

Historical Trend of China-UK Strategic Cooperation Based on the Belt and Road Initiative

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Abstract: The Belt and Road Initiative which was proposed by Chinese President Xi Jinping is playing an important role in the development of globalization, increasingly more countries and international groups are supporting and engaging in it. The trade and cultural communications between China and the United Kingdom (UK) goes back centuries, and although troubled at times, has now successfully entered the “golden age” of deep cooperation between the world powers through strategic cooperation based on the Belt and Road Initiative. With the developing trend of the times, China and the UK should deepen their cooperation in the areas of higher education, research and development, financial innovation, social management, cultural innovation, supply-side structural reform, regional development, rural governance, public medical systems, aerotropolis construction, university science parks, high-tech parks, and other social and economic developments, thus continuing the advancement of deep cooperation between world powers. The Belt and Road International Conference held in Beijing in May 2017 and was the beginning of a new round of strategic cooperation and globalization for the benefit of the countries and regions involved.

Keywords: China-UK cooperation; the Belt and Road Initiative; globalization

The Belt and Road Initiative, which was proposed by Chinese President Xi Jinping, is based on the idea of win-win cooperation, and is a strategic vision for China to expand its development pattern of comprehensive opening-up and a historical move to promote globalization. Under the new situation. This initiative

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has significant meaning and has obtained lots of supports and responds from countries all around the world after its proposition. The trade and culture communication between China and the UK goes back to ancient times, and taking consideration of the situation that the global economy is integrated, countries strive for stably and harmonious development, and the ordinary people hope for deep cooperation, it has been the historical trend to improve the strategic cooperation based on the Belt and Road Initiative between the two countries according to the bilateral political framework of the Golden Age of China-UK cooperation which was established when Xi was on his state visit to the UK on October, 2015.

1. China's sustainable development needs the full range of international strategic space

President Xi Jinping visited the UK in October 2015, the first visit by Chinese President in a decade, and it received global attention. During the visit, Xi received the highest standard of welcome by the British Royal family which included a gilded carriage procession to Buckingham Palace. Also, it was productive and fertile when it came to the bilateral cooperation between the two countries because of this visit. About 40 billion British pounds in deals were struck, involving many Chinese large enterprises such as China General Nuclear Power Corporation (CGN), China Investment Corporation, China State Shipbuilding Corporation, China Huadian Corporation, China National Petroleum Corporation (CNPC), Hainan Airlines Group (HNA) and CITIC Group Corporation. The international cooperation of these enterprises is significant for China to promote its competences and influences in the world. In addition, the two countries issued the Joint Declaration on Building

a Global Comprehensive Strategic Partnership for the 21st Century. This agreement summarized the improvement of relationships of China-UK and stated that China will join hands with the UK and strive to build a global comprehensive strategic partnership for the 21st century. It indicates that the revolutionary improvement for both China and the UK, the two is stepping into the Golden Age. From now on, the China-UK relationship will not only be confined to the past Golden 10 Years of rapid development but will enter into the Golden Age highly concerned by the world.

In particular, as the originator of the Asian Infrastructure Investment Bank, China aims at improving its regulating and controlling ability of resources in the area of international finance; as the proposer of the Belt and Road Initiative, China aims at making a better environment for its peaceful integration into the global development. Both of these two initiatives are specific plans of importance for China to expand its development space in the world. However, neither of them will be realized without the support and response from other countries around the world. The UK has given strong support for these plans mentioned above, and it is the first developed country in Europe to apply to be a founder-member of the Asian Infrastructure Investment Bank and accelerated the upsurge from other developed countries in Europe applying to join the bank, thus encouraging China to get the opportunity and show the vitality in the area of international finance. The UK also showed active attitude on the Belt and Road Initiative when it was proposed by China. In the Joint Declaration issued by China and the UK in October 2015, both countries showed their lively interests in cooperation in the projects of China's Belt and Road Initiative. The UK's Infrastructure Upgrading and Investment Plan, and Economic Center of Northern England have provided the political foundation for the two

countries to strengthen their cooperation.

Through sustained effort of more than 30 years reform and opening up, China now has basically completed the task of industrialization in the early and middle stages. Its further development needs the support of core technology and financial service of high level which are the resources and superiorities owned by the UK in its post-industrial era. Cooperation between China and the UK has gone beyond the simple trade relationship and been up to the national strategic level of capital cooperation, which indicates a new generation of the China-UK relationship and brings vitality for their future development. The transformation of the China-UK relationship from trade to capital has indeed met the historical demand of transformation of economy and strategy between the two countries. China has accumulated rich capital and became a net capital exporter since 2014, it's an urgent trend for China to expand more and better investment space, improve its weak spot of finance, and explore the new development path in the field of modern finance. And the rich capital from China will exactly shore up the insufficiency of the UK in rebuilding its traditional industrial centers, and upgrading its infrastructure and traditional manufacturing. The UK showed great courage as one of the world's most open economies and displayed wisdom for the tendency of attracting and receiving capital from China in the strategic projects of national telecommunications and infrastructure. Furthermore, cooperation in finance is also the intersection area of the strategic interests of the two countries. The UK is quite strong in financial products innovation, and maintains its status as one of the significant financial centers in the world. London plays the most important and irreplaceable role in supporting the internationalization of RMB. The central banks of China and the UK have reached an agreement to further expand the scale

