STUDI INTERNAZIONALI

The Chinese BRI and South-East Asia: A new "Flying Geese Pattern".

di Angelo Saverio Mattoccia

In the current geoeconomic framework, China has replaced Japan as the major economic Asian power, and the ASEAN-5 (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) have substituted the NIEs (South Korea, Taiwan, Singapore and Hong Kong) in the role of "catching-up countries". With the background of the "Flying Geese" pattern that Japan initiated in the 1980s, the article will analyse the Chinese BRI's role in the development of ASEAN-5 countries. In 2013, the One Belt One Road (OBOR) project was launched as a strategy targeting sixty-five countries over a thirty-six-year period (2013-2049). After a decade, the Belt and Road Initiative (BRI) counts 152 participating countries and is worth 1000 trillion dollars of investments. From a structural point of view, the commercial network is composed by six different corridors, illustrated in the figure below.

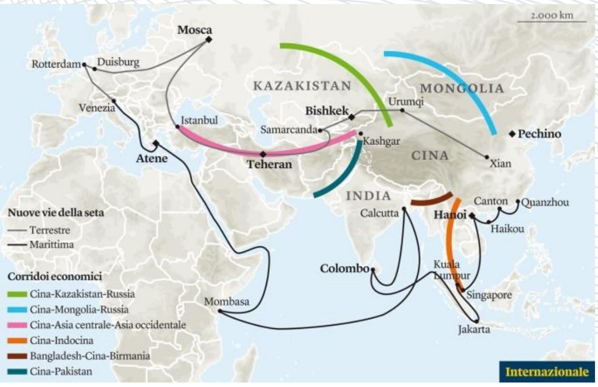

Figure 1. BRI main corridor.
Source:https://www.internazionale.it/opinione/giuseppe-gabusi-2/2019/03/19/cina-memorandum-intesa-italia

The stated intention was to create a win-win multilateral agreement that differed from the dominant regional and bilateral trade agreement matrix set up by the US and the EU. Instead, extensive trade structures with China at its core would allow the Chinese government to foster its own State-Owned Enterprises (SOEs), to develop its own technical standards and to avoid economic disruption. The BRI's motto was "bring countries in the world closer than ever", and this objective was to be pursued through the development of transport, telecoms and energy infrastructures among the participating States. Even though it has been accused of using controversial moves, such as the debt trap, the Chinese project has already brought some concrete results, especially in Southeast Asia, where high GDP growth rates are attracting more and more economic and geopolitical attention.

Japan and The Flying Geese Pattern

The narrative of economic integration promoted by the BRI can remind of major infrastructure investment schemes that generated spillover effects in the region in the past. Although it has been compared to the Marshall Plan (Defraigne, 2020, pp. 34-75), the reasons behind the launch of the BRI are more similar to those that generated the so-called "Flying Geese" pattern in Japan in 1985. The Flying Geese theory proposed to explain how an "underdeveloped" country could develop relatively quickly thanks to a spillover effect which, in the case of the Asian countries, was triggered by Japan's industrial boom. The model, first discussed by Kaname Akamatsu in the 1960s, was then applied to the lifecycle

CSI | CENTRO STUDI INTERNAZIONALI

of industries, such as the textile industry, characterized by an increasing comparative advantage in terms of competitiveness at the first stages, which would then decrease in the latter stages. The theory was then extended to an open economy context, to describe the shift of industrial clusters from more advanced countries to those which were catching up.

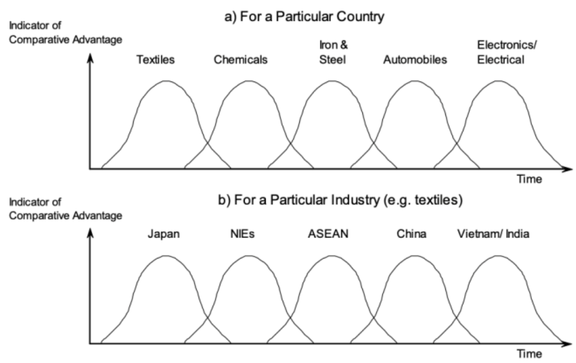

Figure 2: The Flying Geese Pattern. (C. H. KWAN,2009, pp.4)

Concretely, from 1986 to 1989, South Korea and Hong Kong experienced a drastic acceleration of export growth as well as a major transformation of their trade structures. The GDP of South Korea grew from 206 billion South Korean Won in 1980 to 1 trillion in 1996. In that same year, Japan represented 25% of Korea's trade dependency for imports compared to the 2% represented by China. The so-called "Asian Tigers" can be considered the result of Japan's economic miracle which served both as an inspiring model and as a driving force.

The BRI's and ASEAN-5

The pattern delineated by the BRI today is the consequence of a public stimulus worth $586 billion approved by China in 2008 to deal with the global economic crisis, addressing mainly infrastructure and construction firms. While the maneuver was effective in maintaining high GDP growth rates, it provoked the saturation of investment opportunities in most of the target sectors. The BRI had the scope to vent China's overproduction, to find new opportunities for investments and new markets for Chinese goods. Currently, China's main trading partners are the ASEAN-5 countries, also nicknamed as "Tiger Cub Economies" due to their impressive growth.

Indeed, the increasing weight of China (rising from 0.6% in the early 70s to over 14% in 2022) in global trade was accompanied by a constant growth of the Southeast Asian region.

