The growing economic presence of China, and the world's fastest growing economy, India, are developing global strategic agendas under nationalist leadership. While the West faces growing anti-globalisation sentiment and populism, Asia is contributing to discussions on the emergence of a new trend of globalisation or globalisation 2.0. This paper aims to discuss factors that have led to the discourse on the new globalisation. It will be argued that China and India are promoting the shift of global power to Asia by three features: leadership, initiatives and institutions. By doing so, the paper aspires to illustrate how the economic development of the two Asian emerging powers encourages the ambitions of its leaders towards the global and regional influence, which has been implementing through their connectivity instruments and new institutions. It presumes, that the connectivity projects by providing the ‘hardware of integration’ for the emerging world and its institutions as a ‘software of integration’ allows strengthening the Asian cohesion and assertiveness in the world politics. Taking into account the past several border clashes between China and India, the new globalisation lens might provide for both a common ground for bilateral cooperation and collaboration.

Key words: China and India, globalisation, Belt and Road Initiative, connectivity.

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China and India in Globalisation 2.0

China and India are emerging as global powers, developing strategic agendas under nationalist leadership. While the West faces growing anti-globalisation sentiment and populism, Asia is contributing to discussions on the emergence of a new trend of globalisation or globalisation 2.0. This paper aims to discuss factors that have led to the discourse on the new globalisation. It will be argued that China and India are promoting the shift of global power to Asia by three features: leadership, initiatives and institutions. By doing so, the paper aspires to illustrate how the economic development of the two Asian emerging powers encourages the ambitions of its leaders towards the global and regional influence, which has been implementing through their connectivity instruments and new institutions. It presumes, that the connectivity projects by providing the ‘hardware of integration’ for the emerging world and its institutions as a ‘software of integration’ allows strengthening the Asian cohesion and assertiveness in the world politics. Taking into account the past several border clashes between China and India, the new globalisation lens might provide for both a common ground for bilateral cooperation and collaboration.

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Китай и Индия в условиях Глобализации 2.0

Китай и Индия как экономически мощные страны стремятся к глобализации, развивая стратегические программы под националистическим руководством. В то время как западные страны сталкиваются с растущим антиглобалистским настроением, Азия вносит свой вклад в обсуждение нового тренда глобализации или глобализации 2.0. Это обусловлено лидерством, инициативами и институтами. Подход к интеграции, обеспечиваемый «твердым ядром интеграции» для мирового сообщества и его институтов в качестве «мягкого ядра интеграции», позволяет укрепить азиатскую общность и усилить ее позиции в международной политике. Учитывая недавние конфликты на границе между Китаем и Индией, новый глобализационный линз может предоставить обеим странам общий фундамент для двустороннего сотрудничества и сотрудничества.

Ключевые слова: Китай и Индия, глобализация, Шелковый путь, интеграция.

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и популизмом, Азия способствует дискуссиям о появлении новой тенденции глобализации, или Глобализации 2.0. В данной статье путем анализа индивидуальных, институциональных и геополитических факторов выявляются показатели, которые привели к дискурсу о новой глобализации. Основным аргументом является убеждение, что Китай и Индия способствуют изменению глобальной архитектуры власти в сторону Азии, основываясь на лидерских амбициях, инициативах и институтах. Таким образом, автор стремится проиллюстрировать, каким образом экономическое развитие двух азиатских развивающихся держав поощряет амбиции лидеров к глобальному и региональному влиянию, которое реализуется через их инструменты связи и новые институты. Предполагается, что проекты связи, предоставляя «оборудования интеграции» для развивающегося мира, а институты в качестве «программного обеспечения интеграции», позволяют усилить азиатскую сплоченность и уверенность в мировой политике.

Ключевые слова: Китай и Индия, глобализация, инициатива Пояса и Пути, сотрудничество.

