

Feedback Loop of the Chinese Regulatory State in the Belt and Road Initiative

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1 Introduction

The Belt and Road Initiative (BRI) is seen as the grand-strategy of Xi Jinping, for achieving a variety of goals attributed to the Chinese state. Noting Xi's use of language it is easy to think in such a manner, as a result another trend has emerged to attribute the BRI entirely to the demand by local actors to deal with the overcapacity of the Chinese infrastructure-development industries by investing abroad, following lack of demand domestically. Combining insights from Lee Jones's model of the Chinese state as a transformed regulatory state, characterized by a central authority which sets up broad and vague guidelines to 'steer' diverse political actors who are free to influence, interpret, and ignore these policy guidelines, combined with the discourse analysis of Xi Jinping's speeches, I propose a new cybernetic model of the Chinese policy making process as a feedback loop system. (Jones 2019) In this system, the two sides of Jones's system, the central leadership and the decentralized actors, influence each other by taking each other's outputs as inputs in their own system. In the Chinese case, the central leadership is guided by a tradition of Marxism and dialectical materialist methodology which they use to analyze the material conditions of the world to come up with policies to guide the Chinese state. On the other hand, the variety of decentralized actors are motivated by self-interest, and may even compete with one another for influence and power.

The first section will go over the theory of cybernetics as it applies in this case. Second section will detail the historical development in Marxist theory which led to the current understand of Marxism in China today as a methodology characterized by its promotion first and foremost of the unleashing of production forces, followed by the analysis of its presence in Xi Jinping's speeches, his personal foreign policy goals, and how Marxism makes up his methodology in achieving these goals. The next section will go over the political economy of how the conditions of Chinese economy motivating various quasi-BRI campaigns first appeared, and furthermore led to the current implementation of the BRI today.

2 Cybernetics

Cybernetics is a field of system theory which has a variety of differing definitions, but always involving the principles of regulation and communication, especially in its study of feedback loops, which are systems which take its own output as input, resulting in a circular and recursive system. (Umpleby 2000)

Second-order cybernetics applies cybernetic theory to the cybernetic system itself, or how the model processing the inputs and outputs may be affected in a cybernetic sense through the process of feedback on a level above the system. (Heylighen and Joslyn 2001, pp. 156–7) As applied here, the interaction of a Marxist central leadership of the CCP and the diverse range of actors on the decentralized level are analyzed to be a cybernetic system in which the output of one side is taken as an input on the other side, which processes and provided an output which is then fed-back into the system which produced the initial output.

In a cybernetic analysis of Lee's model of state transformation as applied to China, the mechanism by which each side's systems process information and produce policy output differ as the central authority maintains the Marxist lineage it derives from its history and status as a communist party, using it as a methodology through which to analyze the world and provide broad guidelines for the public to implement. On the other hand, the dispersed domestic actors are primarily motivated by an urge for profit, power, and self-interest, resulting in an incoherent policy implementation or oftentimes competitions which sabotage coordinated efforts at policy. These systems are not static, as the Marxist methodology guiding the CCP has changed radically through the years as the later sections will illustrate, similarly for the political economy of the various actors in China.

3 Genealogy of the Belt and Road Initiative Discourse

The discourse surrounding the Belt and Road Initiative from the central authorities, especially Xi Jinping has a long lineage stemming from the dialectical materialism of Marx to the more recent development of the Chinese Marxist theory of "the primary stage of socialism" under Deng Xiaoping. Xi's discourse concerning the BRI exemplifies Chinese Marxism in the methodology he uses to arrive at the policy guidelines he gives. The various shifts which have occurred in the development of Marxism in China to the modern day also shines a light on the second-order cybernetics system which has shifted the methodology of Marxism as a result of the historical feedback which it has gotten from its implementation, to function as something which strongly resembles capitalism to certain observers, to the point of being referred to as "Capitalism with Chinese Characteristics." (Huang 2008)

