

GUEST EDITOR'S INTRODUCTION

This special issue of the *Contemporary Political Economy and Strategic Relations: An International Journal (CCPS)* covers a selection of papers presented at the International Conference on “The Asian and the Central European Models Tested: Learning from the Past, Sharing for the Future”, duly revised by incorporating critical peer feedback received at the conference and from other reviewers. The conference was organized by the Oriental Business and Innovation Centre (OBIC) at the Budapest Business School, University of Applied Sciences (BBS), Hungary, in May 2017.

The OBIC was established by the BBS and the Central Bank of Hungary in November 2016. The OBIC's overall goal is to improve the competitiveness of the Hungarian economy by contributing to a better understanding of the South-East Asian region. It is the goal of OBIC to employ its cutting-edge knowledge and efficient operation to become a leading institution in oriental business studies not only in Hungary, but in the broader Central European region. Target countries are India, Indonesia, Japan, Malaysia, People's Republic of China, the Republic of Korea, Singapore, Vietnam and many others in the Asia-Pacific region.

The reasons for the establishment were the following. The 2008-2009 economic crisis in Europe brought about a need to diversify trade and investment relations in Hungary. In principle, this need for international diversification, coupled with the evolving international economic environment, can open new prospects for economic relations

and knowledge-sharing between South-East Asia and Hungary (Central Europe), despite the geographic distance. The Oriental Business and Innovation Centre can provide feedback by broadening the economic, political, and cultural knowledge base through strengthening the exchange of ideas, scholars and students

To achieve its objectives, OBIC uses a variety of tools and instruments along the following lines: it promotes courses of Asian languages, as well as intercultural and business training programs at the Budapest Business School. The Centre also sponsors inbound and outbound research mobility grants, and it helps provide opportunities for BBS students to travel to Asian countries as well. OBIC is dedicated to research promotion. It organizes events (conferences, workshops) related to the region in the following fields: international business management, international relations, finance, accountancy, commerce, catering and tourism.

The largest event that took place in the organisation of the OBIC was “The Asian and the Central European Model Tested: Learning from the Past, Sharing for the Future” conference. At the conference, eighteen panels were organized, and more than 60 scholars shared their knowledge related to Asian and Central European development models, geopolitical restructuring, challenges of the higher educational systems in regional and global context, finance and management in the changing business environment, and issues of doing business in diverse environments.

There were a considerable number of papers that focused on China-related questions, and no surprise, the Belt and Road Initiative (BRI) was the most reflected issues at the conference. This special issue of *CCPS* contains selected papers related to Chinese politics, economic development, Chinese culture and regional cooperation in the East Asian region.

China launched the One Belt, One Road (OBOR) or Belt and Road Initiative (BRI) in 2013. Since then the project has hit the headlines and intensive academic research has been carried out to evaluate the effects of the BRI on world trade and world politics. However, plausible scenarios on these effects can be envisioned by assessing the underlying motivations as well.

The first goal of the Chinese project is to hedge against the dynamic American foreign policy of the last fifteen years. America's Grand Strategy of the last two decades included a permanent extension of the NATO, and launching initiatives like the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership. Hedging as motivation became obvious when US Secretary of State Hillary Clinton announced the "Pivot to Asia", and China did not hesitate for long – it started the BRI two years later. In this aspect, there were two basic ideas in the Chinese political discussions: the Chinese version of liberalism emphasizing cooperation, and the Chinese version of realism not avoiding confrontation. Both were wrong in their assumptions. If China was assaulted internationally, that was a clear backlash for the country, and this liberal approach could not be "sold" to the public; the assumption of the realists that Chinese navy was powerful enough in the Pacific Region also contradicted the reality.

How to cut the Gordian knot? Hedging against sea power is to be achieved and maintained by land power. The turn to the Eurasian landmasses is a significant step of the Chinese, and it will influence world politics and world economy for many decades to come, since it is not only about the interests of a rising power (second strategic goal), but also about a new period of globalization.

This approach differs from geopolitics that is a zero-sum game; it heavily builds on geo-economics, which can lead to a win-win situation among the participating countries. In addition to that, domestic pull

factors also reinforce the change in the Chinese strategy; economic development of western China certainly has the potential to contribute to a more balanced economic growth in China, alleviating internal social tensions that go back to heavy income differences between Chinese regions.

The second strategic goal is attained by numerous new initiatives. The Asian Infrastructure Investment Bank (100 billion USD), the New Development Bank (100 billion USD), and the funding for BRI (Silk Road Fund: 40 billion USD) serve the strengthening of the renminbi – in other words, China’s position in the international monetary system. There are other (partly successful) attempts as well, to reinforce China’s role in already functioning multilateral institutions, like the IMF. A third aspect is tackled by establishing a global production system centred around Chinese firms through direct investments in BRI. The China-Pakistan Economic Corridor, which is a collection of several infrastructure projects worth around 70 billion USD, is only one of the building blocks. Industrial parks are being built around the world relying on Chinese financial assistance; a similar project is the International Capacity Cooperation, financed through the Silk Road Fund, the China-Latin American Fund, the China-Africa Industrial Cooperation Fund, the China-ASEAN Investment Cooperation Fund etc.

The two strategic goals complement and reinforce each other. There is no doubt about the peaceful nature of the BRI project; however, it is clear that the goals set by the Chinese government can only be achieved if there are mutual benefits to reap. And what about the US? If the United States does not withdraw from the world, implicitly arguing for a new era of isolationism, it could also benefit from BRI, since it means more trade in Central Asia and the Middle East and more peace in these regions.

