

BRI and the New World Order in a Paradoxical World

Report of Davos 2020 Identitat Global Forum



The World Economic Forum (WEF) Annual Meeting was held in Davos-Klosters during the 21st-24th of January 2020. The convention intends to bring together participants worldwide to track the progress on achieving a sustainable future while incorporating topics on trade governance and technology alongside. The Identitat Global Forum, collaborating with the Swiss-Asian Chamber of Commerce, Caspian Week, and New Silk Road Institute, organized two panels as the side event of the WEF Annual Meeting to discuss the theme “Belt Road Initiative (BRI) and the New World Order in a Paradoxical World.”

The first panel consisted of Henry Lee, Managing Partner of Hendel Group HK, Fabian Gull, Managing Editor and Journalist of Swiss-Chinese Chamber of Commerce, Yun Chen, Chairman of Fosun Fashion Group and Lanvin, Igor Almazov, from ABB Power Grids Schweiz, and Dr. Boqiang Lin, Dean of China Institute for Energy Policy Studies and Director of China Center for Energy Economics Research at Xiamen University. Dr. Urs Lustenberger moderated the panel, which discussed Sustainability vs. Exploitation and Equality vs. Nationalism.

Dr. Lustenberger began by describing how the classical success model, or in other words, democracy and capitalism, that the majority of the population subscribe to is possibly reaching a limit. He claimed that the model often leads to populist and short-term thinking, electioneering, “fake news,” and silly decisions.

Henry Lee continued by exploring how the world is becoming more unilateral and initially prompted by the USA, the global power, and then spread across the globe, especially to China

(e.g., the Belt Road Initiative). The common misconceptions on societies that Westerners often have were covered by Fabian Gull. He stated that the West often (1) struggles to understand that economic prosperity can occur in nondemocratic countries, (2) prefer to think that an economic opening is automatically linked to political space, and (3) believe that innovation is only possible in open societies. However, China has continued to prove these misconceptions false due to its specific factors, such as a high adaptation of technology and unique *laissez-faire*. While the idea of using the BRI as a way to expand China's economic power and influence is viewed critically in Europe, the Chinese view is very giving as they are pursuing a new "world order" where they put themselves first (i.e., "China First"). Igor Almazov built on previous arguments by stating that the current global superpowers are China, Russia, and the USA.

The remaining panelists explored topics on sustainability. Yun Cheng focused on the fashion industry and how it is one of the biggest polluters and water consumers. The overall industry is worth USD 2.5 Trillion, with 150 billion garments produced every year, but 30% of these items are never worn or sold. 85%, or around 21 billion tons, of textiles, are sent to landfills each year, and synthetic materials can take as long as 200 years to deteriorate. 20-30% of the micro pollution in oceans are contributed by the fashion industry. Cheng believes that individuals often put fashion down as less important than other areas (e.g., food) when thinking about living a sustainable life. It is essential to push for governmental support in improving the manufacturing process.

Similarly, Dr. Boqiang Lin discussed implications in sustainability with market economies. He claimed how the world is currently in a state where everyone is trying to sell everything and how human demands are unlimited. If an individual desires to purchase something, there will be a producer willing to satisfy that demand for whichever price. Before criticizing, developed countries must understand that sustainability is not the priority for poorer countries when manufacturing. However, an unsustainable lifestyle does not dictate the quality of life. For instance, Shanghai and Beijing are two of the most polluted cities in China, but their citizens also have the longest life expectancy. Technology does not seem to be the answer to endless demand and increased energy consumption. Instead, Dr. Lin emphasized the importance of (1) fundamentally changing consumer behaviors and energy structures and (2) how governments must stop fluctuating in deciding whether or not to support sustainable production.

On the morning of Jan. 21st, 2020, Dr. Ying Zhang, Professor and Associate Dean of Rotterdam School of Management Erasmus University, and the Chairman of New Silk Road Institute, moderated the second panel, which covered the theme of Globalization vs. Trade Conflict and High-Tech vs. No-Tech. The panelists included Dr. Bing Xiang, Founding Dean of CKGSB, Dr.

rer. Pol. Christian Etter, former Delegate for Trade Agreements of the Swiss Federal Government and Ambassador at SECO, Tuck Seng Low, Senior Advisor EUTEC, Dr. Urs Lustenberger, Partner of Lustenberger Law Firm Zurich and Chairman of Swiss-Asian Chamber of Commerce, and Igor Almazov, from ABB Power Grids Schweiz.