3.1 Marxist Theory

The fundamental principles of Marx were his theories of dialectical materialism and historical materialism. (Sun 1995, p. 36) Dialectical materialism is the Marxist theory of understanding Hegel's dialectics, which is a process by which contradictions internal to phenomena precede a possibility of change by the self-realization of the unity of its contradiction, applied purely to material conditions, criticizing Hegel's idealism. Historical materialism on the other hand, is how Marx conceived the development of history by also taking the form of Hegel's philosophy of history, wherein a world spirit (*Weltgeist*) undergoes

self-realization driven by cultures, but replacing its content to be that of a history of the growth of production forces driven by economic structures. (Cohen 2000, pp. 26, 345, 364) The growth of material forces and conditions unfold dialectically through history, however key to this development is that while they may be understood through dialectical materialist analysis at the moment or in the past, the future is impossible to predict as history cannot be reduced to systems. (Fine and Saad-Filho 2016, pp. 3, 6–7) This method of analysis was applied to the economic system of capitalism as it was unfolding in Marx's time when he was writing *Capital*, and understand its potential for transformation into communism. (Fine and Saad-Filho 2016, p. 6) But the Marxist conception of world history is dependent on dialectical materialism, since historical development occurs through the resolution and reappearance of contradictions in material conditions.

Mao Zedong's contribution to Marxist theory is found in his many philosophical works, and it is to use the methodology of Marx to derive certain universal laws, the core of which is the universal law of the unity of opposites (*duili tongyi guilü*). (Holubnychy 1964, p. 29; Sun 1995, p. 36) This law states that contradiction is universal and inherent to all things, following the dialectical materialist line, and articulates the process of change, which is that the tension between two contradictory forces results in its quality, but a quantitative change between the forces will result in a qualitative change. (Holubnychy 1964, pp. 31–34) As a result, the normative function of Mao Zedong Thought, is to change the quantitative forces between the contradictory forces so as to bring about a qualitative change, for example between the bourgeoisie and the proletariat, changing the social system from capitalist to socialist.

Finally, the latest innovation to Marxist theory in China came with Deng Xiaoping. Deng first came into paramount leader status by engaging in a theoretical debate against the Maoist "Whateverist" faction who pledged to uphold "whatever policies Chairman Mao made, whatever instructions Chairman Mao gave." shortened as "Two Whatever's" (*liǎng gè fánshì*). The criticisms Deng and his allies made of the Whateverists first consisted of dividing Maoism to fundamental principles (*jīběn yuánlǐ*) and specific principles (*gèbié yuánlǐ*), the former being more general and important than the context-dependent specific principles. (Sun 1995, pp. 35–6) They then accused the Whateverists of ignoring Maoism and Marxism as a materialist science, and instead engaging in "metaphysical idealism." (Sun 1995, p. 37; Vogel 2011, p. 212) Furthermore, the theoreticians during the Reform and Opening Up period were encouraged to "develop Marxism," thus opening up the avenue for a pluralist interpretation of Marxism, away from the ideological centrality of Mao. (Sun 1995, pp. 191, 269)

One such development during this period was the concept of the "primary stage of socialism," (*shèhuì zhǔyì chūjí jiēduàn*) which entails that because China was an agricultural economy which did not experience a capitalist mode of production when it adopted socialism, its productive forces were not ready to experience the economic system adopted under Mao. (Sun 1995, pp. 200–1; Vogel 2011, p. 469) This served the purpose of justifying the adoption of market reforms by a socialist party by explaining it under a Marxist framework. Another development following the primary stage of socialism was to measure progress towards socialism by the state, it would use GNP figures per capita, since the accumulation of production forces were necessary before the transformation of the state to a "higher stage of socialism". (Sun 1995, pp. 202, 273) Essentially,

Marxism's role as a normative framework to realizing socialism was limited to simply economic development, similar to other capitalist economies, but its role as a methodology remained and is still seen in the discourses of the elites of the CCP. (Sun 1995, pp. 197, 267, 272–3)