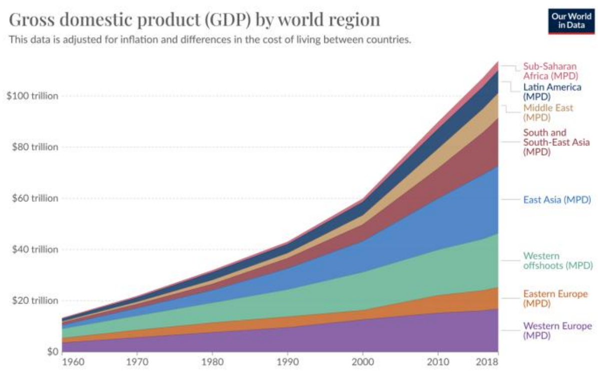

Figure 3: Gross domestic product (GDP) by world region.
Source: https://ourworldindata.org/

With China joining the WTO in 2001, the whole East and Southeast Asian area witnessed a sharp increase in terms of GDP. The main reasons behind the development of this region can be found in the growing concentration of FDIs and the displacement of supply chains. The current FDI's flow into the Asian Tiger Cubs is worth $100 billion per year and the forecasts say that it will be worth around $240 billion by 2025. The sources of these investment flows are mainly Japan, which is experiencing a contracting domestic market, and China. There are five pull factors that can explain this attraction: large and growing domestic markets, reforms focused on improving infrastructure and ease of doing business, a more open and liberal FDI regime, sound economic management, political stability, and the availability of low-cost labor. Chinese investment penetration in South and South-East Asia is primarily focused on infrastructural development and especially on the transportation sector. Indonesia and Laos became target countries for the construction of high-speed railways improving internal and external mobility. A trip from Laos' capital Vientiane to the northern Luang Prabang province in China that used to take up to 10 hours, has been reduced to just two.

The hi-tech sector experienced a sudden development burst as well, especially in the case of Vietnam where China, attracted by the presence of rare earth materials, announced the creation of a "strategic community for a shared future". On the other hand, the advantages of a loyal partnership with Beijing are balanced by the presence of non-insignificant costs, both political and debt related. In fact, the risk is that countries such as Laos and Vietnam, and a few of the Tiger Cubs as well (namely, Thailand), could fall in a debt trap. This would in turn entail territorial, political or economic concession to Chinese firms (often SOEs) and authorities once the sovereign's insolvency is declared. Finally, the current geopolitical situation presents a crucial difference from the context in which the Flying Geese pattern emerged. Since the Belt and Road Initiative is a strategic and structured project aimed at creating a wide commercial network that, starting from Beijing, promotes the Chinese economic influence in all the world's regions, Central African countries and the Middle East are also important targets of Chinese infrastructural investments consisting mostly in railroads, highways and energy plants. Here, while bringing technological development, China encourages the settlement of its population to strengthen its political influence. These strategies have been met with suspicion by the U.S and European states, which have been at times vocal in condemning Chinese activities. Indeed, unlike Japan in the mid-80s, China cannot count on the cooperation with the Western powers, instead it is seen as a dangerous competitor, in the economic, strategic, and political sphere.

Bibliografia

Allison, G.T. (2022) Destined for war: Can America and China escape Thucydides's trap? London: Scribe.

Armstrong, M. (2023) "Infographic: The Focus of China's Belt and Road Initiative." Statista Daily Data, www.statista.com/chart/31054/chinese-belt-and-road-initiative-investment-by-sector/.

Business Review, 24(1), pp. 31–47. doi:10.1177/0972150919890957.

Grare F. & Reuter M.(2023) Here be dragons: India-China relations and their consequences for Europe, ECFR.

Gyu-Pan, Kim. (2017) PART III: South Korea's Economic Relations with Northeast Asia -23 Korea's Economic Relations with Japan.

Defraigne J.C. (2020) The Belt and Road Initiative, the Economic Integration of the Eurasian Continent and the International Division of Labour.

Kwan C.H. (2002) The rise of China and Asia's flying-geese pattern of economic development:an empirical analysis based on US import statistics RIETI. Available at: https://www.rieti.go.jp/en/publications/summary/02070005.html (Accessed: 03 February 2024).

Miele, L. (2023) 'Vietnam. Le terre rare che fanno gola a Usa e Cina', Avvenire.

Nicita A., Razo C. (2021) China: The rise of a trade titan, UNCTAD

Ozawa, T. (2010) The (Japan-Born) "Flying-Geese" Theory of Economic Development Revisited— and Reformulated from a Structuralist Perspective, center on japanese economy and business. Available at: https://core.ac.uk/download/pdf/161436271.pdf (Accessed: February 2024).

Prasad, E. and Barnett, S. (2004) China's growth and integration into the World Economy: Prospects and Challenges. Washington, DC: International Monetary Fund.

Procopio, M. (2023) "Il Nuovo Valore Strategico Dell'Africa per La Cina." ISPI, www.ispionline.it/it/pubblicazione/il-nuovo-valore-strategico-dellafrica-per-la-cina-risorse-mercati-voti-e-ordine-globale-132643.

Rampini, F. (2021) Fermare Pechino: Capire La Cina per Salvare l'Occidente. Milano: Mondolibri.

Rampini, F. (2023) Speranza africana: La Terra del futuro concupita, incompresa, Sorprendente. Milano: Mondadori.

Rao, D.T. et al. (2020) 'Foreign aid, FDI and economic growth in south-East Asia and South Asia', Global Business Review

Wouters, J. and Burnay, M. (2012) 'China and the European Union in the World Trade Organization: Living Apart Together?', China, the European Union and Global Governance [Preprint]. doi:10.4337/9781781004272.00

Rao, D.T. et al. (2020) 'Foreign aid, FDI and economic growth in south-East Asia and South Asia', Global Business Review

Wouters, J. and Burnay, M. (2012) 'China and the European Union in the World Trade Organization: Living Apart Together?', China, the European Union and Global Governance [Preprint]. doi:10.4337/9781781004272.00013.