Dr. Zhang began the panel by introducing a large gap between what is desired and what is being done. Societies are aiming towards achieving the 17 Sustainable Development Goals (SDG) but also have to simultaneously abide by the rules of capitalism. Globalization has not always been distinguished as lively as it has caused the loss of jobs in the West and numerous hate crises. Globalization may disappear through technology as the global value manufacturing chain will disappear, leading to the emergence of a local competitive advantage instead of global.

Christian Etter stressed his concern on the development of the World Trade Organization (WTO), which he stated was the “sort of the umbrella of the rules of global trade.” The USA recently decided not to vote for the WTO’s Appellate Body, which reduced its members down to two individuals, making it difficult for decisions. Thus, any losing party trying to make its appeal will not even attempt to confide in the rules if it already realizes that a decision will not be made. Countries will then settle their disputes uni-/bi-laterally, and the rule of law will become fragmented, diminishing security. Etter states that world leaders should realize that economic nationalism is a short-term solution at best.

Similarly, Bing Xiang also spoke about how globalization has become a scapegoat for countries to exert economic nationalism. This is often done without providing a long-term incentive, which creates large issues for humanity as a whole. Dr. Lustenberger emphasized the importance of the world using the “same language” when communicating and avoiding using snippets to conceal underlying issues. Society is pressured by various opinions, making the truth unclear, which could then lead to “fake news.” Globalization and free trade, Dr. Lustenberger believes, is a positive thing. Not only will it lead to increased product affordability, but humans communication will also be facilitated and make the truth easier known. To achieve this, a readjustment of the Constitution must be made. Certain companies have more power than the State does in their ability to collect and hold personal data. Thus, the definition of the existing laws needs to be remixed.

The remaining panelists discussed their stance on technology. Tuck Seng Low claimed how there would be a bifurcation in technology due to two unnatural bedfellows – the U.S., with its “Make America Great Again” proposition, and China is very well articulated 2025 “Made in China” program. 5G is just a brief preview of the next wave of incoming technological development. Low expects a clash of technology between the two superpowers and a digital

divide between nations (i.e., the haves and have-nots). Almazov continued the discussion by comparing how various types of countries react to globalization. The more developed nations are attempting to develop their hi-tech technology to offer them locally and avoid globalization to prevent imports that may provide a better price or quality. On the other hand, less developed countries often open their borders and invite big market players to stir up the competition, leading to lower prices. Almazov's takeaway was that global companies have to adapt their policies to each country or region and understand their distinctive politics.

The Identitat Global Forum is an international forum that collaborates with universities, businesses, and industrial leaders, and governments to discuss emerging global economic issues from a geopolitical perspective at the corporate, industrial, and national level. In 2019, the Forum discussed and developed a paper titled "The Changing World, Europe, and China" with contributions from political, entrepreneurial, industrial, and environmental leaders from around the. The report analyzes changes in the global economy caused by economic and geopolitical impacts and the models that could be used to aid different countries or sectors to survive in the current wave of trade disputes and the Changing World Order.

Speakers' Key Points

First Panel

The classical success model (i.e., democracy + capitalism) that most of us subscribe to is possibly reaching a limit. However, there are signs of trouble. The democratic model leads to very populist thinking and short-term thinking, electioneering, "fake news," and silly decisions (e.g., Brexit) seen in countries worldwide, including the Netherlands. It could be a sign of the shifts that are taking place.

Henry Lee:

- The world is becoming more unilateral – first prompted by the US, the global power, then spreading across the globe, especially to China (e.g., Belt Road Initiative)
 - When the USA wants to do things "its way", it prompts other countries, especially the smaller ones, to want to do things its ways too
- Western thought: "with economic development comes democracy."
 - However, in different parts of the world, economic development can come without democracy due to other value systems/ moral philosophies
 - E.g., from an investment standpoint, cross-border is always the trend. However, things will change due to problems associated with economic integration and moral philosophies (cultural differences)

- Instead of becoming more multilateral, the world is heading towards becoming more unilateral

Fabian Gull

Misconceptions he came across by people in Europe/the West

1. People are struggling to understand that economic prosperity can occur in nondemocratic or even authoritarian countries
2. People like to think that an economic opening is automatically linked to a political opening
3. Innovation is only possible in open societies
 - China is constantly proving these misconceptions wrong. Mainly because it has unique factors (e.g., many young consumers in a densely populated place, numerous venture capitals, relatively low prevention and high adaptation of technology, unique laissez-faire)