3.2 Xi Jinping's Discourse

Marxist theory developed under Deng Xiaoping's leadership during the Reform and Opening Up period can still be seen in the constitution of the CCP today, and consistently spotted in the speeches of Xi Jinping. The collection of speeches by Xi in the three volumes of "The Governance of China" books are analyzed for Marxist themes as they relate to the Belt and Road Initiative or Chinese foreign policy in general, since these speeches are most likely the ones which Xi Jinping and the CCP leadership thought best represents their thought to the public. These speeches indicate that the realization of the "Chinese Dream" is of utmost priority. To achieve this goal, the most critical factor is economic development of the country, for which a peaceful international environment is necessary. The BRI is one way of attempting to shift international norms and shape beliefs for the Chinese state, to achieve that goal of a peaceful environment conducive to economic development.

These decisions are all guided by and linked to what Xi constantly refers to as "the laws of history" and "trends of the times." As referred to before, these have roots in Marxist theory of historical development which can be understood through historical materialism by analyzing the material conditions of the world. CCP's Constitution explains that Marxism reveals laws governing the development of history, and Xi Jinping calls on the Party to follow these objective laws and align its policies with their development in history. If the universal laws of history are revealed by Marxism, what they reveal as trends of the current time, according to Xi, are peace, economic development, economic cooperation, and mutually beneficial progress. They are emphasized to not be policies of "expediency," but rather stemming from an "objective analysis" of history by Xi and the Party.

The BRI is the route by which Xi Jinping plans to align the Chinese state with the trends of the time according to universal laws of history. By extensive investment into the infrastructures of peripheral states of China and improving connectivity, China promotes economic cooperation, globalization, and international development. On the role of the BRI in a peaceful environment, Xi is less clear however. On the one hand, he often refers to the BRI's success being impossible without a peaceful international environment first. But in the same speech, as well as others, the BRI embraces the historical trend of economic globalization and promotes a new model of global governance, which secures a peaceful international environment in the first place. Most likely, Xi sees the process as mutually reinforcing.

Xi Jinping's public declarations and speeches continue the form of Marxist theory which emerged as orthodox in China, following the long series of deliberation amongst Marxist theorists from Karl Marx to Deng Xiaoping. Even if Xi Jinping does not personally believe in the methodology of Marxism, his rhetoric still sticks closely to Chinese Marxism, and provides guidelines for the think tanks and leading working groups to interpret and implement into actionable Chinese foreign policy. By being limited by the tradition of Marxist method-

ology in the CCP, Xi, whether by choice or not, is also limited in how he may guide Chinese foreign policy through his statements and speeches to the public.

4 Political Economy of Belt and Road Initiative

4.1 History

The origins of the contents of the Belt and Road, as in the infrastructure development investments are traditionally placed at the outbreak of the 2007-8 financial crisis where lines of credit loosened and an economic stimulus developed capital overcapacity in the Chinese infrastructure-industrial complex which needed to be used or cut down. (Cai 2017, p. 7; Demiryol 2022, pp. 412–3; Jones and Zeng 2020, p. 1422; Joy-Perez and Scissors 2018, p. 3) However, the issue of overcapacity in Chinese firms, especially state-owned enterprises (SOE), have existed ever since 1997, when the State Council reported the potential dangers of excess production capacity in SOEs, and continued to do so since 2003. (Demiryol 2022, p. 413) As a result of both China's strong export economy, and local party officials' incentives to avoid sabotaging their economic performance figures, overcapacity in the economy continue to remain an issue. (Demiryol 2022, p. 417)