However, these are the subjective thoughts of this editor; when reading the papers, one might get a more nuanced and balanced view of the BRI.

Judit Sági and István Engelberth analysed the possible economic effects and spill-overs of the Belt and Road Initiative and they concluded that “the initiative is an important platform for the participating parties to strengthen cooperation and synergize their development strategies. By analysing China’s economic performance in response to the Belt and Road Initiative, the authors concluded that the industrial output and the employment data signal the continuation of moderate GDP growth.”

Enrico Cau sets his thorough and very comprehensive analysis in a broader framework focusing on geopolitical and economic consequences, he concludes: “While the implementation of the BRI is already an evolving reality, with many infrastructural works being in the course of implementation, the initiative involves several, material, economic, political and geopolitical challenges, with the last three items being the harder issues to tackle. On the economic side, the huge costs of the BRI initiative and the profitability of several BRI projects represent the major source of uncertainty. The geopolitical challenges offer a much more complicated scenario, ranging from widespread suspicion in Southeast Asia and Central Asia to the need to balance the relations between India and Pakistan in South Asia as well as allay the doubts of the West. In Central Asia, the convergence between the EEC and the BRI may bring huge opportunities for both countries, allowing China to benefit from a privileged access to Russia’s backyard, to consolidate its presence in the region and reach the wealthy European markets.”

Péter Klemensits provides an analysis mainly focusing on the geopolitical consequences of the One Belt and One Road initiative. His assessment is positive when it comes to the general effect of it, as he puts it: “The One Belt, One Road initiative, and the new Maritime Silk

Road, is considered an exceptional enterprise from several aspects and unprecedented in history. The ambitious plan – providing proof of China’s growing global role – mainly focuses on the interests of the world’s most populated country, but promises profit to all participants in the long term. Beijing was right to recognise that in the globalised world only such multilateral solutions are appropriate which allow cooperation and cultural interaction between distant regions.” The distinctive feature of this study is the focus on the New Maritime Silk Road.

Tamás Novák in his paper attempts to consider the Central European consequences of the BRI. The paper delineates the most important aspects of the historical Hungarian economic development path, while shedding light on long-term Chinese investment and trade opportunities in Hungary. To make the One Belt and One Road initiative a success, China needs proper knowledge of the Central European countries’ long-term development needs and goals. This analysis delivers a first assessment of the basic long-term questions of Hungarian economic development. The paper reviews milestones of economic progress after 1990 until the present. It shortly looks into the effects of the economic transformation of the 90s, the main repercussions of the Global Financial crisis (2008-2009), and at the end of the paper a short glimpse is given at how the Hungarian economy could develop, what are the possible development models to be utilized by Hungarian decision-makers. At the same time, it will be clear where Hungarian and Chinese need can intersect each other.

A more theoretical approach is provided by Mikhail Karpov, who looks into analogies between the Chinese economic transformation and the Russian version. He points out similarities and warns of possibility of an economic shock in the case of China. As he puts it: “Despite all clear cultural, institutional, social and demographic peculiarities, systemic megatrends of Chinese transition are very much like those of

the USSR and former countries of the Eastern Bloc in the respective times. Despite almost three decades of impressive economic growth and indeed tremendous infrastructural, social and even mental changes, the Chinese gradual reformers were and are still unable to overcome the historic curse of all integrative, originally non-market party-state models – to cut the leashes of soft-budget constraints and political integration connecting ruling party-state and its “marketers” without institutional disorder, financial upheavals and transitional recession. This apparent inability in China – as previously in Gorbachev’s Soviet Union or other Eastern bloc countries – aggravates fundamental macroeconomic misbalances and paves the way for possible forced “big-bang” deregulation sometime in the future.”

The peculiarities of the Chinese culture are being analysed by Dean Karalekas, who points out that “*Guanxi* is central to all social and business relationships, and its value is in the reciprocal obligations of the parties involved. For this reason, it is seen in much of Asia as preferable to the legally binding contracts employed by Westerners. Given this attitude toward contracts, it seems likely that CBSP frameworks built in East Asia would be more fragile than those in the West, as they depend not on institutional continuity but on a web of personal relationships between the heads of the organizations involved. It is therefore unlikely that such mutual-aid agreements would survive intact the replacement of one CEO or top manager, for example, forcing negotiations to begin anew.”

Szilárd Boros first analyses concepts defining and describing the changing power relations of the US and China, and then details and uses one of the geopolitical power indexes. He finds: “On the one hand, the analysed geopolitical power index showed that China has been closing in on the US, but it still lags behind in ‘overall power’. On the other hand, China has opportunities in hard and soft power parameters, where it can

develop rapidly. In the middle term, China has the capability to overtake the US's power." He points out the difference in the two major powers' concept of global order: "... the analysis showed that in politics the two major powers' concept of global order differs. The US aims to preserve the status quo, the global leader position of the country. China on the one hand accepts the present rule-based global order led by the US, but on the other hand China intends to reform it on the basis of multilateralism and more balanced relation with the US."

A very similar approach can be found in the paper of Affabile Rifawan and Novi Amelia, who also focus on the two major powers' relations; however, they have limited their investigation to the Southeast Asian countries.

As it could be seen, one topic can be interpreted very differently, and many approaches can exist all at once. Hence, the OBIC intends to continue its work in line with its principles of "dedicated work, intercultural sensitivity, efficiency, measurable output, knowledge sharing and cooperation", and continue with its conference series this year and in the years to come.

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