The West has to rethink their approach in understanding others (esp. China)

- Europe is very quick in believing they are on the moral high ground and can be quick to point their finger at wrongdoings

Political stability and a good level of education facilitates innovation

- China has been able to maintain quality of infrastructure, which it is trying to “export” through the BRI
 - However, the BRI is viewed critically in Europe while the Chinese view of the BRI is very positive, very giving
 - China is pursuing a new “world order” where they put themselves first (i.e., “China First.”)
- BRI is a tool to expand China’s economic power and influence
 - However, it is only one of the many tools it is using, such as the Soft Power Initiative where it aims to create a better understanding of China for others (e.g., Confucius institutes)
 - It is also purchasing media companies internationally (but the intentions are questioned)

Yun Cheng – Sustainability in Fashion

The fashion industry is the 2nd highest user of water and most increased pollution

- It is a \$2.5 Trillion industry with 150 Billion garments produced every year, but 30% of these garments are not even used (i.e., never worn or sold)
- 85% of textiles are sent to landfills ~ 21 Billion tons per year
 - Around 200 years for synthetic materials, such as polyester, to deteriorate
 - 20-30% of micro pollution in the oceans are from the fashion industry

- Fashion is often put down as “less important” than other areas (e.g., food) when think about being sustainable

Because the younger generation has become more invested sustainably, some companies have begun taking a step in that direction (e.g., stop using fur)

- To switch to more sustainable production will usually cost more, mainly because cheap labor is not utilized anymore
- A big issue is that fashion is very “fragmented.”
 - As in, the company may want to be sustainable in its values, but it has no control over its supply chain and its methods
 - We need to push for governmental support to improve production plants and manufacturing processes

Igor Almazov

Superpowers: China, Russia, USA

- Each country in the Caspian region has been or are influenced by one (or more) of the powers mentioned above
 - E.g., Georgia’s market dominated by US products, Chinese presence in Tajikistan
- This causes local products to be discounted so that it can be more appealing, which can cause unfair competition but is necessary to defend themselves from foreign dominance

3 Goals for ABB:

1. Health and safety (especially in labor)
2. Quality (in production, goods delivery, design, focus)
3. Digitalization (increase level of control while decreasing cost and human involvement, which can lead to mistakes)
 - Build sustainability by achieving more than they have before

Dr. Boqiang Lin

One of the major debates of the BRI is the building of coal-powered power plants in, e.g., Pakistan, as it is very unsustainable

- Building a hydrogen/nuclear power plant would be the best, but the fact is that people do not like the idea of changing to complex careers where they have to learn something completely from scratch
- It will be too difficult and expensive, so building a coal-powered power plant would be the easiest to achieve and would be most effective

Developed countries have to understand things from the perspectives of poorer countries

- Sustainability is not the priority
- An unsustainable lifestyle does not dictate the quality of life (e.g., Shanghai and Beijing are two of the most polluted cities in China, but they have the longest life-expectancy)

We are currently living in a market economy where everyone is trying to sell everything to us

- On the demand sides, human's demands are unlimited
- If we want to purchase something, someone will produce it for us for whichever price
- Technology does not seem to be the answer to endless demand and increased energy consumption
 - We need to fundamentally change consumer behavior and energy structure to be more sustainable!
 - Governments need to stop fluctuating in their decision of whether or not to support sustainable production – i.e., only talk about sustainability when the economy is doing good and control when in recession

Panel Discussion #1

Q: If you talk to climate scientists, we have already lost the opportunity to limit the 2-degree temperature increase, and the only is to prevent it from reaching 3 degrees. The Western nations only contribute to only around 25% of greenhouse gases, decreasing every year. The real battle is coming from the rest of the world. The BRI is a tremendous initiative to raise many nations' well-being, but it utilizes 70% coal-powered plants, which are among the worst emissions of greenhouse gases. An alternative could be natural gases, which previously were much more expensive but are now much more affordable due to exports/imports. Would China reconsider its use of coal-fired power plants?