One of the earlier national-level initiatives to deal with the issue was to direct them towards infrastructure development in the western regions of China, in the Great Western Development (GWD, *xībù dà kāifā*) campaign. (Jones 2019, p. 590; Rippa 2020, pp. 23–4) But the process for announcing the GWD program was not a top-down process emanating from central leadership, but rather involved national overcapacity and economic incentives by local actors demanding investment, especially those from the inner provinces who were jealous of the rapid economic transformation of the eastern provinces. (Chin 2004, p. 152) Because the interests of these provincial authorities are diverse, the coordination between them ends up being difficult from the central side, who prefer instead to make vague and general statements, open to interpretation from the provinces. (Callahan 2016, p. 228; Jones 2019, pp. 590–1) The GWD campaign was also to the central authorities' interest, by dual-integration with the domestic core provinces as a way to ensure stronger national unity through connectivity, as well as internationalizing the peripheral economies to the rest of the world through Central and Southeast Asia. (Hameiri and Jones 2016, p. 89; Demiryol 2022, p. 416; Rippa 2020, p. 24; Summers 2016, pp. 1632–3)

This limitation of the Chinese state's foreign policy coordination is referred by Lee Jones as an example of Chinese state transformation from the traditional Westphalian centralized state to a "regulatory state," in which central policymakers set guidelines for the various actors in the state system, as a result of political fragmentation and decentralization. (Hameiri and Jones 2016, p. 74; Jones 2019, p. 584; Jones and Zeng 2020, pp. 1415–6) Jones's conception of the regulatory state's process for foreign policy implementation involves various political actors separate from the central authorities have the ability to *influence* policymaking, *interpret* existing policy, or *ignore* them outright. (Jones 2019, p. 584) This process was illustrated with the implementation of the GWD project, as Yunnan, for example, lobbied the government to provide it more funds for infrastructure development for its SOEs, but, at the same

time, placing its interests before the national foreign policy interests by ignoring transborder illicit drug trade across Myanmar. (Hameiri and Jones 2016, pp. 89–90; Summers 2013) These trends would continue into the implementation of the BRI, when the twin-goals of using infrastructure development overcapacity by the central leadership and the regional actors would align, but on a global level.

4.2 Implementation

As demonstrated in the previous section, many of the trends and projects associated with the BRI had a lengthy history in Chinese political economy. The implementation of the BRI follows many of the patterns seen in nation-wide economic development projects seen in its earlier history, featuring fragmentation, incoherence, and competition between actors. (Summers 2016, p. 1634) As many authors have noted, the definition or the guidelines surrounding the BRI is filled with vague statements, leaving it open for interpretation by not only local economic actors, but also the international community who attribute various grand-strategy goals to the project. (Callahan 2016, pp. 228–9; Hillman 2022, p. 1; Jones 2019, p. 587; Jones and Zeng 2020, pp. 1421, 1423, 1426–7)

The incoherence between the coordination attempts by the Chinese state, such as the guidelines outlined in the *Vision and Actions on jointly building Silk Road Economic Belt and Twenty-first Century Maritime Silk Road* (V&A document), and the actual implementation of the projects associated with the BRI, can be seen observed in the empirical data found on where these investments have gone versus the several economic corridors planned in the V&A document. Out of the six economic corridors outlined in the V&A document, only one of the economic corridors shows a significant relationship between the amount of investment and corridor participation: China-Pakistan Economic Corridor. (Hillman 2022, p. 4) Furthermore, the top recipient of the BRI measured by volume is Singapore (\$24.3 bn.), a country not associated with any economic corridors, and Israel (\$9.8 bn.) captures nearly as much investment as Russia (\$9.9) does. (Joy-Perez and Scissors 2018, pp. 3–4) These patterns imply the investments from the BRI are not motivated by geopolitical considerations as much as by profit incentives by SOEs who function almost autonomously from the central government after extensive privatization, but exploit their state connections. (Hameiri and Jones 2016, p. 84; Jones and Zeng 2020, p. 1425)

Provincial and local city authorities will also compete amongst one and another for funds from the central government by attempting to use the language of the BRI for political purposes. Ever since the announcement of the BRI, even without the formal guidelines set up by the V&A documents, provinces and cities immediately began a debate over where the start of the Silk Road was, so as to extract more funds from the central government allocated by the BRI fund. (Jones and Zeng 2020, p. 1425) In addition to this, these political units also began to rebrand pre-existing projects or already-existing project plans into the BRI and lobby to get them into the V&A document. (Jones and Zeng 2020, pp. 1424–5) The difficulty of getting these various political and economic incentives by sub-national actors makes the coordination on the level of a grand-strategy impossible by the CCP central leadership.