Introduction

Global activities by China, India and other emerging powers have contributed to the rise of nationalist movements, from vocal demonstrations to powerful leadership positions in many Western countries. As nationalist movements cause a dissociation of the West, emerging countries of the East are promoting their grand strategies under nationalist leadership. Thus, the world is currently facing shifts in the distribution of structural power, causing friction in global political structures. Emerging debates suggest that the new era is being defined as globalisation 2.0, new globalisation or de-globalisation by moving the globalisation to a new phase.

This paper argues that China and India stimulated a shift in gravity of globalisation by bringing together ideas, institutions and initiatives to influence the orientation of emerging countries. Assertive leadership, connectivity initiatives and institutions for emerging markets are key elements of that displacement which will be discussed in the following chapters.

Hence, based on the hypothesis that besides the remarkable economic expansion of China and India, there are several factors that affect the transformation of the globalisation to 2.0, the following points will be analysed further:

- The role of leadership – when changing times have boosted the public demand for more assertive leadership as seen in the strong nationalist leaders of China and India.

Time of new connectivity- when China’s emblematic Belt and Road Initiative heralded the new path of connectivity, pushing India to present alternative projects.

New institutional endeavors through the establishing of AIIB, BRICS New Development Bank have evolved new mechanisms driven by global and regional financial cooperation.

Relevance

China’s launch of the Belt and Road Initiative (BRI) became a symbol of Chinese-led globalisation. China’s grand strategy includes 70 partner countries as part of its Belt and Road Initiative; however, simply examining BRI does not take into account China’s projects in Latin America and Antarctica. If with the launch of BRI, the initiative was perceived as the new era of Chinese diplomacy, the ongoing version 2.0 of Beijing’s assertiveness has been demonstrating a more mature stance than ever. It is vivid during the pandemic outbreak, when China’s voice “becomes even more fractious” (Dettmer, 2020). China’s “wolf warrior” diplomats – named after the Chinese movie in which Chinese special-operations fighters defeat American mercenaries in Africa and Asia – displays a much stronger posture, while the tone and temper of Chinese responses to criticism around the coronavirus outbreak affirm the strong assertive stance of the Chinese government.

India’s transition to globalisation also is evidenced by ambitious projects such as building a maritime domain awareness network across the Indian Ocean and claiming itself as a balancing power amid the escalating US-China rivalry. India’s foreign policy has become vibrant and assertive under the Modi government, whilst the breakthrough of Indian diplomacy set after the Doklam crisis with China in summer 2017.

New institutional mechanisms also speak about the changing role of both countries, since as such, it may challenge the existing “Washington Consensus”. If BRI and India’s alternative initiatives provide ‘hardware of integration’ for the emerging world, its institutions as the AIIB and BRICS New Development
Development Bank provide the ‘software of integration’ by establishing financial pillars for the development of rising powers (Habib & Faulknor, 2020).

**Theoretical-methodological basis**

Against this backdrop, the paper describes major factors in the following sections, while scrutinizing the different approaches of globalisation. The theoretical positioning of the research is mostly grounded on the literature on globalisation, which allows us to understand the internal and external factors that are relevant for analysing the implications of the rise of China and India. Therefore, we analyse the rise of China and India with an interdisciplinary understanding taking geopolitical, economic, institutional and leadership factors into account.

**Literature Review**

The theoretical framework of globalisation has been explained through different approaches, whilst among the most popular are liberalism, realism, constructivism, and Marxism understandings. Liberalists see globalisation through the market extension, as a natural demand for economic welfare and political liberty (Harmes, 2012), whilst realists presume the globalisation as the instrument to pursue a national interest (Nau, 2007). However, Marxism rejects the liberal and realist understanding of globalisation by stating that globalisation leads to competition at various levels that predate the emergence of capitalism, and ‘capital by its nature drives beyond every spatial barrier to conquer the whole earth for its market’ (Marx, 2010). The constructivist approach includes the social aspects of globalisation, taking into account language, images, and interpretation of globalisation (Wendt, 1999).