A: Yes, the situation is changing. The coal-powered plants you see are the ones that have been built several years ago. If you look at China's statistics, the number of natural gases used has been increasing. Coal usage in China's energy mix has been reducing by more than 1% every year. However, the substitutes, such as natural gases and oil, are still not renewable. China's renewable energy is one of the largest among the world, but even with the rapid increase, it is still not enough to satisfy the demand and completely substitute coal. The economy will use what it has. The most efficient way to reduce coal usage is to reduce energy demand, which is impossible.

Second Panel

There is a large gap between what we want to do and what is being done. While we are aiming towards sustainability through the 17 SDG goals, we still have to abide by the rules of

capitalism. There's something wrong going between our mental and behavioral perspectives. Globalization has not always been positive as it has caused a loss of jobs in the West and led to hate crisis to humans' need for power. Globalization may disappear through technology as the global value manufacturing chain will disappear, leading to the emergence of local competitive advantage instead of global.

Christian Etter

It is encouraging that countries with immense power still communicate (e.g., US-China/Japan/MCA). However, the development of the WTO, which is sort of the "umbrella" of the rules of global trade, is quite worrying. The USA decided not to vote for the Appellate Body of the WTO, which reduces its members down to 2 people, making it difficult for decisions to be made.

- This makes the losing party that is trying to make its appeal will not even bother to confide in the rules anymore if they know that a decision can and will not be made.
- Countries will either settle their disputes uni/bilaterally, and the rule of law will become fragmented > diminished security > negatively affect economies, investments, etc.
- Leaders around the world should realize that economic nationalism is a short-term solution at best

Bing Xiang

There is an imbalance of development models. China and the USA have become the two most capitalist countries in the world. Collectively, both of them have been putting too much pressure onto Europe, which is socialistic. Globalization has sort of becoming a scapegoat for countries to exert economic nationalism.

- When the USA says "America First," it seems like we are already in a post-WTO world
- We are in an era of bilateral, trilateral, or regional deals
- No long-term incentive was provided for business and political leaders, no matter which type of government (East or West), which creates large issues for humanity
 - Should incorporate humanities into studies as it allows students to consider empathy and compassion + think more long-term

Urs Lustenberger

The world needs to "use the same language," as in learning to communicate about the same things clearly, not in snippets to try to conceal underlying problems. Subjects need to be clearly defined, and visions need to be developed.

- We are pressured by various groups in their opinions, making the truth unclear ("fake news")

- Free trade is a good thing. Not only will it make things more affordable, but also humans will also be able to communicate easier and making the truth known
- We need to use all technologies in a positive way

There should be a readjustment of the Constitution:

- Some companies have more power than the State does (e.g., holding personal information that even the State does not even observe)
- The definition of the laws that we have to need to be remixed

Tuck Seng Low

We are going to see a fracturing in “leapfrog” technology. There will be a bifurcation in technology because of two unnatural bedfellows – the US, with its #1 country proposition, and China, with its very well articulated 2025 Made in China program. Where is the EU, the largest trading bloc in the world, going to stand in all of this?

- We are on the cuffs of the next wave of technological development, with 5G just being the beginning of it, as machine learning and processing power have improved exponentially.
- Clash of technology between two superpowers and the digital divide between the nations (the haves and the have-nots)
- Technology is more interconnected than we think (e.g., although Europe has rejected Chinese telecom systems, the European telecom value chain is not solely based in Europe, but also in China), and it can get more ahead of us (e.g., microchip development)

Igor Almazov

- Small countries which don’t have high-tech equipment are happier towards globalization
- They open borders and invite the big market players > develop competition > decreased price levels
- The more developed countries are trying to develop their hi-tech technology and offering it locally (and outside) because, due to globalization, they do not want to accept that prices or quality of imports are better than their own
- Global companies have to adapt their policies to each country/region and understand regional politics (e.g., ABB has factories in Russia, but rather than producing local European products, they try to involve local commissioning companies or use locals to be able to integrate)

Panel Discussion #2

Q: Is it possible to bring the US back into the multilateral world?

A: The chance is meager, especially with Trump as the president. After the Phase 1 deal with China, there will be even less possibility. The relation may even deteriorate that even get better. When China and the US have a relationship like that, it will be virtually impossible to have a new WTO run.

China is significant in economic disruptions. There is always the “new kid on the block.” In any type of economy (developed or undeveloped), you need to give the young people a chance or lead to a social problem. The big companies are continually getting disrupted by newer ones (i.e., unicorn companies) in China, which cannot be seen in other regions of the world, causing China’s GDP to rise at an accelerating rate.

