future. The good thing is

¹⁹ <https://economictimes.indiatimes.com/news/economy/finance/aiib-to-step-up-lending-in-india-plans-to-approve-loans-worth-usd-3-billion-in-next-12-months/articleshow/77258337.cms?from=mdr>

²⁰ <https://www.weforum.org/agenda/2015/04/what-does-the-aiib-mean-for-us-global-influence/>

²¹ <https://www.forbes.com/sites/realspin/2014/12/22/brics-new-development-bank-threatens-hegemony-of-u-s-dollar/?sh=750ea5737f89>

that President Xi has already assured the world that China will never bully or influence other countries.

The AIIB is also focused on the future of infrastructure. It is trying to promote infrastructure according to the need of Fourth Industrial Revolution. Thus, there is special focus on connectivity and technology. The funding for climate change and sustainable development is sign of a futuristic thinking. As we know, the world is facing the worst impacts of climate change, even the most developed countries are not able to handle the impact. The recent flood in Germany is a prominent example. Therefore, the AIIB is trying to contribute in green development and tackle issues of climate change.

5.2.3- Conclusion

The AIIB is a new institution which is free of the influence of Western countries and system. It has been designed to assist the poor and developing countries. It is also a sign of a new China in a New Era. In the New Era, China is setting up institutions of international relevance and AIIB is one of them. It also shows the commitment of China for realizing a shared future and prosperity for everyone. The AIIB is also an attempt to bridge the gap of investment for infrastructure, especially in poor countries. Lastly, China has built an institution which is free of political interference.

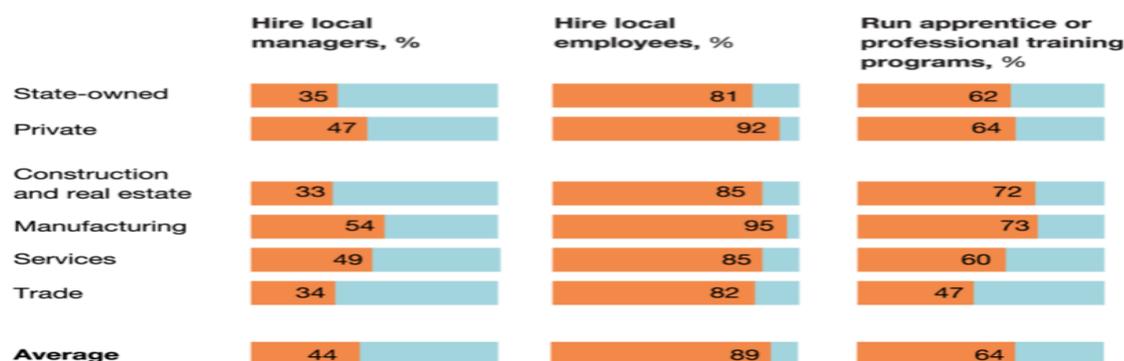
5.3- Community with a Shared Future

China believes the only way to sustain development and peace is to share prosperity. An island of development can never be a sustainable idea or reality. Thus, after achieving tremendous growth and development, China started to look for avenues to share its fortunes and experience with other countries. China started to invest in different countries, especially after the “go global” policy. China initiated the investment process by preferring the developing and least-developed countries. It prioritized that the investment must be focused on job creation, skill development and technology transfer.

A number of studies highlight that Chinese investment always brought jobs for the locals in higher numbers. In 2015, McKinsey, a global management consulting firm, conducted a study to evaluate the impact of Chinese investment, especially in the job market. For this purpose, 1,000 firms were selected for the study. The study revealed that at least 89 percent employees were hired from the local market²³. The study showed that Chinese investment benefits were not only confined to jobs creation but they also helped modernize the production and services operations of the firms, making systems more efficient. It is worth mentioning that Chinese investors not only provided jobs but also imparted the required skills through rigorous training programs. The McKinsey study further highlighted that Chinese companies have run well-structured training programs to enable local human resources compete in

²³ <https://www.mckinsey.com/featured-insights/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa#>

the job market. Similarly, many Chinese firms showed a strong commitment to continue their training programs (Graph-6)²⁴.



Source: McKinsey field survey of Chinese firms in 8 African countries, Nov 2016–Mar 2017

The same trend is also visible in Central Asian states where Chinese investment has helped overcome their development challenges in addition to job creation for the locals. A study conducted to find the trends of local employment concluded that Chinese investment entities hired local people in a great number and imparted them skills through two ways, i.e., providing on-job training and taking them to China for skills development²⁵.