Globalisation also interpreted by various dimensions — social, physiological, geographical and economic. Dr Nayef R.F. Al-Rodhan who collected 150 definitions of globalisation stated that more than half of them are related to the economics. He defined the “globalisation as a process that encompasses the causes, course, and consequences of transnational and transcultural integration of human and non-human activities” (Al-Rodhan, 2006).

Besides, the majority of scholars tend to belief that the Western-dominated globalisation was the globalisation 1.0, which lasted from 1950-70s until the 2010s, whereas the economic development and political strength of Asian emerging giants ushered the present stage of globalisation 2.0. In particular, Ni Lexiong suggested “the West and East are switch-ing their roles,” and “China has awakened.” (Meyers, 2018). Ikenberry, however, thinks that it is much less likely that China will ever manage to overtake the Western Order (Ikenberry, 2008). Nevertheless, Oliver Stuenkel (2016) predicts that a post-Western multipolar world will be “largely thanks to the economic catch-up of the developing world, more prosperous, with a far lower level of poverty on a global scale than any other previous order”.

Either way, it is clear that the present day globalisation might be different from the past since the engine of globalisation has shifted east to Asia and Asian countries already showing their stance and role in further changing the world towards the globalisation 2.0.

**The role of leadership**

The changing times boosted the demand for more assertive leadership, when historical events explained by personalities and perceptions of individual political leaders and political agendas like those of Xi Jinping and Narendra Modi are embedded in history like Mao and Deng, or Nehru and Gandhi. The CCPs 19th National Congress, which reaffirmed the strategy of national rejuvenation and officially ushered the ‘new era’ of Chinese national development, undoubtedly supports this thesis. Modi on the other hand, acting in a different background, pushes his own global agenda.

While national leaders became more proactive and assertive in international affairs, their tools came in a form of strategies or initiatives to successfully implement their ideas of new globalisation. According to Amitav Acharya, “China’s biggest push to globalisation is the construction of infrastructure”. He assumes that “Globalisation 2.0” is more about investment, infrastructure and development rather than just trade in the old times. China already has invested US$18.5 billion in 56 economic and trade zones in countries along the BRI, for a more inclusive, mutually beneficial and equitable globalisation, which generated US$1.1 billion of tax and 180,000 jobs in host countries (China Daily, 2019).

While some argue that the Chinese perception of globalisation is limited to an economic dimension, the BRI works as China’s contribution to a Chinese style trade architecture and new regulations including the “hard” economic and political interests of China. China now has become a rule maker, not just a rule taker. With the launch of initiatives and new institutions, the shift of economic power eastward has accelerated, albeit the West continues to play
a constructive role in this process. Given China’s global involvement, it is still not sufficient for China to become the sole leader of Globalisation 2.0. While China prefers to gather its own interests with the elements of global economic liberalization, this seriously limits its capacity and credibility as a globalisation champion and proponent. (Szczudlik, Wnukowski, 2017) As Ikenberry mentions “if the defining struggle of the twenty-first century is between China and the United States, China will have the advantage. If the defining struggle is between China and a revived Western system, the West will triumph”. (Ikenberry, 2008).

India, as one of the biggest beneficiaries of globalisation, promotes its own strategies towards global integration, including partnership projects with Japan, Australia and the US across the Indo-Pacific. While continuing to support with massive assistance its neighbours, Prime Minister Modi aspires to secure control over them by using its economic strength and global reputation. The revocation of the Article 370 in Jammu and Kashmir that divided the state into Jammu and Kashmir and Ladakh, assistance to Pakistan against being blacklisted in the Financial Action Task Force (FATF), as well as India’s position concerning the border clashes with China and strengthening the border infrastructure profile all demonstrates the implementation of Modi’s ‘New India’ vision.