5 Analysis

In Jones's regulatory state model of China, the policymaking process can be bifurcated between two parties, the central leadership who issues general guidelines, and the decentralized actors who influence, interpret, or ignore the guidelines. In turn, these actors' actions and demands affect the central authorities to shape their words to coordinate these actors to follow a certain agenda and stay consistent with their political thought. This creates a feedback loop system, where the output of the other is taken as the input on each side which will produce an output of its own, which is fed-back as input to the other system yet again. In the Chinese state, the central authorities' underlying principles guiding their grand declaration of projects and policies are firmly Marxist in nature, though filtered through many generations of Marxist theorists. The vague policy statements guided by Marxism then interact with the various self-interested decentralized parties who interpret these principles in accordance with their wants. The actions and demands by these sub-national actors such as provincial authorities, city governors, or SOEs then lead to the development of the Marxist political theory in China, done through the various theory research think tanks of the CCP.

The development of Marxism from a normative doctrine to primarily a methodology for the Chinese leadership during the Deng Xiaoping era allowed for the dispersion of state power to various different authorities, individuals, and institutions throughout the country, which ultimately created the modern regulatory state in China today. As a result of the international environment and profit-seeking motives of various political and economic actors in China society, productive overcapacity developed in the Chinese economy. To address the overcapacity as well as other national political goals, several nation-level initiatives were deployed, but still ultimately undergirded by the new Marxist criterion for socialist progress: the productive force as measured by economic figures.

The Xi Jinping era is marked by his goal of the China Dream for National Rejuvenation. To achieve his goal of national rejuvenation, policies of securing a peaceful international environment and continuing domestic economic development are necessary, as these are the trends of the times as revealed by his analysis of the material conditions of the world and application of universal laws of history. Xi's means of implementing these policies was through the BRI, so as to use the bloated infrastructure-industrial complex to invest abroad, dually integrate the rural economies, and at the same time attempt to shift the beliefs and norms of the participating countries to achieve a more friendly international environment for Chinese economy, and link the peripheral countries to China's economy. The Chinese economy would not suffer from reduction in capacity, regional countries would be linked to China's economic development, becoming more friendly in turn, increasing economic cooperation, and ultimately, in Xi's vision, achieve the Chinese Dream. In other words, the BRI has its roots in both Marxist theory of historical development, as well as the material demands by the dispersed actors for use for excess capital and more investment into the peripheral, rural provinces.

However, the realities of the political economy in China's regulatory state means Xi's role is limited to that of a vague agenda setter, with the implementation being the SOEs, provincial and city authorities, who have their own

political and economic incentives to interpret his words in a way which best suits them. SOE investments which had purely economic purposes suddenly became associated with the BRI for political gain, and provincial interests overrode national foreign policy goals. What resulted instead is an incoherent foreign policy initiative which Xi has personally associated with his leadership and ideological control.

6 Conclusion

The Chinese state is not a centralized Westphalian state of the past, but has transformed into a regulatory state characterized by a dispersion of power amongst self-interested political actors and institutions, with the central authority setting the agenda in a vague and open manner. Due to China's history and political-economic conditions, a feedback loop system of Marxist methodology represented by the central leadership and capitalistic self-interest represented by the dispersed variety of interests, has emerged. This system is represented best by the disparity between the purported goals of the Belt and Road Initiative by Xi Jinping and empirical data showing the chaotic nature of its implementation. While the discourse surrounding the BRI by Xi indicates it as being a policy guided by the laws of history with roots in dialectical materialism, to achieve Chinese National Rejuvenation, its implementation is filtered through by the various dispersed political-economic actors, which result in its incoherence with the central authorities' and Xi Jinping's vision for the BRI in empirical analysis.

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