Nigeria is another interesting case study to find the truth about local proportion of jobs in the Chinese companies. John Hopkins conducted a survey in Nigeria to study the Chinese investment there and its impact on the local economy. The study came up with two very interesting findings: First, the local proportion of employees was more than 85 percent. The second finding was technology transfer in Nigeria²⁶.

The Chinese also followed an old saying, “you cannot do business with the poor”. It explains the basic philosophy of business in China. For business, it is important that your client has the resources to do business. Thus, the business must be built on the principle of mutual benefits. The cooperation should be led by a win-win policy.

The BRI was also started with the same objective. It is not only an infrastructure project, but also a comprehensive program. It deals with infrastructure, focuses on trade, investment and creation of jobs for the local people. Since the inception of the BRI, the trade volume among member countries has crossed the figure of US\$ 9 trillion.

China in post-Covid-19 is further refining the programs of the BRI. It has accelerated efforts to engage countries more actively. China has also proposed a new initiative for health and human development. The investment in human development and health will help countries to combat the challenge of poverty. Poverty is another area where China will be cooperating with the rest of the world, especially with southern countries.

²⁴ <https://www.mckinsey.com/featured-insights/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa#>

²⁵ <https://www.lowyinstitute.org/the-interpreter/bri-increasingly-focused-benefits-locals>

²⁶ <http://cdm15738.contentdm.oclc.org/utis/getfile/collection/p15738coll2/id/130856/filename/131067.pdf>

China has already started dedicated programs for poverty alleviation through South-South Cooperation. China has launched six (100 each) programs to help countries come out of the poverty trap. China has launched one hundred programs each for poverty reduction, agricultural cooperation projects, trade promotion, environment protection and climate change, hospitals and clinics, as well as schools and vocational training centers.



In 2015, China also committed to create opportunities for training and education for people from the developing world. President Xi said China will be providing 120,000 training opportunities and 150,000 scholarships to get training and education. China will also help to develop 500,000 professional technicians for the developing countries. In addition to that, President Xi announced a development fund of US\$ 2 billion to support South-South Cooperation.

6- Conclusion

China is transforming. It is getting rich, technologically advanced, creating knowledge, and leading the Fourth Industrial Revolution. However, the world, especially the western world is trying to analyze China with the lens of 1980s or 1990s. Think tanks and media outlets try to bring back debates on coal and fossil fuels without knowing the real change in China.

China has adopted a new strategy of development, which keeps eco-civilization at the heart of decision-making. Environment and climate change have become top priority for the leadership of China. As President Xi said, China will not develop at the cost of environment. Better living and clean environment have more value than GDP growth. Hence, China has introduced multiple policies and actions to replace fossil fuels with clean sources of energy.

Simultaneously, China is working to share its experience of development and poverty alleviation. It has devised different programs, like the BRI, Six 100 programs and fund for South-South cooperation, etc.

In the light of these fundamental changes, it is advisable for researchers and policy makers to try understand China in the New Era with the lens of new dynamics.

7- Future Cooperation

In the light of the above discussion, it can be inferred that China is changing. China will be a new country in a New Era. It will be a strong country with the creation of its own global economic and development platforms, multilateral financial and development institutions like:

1. The Belt and Road Initiative
2. Six 100 South-South Cooperation Programs
3. Asian Investment Infrastructure Bank
4. BRICS Bank
5. Silk Route Development Fund
6. SCO Development Bank

These institutions and platforms have been created to share prosperity and create a world community with a shared future. These initiatives will also help combat unfair treatment of the developing world at the hands of Western multilateral financial and development institutions.

Thus, China will be working more closely with the rest of the world, especially with developing and poor countries. It will further open and create opportunities for economic linkages. It will also be extending financial support and invest in other countries to contribute in their growth and development. It will extend a hand of cooperation to help them realize their dream of development.

However, China will be focusing on development which has least implication for environment and climate change. The investment will be following the principles of eco-civilization and Sustainable Development Goals. Thus, China will be more interested to cooperate in the fields of:

1. Green development on the principles of eco-civilization
2. High-quality growth initiatives
3. Building efficient supply chains
4. Research and Development
5. Technology development and transfer

Hence, it is suggested that the countries which want to build linkages with China and attract investment from China will have to prioritize their areas. They will have to come out of the past and look at China with the lens of a New Era.