**Time of new connectivity**

**Chinese version of globalisation.** Building new types of relations and transitioning to a new level of economic development drives globalisation to a new level. This has become the focal point of the BRI. Primarily using an economic focus, it aiming to reduce internal disparities in China and to align its underdeveloped regions. Internationally, it is transforming exchanges across Eurasia and Africa by boosting China’s world economic and strategic influence (Mackerras, 2017). Indeed, China’s vision of globalisation is reflected by Chinese signature initiatives and at the strategic and diplomatic level and the BRI contributes to the legitimation of Chinese view of globalisation.

Nevertheless, there is various rhetoric referring to the BRI. Official statements say that BRI is not a Marshall Plan, even though it has large enough investments, and should not be referred to as a strategy. Internally, however, it is sometimes presented as a strategy in official media. Other rhetoric surrounding BRI portray China’s ‘pluralist’ rather than ‘liberal’ vision for the future of international order. Moreover, by constantly referring to a “Silk Road” spirit, China is propagating a narrative of globalisation where China has a central yet benign role. China’s economic power, however, allows it to promote this.

China will become one of the world’s biggest cross-border investors by the end of the current decade. Moreover, while much of this total will be in the form of foreign exchange reserves and portfolio investment, a growing share will come from direct Chinese investment in developed Western countries.

With the establishment of Asian Infrastructure Investment Bank in December 2015 and Silk Road Fund, received a US$40 billion contribution in November 2014, making the institutionalisation of BRI mechanisms more confident. Additionally, China is using several tools to boost its export. Under the BRI, they are referred to as: national champions, credits, infrastructure, and trade agreements.

China’s approach in dealing with nation states is centralized, yet flexible. First, China is ready to work with any government. In addition, China is open to building a budget based on the requirements for social and environmental safeguarding. Also, the government is flexible in negotiating terms of payments. Thus, the centralisation and flexibility provide a fast negotiation and realisation of projects. These, in the short-term facilitate project realisation, but carry out risks in the long-term (CSIS, 2019).

Challenges within the implementation of the BRI, as well as strategic inclusion of member states, occurs with the partner countries, most notably, India. Because it sees itself as a rival power to China, India is trying to establish ‘alternative connectivity’ to the BRI.

**India’s alternative connectivity.** With the growing global ambitions of India and the articulation of Prime Minister Modi “to rebuild connectivity, restore bridges and re-join itself with immediate and extended geographies...”, India also showed a great interest and a larger commitment to the concept of ‘connectivity’. Connectivity, for India, is conceived of as a key driver for developing its ambitions, as well as acting as a cornerstone for its vision of international cooperation. (Pulipaka, et. al., 2017).

India presents three broad policies regarding the connectivity of its periphery: a Domestic Focus on the Northeast and Frontier Areas, the Act East Policy and the Neighbourhood First Policy. The Blue Economic Vision 2025 is a vision to address India’s growing global and regional emphases on the sustainability of harnessing the Indian Ocean resources. Additionally, with its emerging partner-
ship with Japan, the Asia-Africa Growth Corridor pursues a connectivity and platform for being demand-driven and for shared perceptions of nations around the region.

According to the former External Affairs Minister Sushma Swaraj, “connectivity has become the key enabler for PM Modi’s vision for India, as well as India’s vision of the world that is ‘Sabka Saath, Sabka Vikas’ (everybody’s cooperation and everybody’s development). The Indian official discourse claims that India is the best place to champion connectivity both historically and geographically. This was reaffirmed by EAM Swaraj’s statement that “building connectivity is in India’s DNA......” (Pulipaka, et. al., 2017). At present, India seeks to overcome challenges of physical and digital connectivity, while economic connectivity remains another priority of India.