Q: What will be the future picture? Will we have globalization? What type of institutes, companies, government, etc., will we have?

A: We will have globalization because it is driven by technology. Even if governments and societies remain stable, globalization will produce disruptions due to technology, and companies will have to face it. AI will not be able to replace human brains. Computers are useless because they can only give answers, but they can never ask the questions.

Even in a post-WTO world, it does not mean that globalization has ended, but rather that it will take a different form. Bilateral/trilateral deals will become more popular and more regionalized (e.g., ASEAN). The traffic will continue to be costly (e.g., China exporting things to the US and more expensive for the US to exploit the Chinese market)

When you look at the large multinational companies before, you notice that they always move to the most tax-efficient country with their headquarters, but now they don’t. Nations like the US continue to let multinationals get away with complex tax regimes. Globalization will be an extension of power at the base where these companies are.

There will be environmental innovation that will lead to an expensive economy. The next generation is not afraid of messing up, and their views are much different than the generation before. They are powered by social media and the news that are on it.

Technology will only partly drive globalization, but political power will only have a significant impact. If big powers decide that they want to develop, for instance, some kind of national technology, there will be nothing that can stop them. For global companies, it is necessary to cooperate with local governments. There needs to be some cooperation between globalization and nationalism.

Jan. 2020 in Davos, Switzerland

New Silk Road Institute

<https://www.belt-road-initiative.eu>

Dr. Ying ZHANG

Dr. Urs Lustenberger

Ms. Elina Enju

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Program Introduction

This world has been undergoing a fundamental multilevel change with four significant pairs of paradoxical forces

- Sustainable development vision v.s. unsustainable economic development;
- integration and equality vision v.s. the emergence of populism and nationalism;
- openness and globalization vision v.s. protectionism and trade conflicts;
- technology progress and embracement of AI v.s. technology infringement among firms and countries

Though the United Nations has provided ideological forces of 17 Sustainable Development Goals to guide human being's activities from economic, business, political, educational perspectives throughout these paradoxes, how shall we call and lead the world into a thoughtful and sustainable path, and in particular how shall we integrate our world into a true one, positively fulfilling example Swiss-Sino Relationship and European-Sino relationship?

On the morning of Jan. 21st, 2019, Identitat Global Forum, collaborating with the Swiss-Asian Chamber of Commerce, Caspian Week, and New Silk Road Institute, will organize two panels in Davos, discussing with a list of thought leaders on the theme of Belt Road Initiative and the New World Order in a Paradoxical World.

Panel 1: 9:00-10:30 BRI and the new World Order I: Sustainability vs. Exploitation Equality vs. Nationalism

Speakers:

- Henry LEE, Managing Partner of Hendale Group HK
- Fabian GULL: Managing Editor, Journalist, Swiss Chinese Chamber of Commerce

- Yun CHENG, Chairman of Fosun Fashion Group, Chairman of Lanvin, Global Partner of Fosun International
- Igor Almazov, Power Grid, ABB Power Grids Schweiz AG, Baden, Switzerland.
- Dr. Boqiang LIN, Dean, China Institute for Energy Policy Studies. Director, China Center for Energy Economics Research, Xiamen University

Moderator: Dr. Urs Lustenberger. Partner of Lustenberger Law Firm Zurich, Chairman of Swiss-Asian Chamber of Commerce

Panel 2: 10:45-12:15 BRI and the new World Order II: Globalization vs. Trade Conflict, High-Tech vs. No-Tech

Speakers:

- Dr. Bing Xiang. Founding Dean of CKGSB
- Dr. rer. pol. Christian Etter, former Delegate for Trade Agreements of the Swiss Federal Government and Ambassador at SECO, Independent Consultant International Trade, Berne
- Tuck Seng Low, Senior Advisor EUTEC, Zurich
- Dr. Urs Lustenberger. Partner of Lustenberger Law Firm Zurich, Chairman of Swiss-Asian Chamber of Commerce
- Igor Almazov, Power Grid, ABB Power Grids Schweiz AG, Baden, Switzerland.

Moderator: Dr. Ying Zhang: Associate Dean of Rotterdam School of Management Erasmus University, Chairwoman of New Silk Road Institute

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Organizer: Identitat Global Forum

Co-organizers: & Swiss-Asian Chamber of Commerce & New Silk Road Institute & Caspian Week

Online video can be found at <https://www.igforum.org/igforum2020>