The Indian vision for the maritime connectivity was articulated by Modi as ‘SAGAR’ – ‘Security and Growth for All in the Region’. The vision is committed to “safe, secure, stable and shared maritime space” while focusing on capacity building both at bilateral and regional levels. Within the SAGAR, the Indian government promotes the Blue Economy Initiative as a new pillar of economic activity in the coastal areas, linking hinterlands through a sustainable tapping of oceanic resources. (Pulipaka, et. al., 2017)

Since the upgrade of bilateral relations to ‘Special Strategic and Global Partnership’, Japan has become another key partner in providing connectivity in the region. The flagship initiative, Asia Africa Growth Corridor, launched in 2017, aims to establish an efficient and sustainable mechanism for linking economies, industries and institutions, ideas and people of Africa and Asia in an inclusive fashion (FICCI, 2017). According to the vision of AAGC document, the corridor will focus on four areas: development cooperation projects, quality infrastructure and institutional connectivity, enhancing skills, and people-to-people partnership.

However, considering that China’s GDP is 4.8 times larger (2.4 times when adjusted for the purchasing power parity) compared to the GDP of India, it is difficult for India to propose such a comprehensive connectivity, as well as institutional framework with a sufficient budget (Brookings, 2019). Despite this, India does have the ability to balance China. During this new phase of globalisation, India offers an alternative space to major powers such as the US, Japan, Australia. Thus, while being in the same boat with China or competing, India stimulates to the shift of world politics to the Asian continent.

New institutional endeavours

Asian Infrastructure Investment Bank. Along with leaders’ personal ambitions and foreign policies, international institutions among rising powers are challenging the existing Washington Consensus. Initiatives led by China have induced the snowballing perception of the future China-led global economic order. However, Chinese vision differs from the Washington Consensus type of globalisation. China develops new, inclusive international institutions that focus on building infrastructure to enhance connectivity between economies, rather than providing loans for various purposes.

The main intention behind the November 2013 proposal of AIIB was to maintain and to complement, rather than compete with or upend, the existing financial institutions as the World Bank and Asian Development Bank. The initial memorandum of understanding, signed by 21 states in October 2014, was expanded to 57 countries (estimate was 35) when the Articles of Agreement were released in June 2015. Among the signatories are non-Asian states, such as the UK, Germany and Brazil, whereas the US and Japan still declined to join. Involvement of Western countries turned AIIB into a more legitimate financial institution, as China has relatively less experience in managing multilateral institutions (Yang, 2016).

The AIIB has gone through the mutual shaping and reshaping process that played an important role in establishing the AIIB. Initially, China planned to contribute a 50 percent share. Since the number of partners increased, China reduced its share to 26 percent. (Ren, 2016) A voting share of 26 percent gives China an effective veto over the super majority of 75 percent for decision-making.

While China presents both the conformity and the institutional innovation in the institution building process of AIIB, it is difficult for China to introduce any radical changes to the institutional landscape of the region because AIIB members are heavily overlapped with existing multilateral institutions. (Ikenberry & Lim, 2017)

Over the long-term, however, a successful institutional leadership in AIIB can play an important role in China’s global governance attempts. In the case of India, the AIIB proved to be relevant when India, a developing country with the largest coal reserves and a huge need of electricity infrastructure, turned to AIIB for financing coal energy projects for US$100 billion, after being denied by the World Bank (Chin, 2016). This case shows that there is a potential to achieve geopolitical goals, while realising financial mechanisms.
Consequently, AIIB has two major global implications. The first is the additional availability of finance for regional infrastructure development. In addition to traditional institutions such as the IMF, World Bank, ADB- AIIB complements existing avenues specifically by financing infrastructure investment projects. For Asian emerging states, infrastructure is among important economic need, therefore increasing the significance of AIIB. The second implication is re-balancing the existing Washington Consensus. AIIB is evolving as an international financial institution that aims to give much greater space to emerging markets in institutional decision-making and project financing. Also, it is willing to contribute to a global financial architecture led by China (Palit, 2018).

**New Development Bank.** The institutionalized financial capacity of BRICS in the form of the New Development Bank (NDB) and the Contingent Reserve Arrangement was a crucial attempt to inscribe new principles for economic relationships among emerging economies. The NDB, established in July 2014 during the Sixth BRICS Summit in Brazil, was designed to support infrastructure investments in BRICS states and Africa. The initial projects of NDB focused on renewable energy.

The BRICS New Development Bank is similar to AIIB in terms of providing financial services for emerging countries. It provides additional investment sources that can balance the existing Bretton Woods system. Member countries have an equal share of 20 per cent of the initial subscription while headquarters are based in Shanghai.

The NDB promotes a flexibility for developing countries unlike the IMF and the World Bank. Both proponents and opponents of the globalisation describe the NDB as a rebellion against the hegemony of the U.S. dollar and a challenge to globalisation by emerging economies. The main principle of NDB is to work with developing nations, while complementing existing efforts of multilateral and regional financial institutions for the global growth. (Bolton, 2015)

However, there are major challenges in operating the NDB. The volatile capital flows from emerging countries, especially since the financial crisis in Russia and Brazil, as well as ongoing conflicts among member states. Issues of transparency, corruption, and political influences question the appropriate management of the institution. However, common efforts can make the NDB a platform for a new financial mechanism that can work for the needs of emerging nations.

Consequently, financial institutions such as the Shanghai-based NDB and Beijing based AIIB are new mechanisms driven by global and regional financial cooperation. The NDB, with initial authorized capital of US$100 billion, and AIIB, with the same amount, are meeting demands for huge infrastructure investments in developing countries with the AIIB investing in Asia while the NDB supports projects in Asia and Africa. Both are devoted to reducing global and regional poverty alongside their other priorities.

The momentum generated by such initiatives “outside” the system drives convergence dynamics within the expanded multilateral development finance system, creating strong forces and reputational incentives that should work to increase efficiency on all sides. The role of China and India in these institutional mechanisms are major. China has 20.06 percent of the voting share in AIIB, and India 7.5 percent, while in NDB, both have equal 20 percent shares. China, as the second largest economy in the world, leads AIIB’s formation among 57 country-partners. India, a founding member of AIIB and despite having strategic contradictions within the BRI project, has worked with China to improve existing financial conditions within the NDB and AIIB.

**Conclusion**

Globalisation 2.0 represents the interdependence of several agents with new forms of non-Western leadership. The founding of new non-Western blocks with huge human and financial capital and security capacity, such as BRICS’ New Development Bank and AIIB, has forced the world to view rising powers more seriously. According to French expert David Gosset “The West might fear a globalisation that it prompted. The US can be tempted by protectionism but this can’t trigger a de-globalisation, the globalizing forces have simply shifted from one source to another, it is around non-Western regions with new forms of multilateralism and cooperation taking shape” (Xinhuanet, 2017).

China, as a second largest economy in the world, is taking a lead in this process. China today imagines itself to have the decisive capacity to complete any project it is involved in. For China itself, this role is a historical justice, based on its roots as Zhongguo, the center of the earth.

The BRICS-led New Development Bank and the China-led AIIB, along with China’s BRI “Silk Road Fund” will contribute to a challenging of the Bretton Woods’ system. If AIIB and BRICS New Development Bank provide the ‘software of integration’ by establishing financial pillars, BRI and India’s alternative initiatives provide the ‘hardware
of integration’ of the emerging world. Asia will be a core in this process.

Both China and India are making good progress in becoming involved with and influencing the new global order. China is operating several mass investment projects with a large number of participants. India is enjoying partnerships within its own region as well as making serious attempts to achieve global recognition. As emerging powers, however, both China and India struggle with poverty, slowing economic growth and large populations. Nevertheless, the prediction is that the Asian global order, by developing in the most populated regions, will contribute to decreasing the number of people in poverty and unemployment levels on a global scale. Indeed, both countries are working on infrastructure investments at national, regional, and global levels.

India’s Blue Economic Initiatives, the rival to the Belt and Road Initiative, provides a coherent framework to address regional challenges relating to economic development, infrastructure, and connectivity. Despite their bilateral divergences, China and India can cooperate through global structures to contribute to the development of their nations and the liberalization of non-Western structures in the process of Globalisation 2.0.

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