of currency exchange in 2015, the Stock Exchange of Hong Kong and London Metal Exchange have signed the Interworking protocol of futures. Such a series of cooperation agreements between China and the UK indicate that the "financial center" was formed. This is the "seamless integration" between a traditional financial superpower and an emerging country with big economic size. China will spend more time to explore the path of using finance to strengthen itself without support of London. Since the investment from Chinese enterprises in the UK exceeds all European countries, the UK has been the most important target of the capital investment for China. Concentrated investment implies the deep communication and integration between the two countries. In 2015, Chinese investment in the UK provided 3,900 employment opportunities that it has brought benefit to the ordinary worker of the UK.

China and the UK are permanent members of the United Nations. Their deep cooperation is of significant demonstration for the whole world. As a new kind of strategic fulcrum, it will provide more opportunities for China to share international resources, enter new areas of capital investment, deeply cooperate with other developed countries, and prudently expand strategic space for its sustainable development in the world.

2. The UK's sustainable development needs the locomotive drive from China

Nowadays, China is the world's second largest economy, and its GDP in 2016 reached 74.41 trillion Yuan (about \$11.39 trillion), equivalent to more than 61.4% of the GDP in the United States and more than 2 times Japan's GDP, accounting for 15.1% share of the world GDP and contributing more than 30% to the global economic development in the same year. There is no denying that China has

become a locomotive to promote the development of the global economy. Zhengzhou, the capital city of Henan province of central China, has become one of the fastest growing hotspots in the global transport of both travelers and goods between 2012 and 2016, through the construction and development of the Zhengzhou international aviation hub, Zhengzhou-Luxembourg international freight air routes and the “Air Silk Road.” And it has driven Henan province, with a population of 100 million, to reach an average growth of 32.9% a year in total export-import volume during 2011 and 2015, thus becoming one of the active areas of the open economy under the new normal of China economy. After the research, we put forward that the hotspot of regional development may have returned to the inland due to the world enters the new era of air transport. Therefore, Chinese speed, Chinese phenomenon, Chinese culture, Chinese wisdom and Chinese school are affecting the world rapidly. Under the influence of the Belt and Road Initiative, the major change in the pattern of regional development in China could have important reference to other developing countries around the world.

The UK takes the initiative to strengthen cooperation with China. In March 2014, Chinese and British leaders met in The Hague. They reached a consensus on, “Do a good job in the investment of major projects that will rapidly advance the ‘flagship project’ in fields of nuclear power, high-speed rail, high technology and finance.” According to one of the 150 cooperation agreements that were signed in October 2015, China would participate in the construction of the Hinkley Point nuclear power plant project with one-third of the 18 billion British pounds invested. Also, Chinese exports of nuclear power technology indicates that China is stepping from a big manufacturing country into a powerful manufacturing country. While the economic cooperation between China and the

UK moves into the era of “big project” and “great cooperation,” it will redefine their relationship in all aspects and encourage advancement through increased motivation. Therefore, the adjustment of British policy towards China is determined, and is the biggest adjustment of diplomatic direction since World War II. Some people say that the UK is refreshing its own circles of friends and changing from attaching importance to European and American to valuing China, which creates a new situation of strategic cooperation between developed and developing countries. The British government has strong competitive reasons to develop its relationship with China. At the end of 2013, British Prime Minister Cameron, during his first official visit to China, put forward that the UK would be the most powerful supporter of China in the West. This indicates that the British government has a strong interest in developing a relationship with China. The UK is regarded as the most open economy in the European Union and the most active country in attracting Chinese investment.

The British government hopes to stimulate a new vitality of development through a strengthened China-UK relationship. In recent years, cooperation in bilateral trade, investment and finance has increased significantly as have “Chinese elements” in the British economy. The British Chancellor George Osborne proposed that the key to the long-term plan for the British economy was to increase its exports to fast-growing economies such as China, and at the same time to attract more foreign investments. Prime Minister Cameron put forward that the British economy should reduce its dependence on traditional European markets and vigorously develop emerging markets such as Asia, thus gaining more opportunities for development. In June 2016, the China-Britain Business Council issued a report that the Belt and Road Initiative promotes enterprises of the two countries to strengthen their cooperation.

At present, Chinese and British companies have shown an unprecedented degree of synergy in the development of projects along the Belt and Road with well-known British enterprises providing positive solutions with services and innovation for the relevant construction projects. In the future, the enterprises of the two countries have huge potential in cooperation within the framework of the Belt and Road Initiative. China and the UK have already carried out many cooperations within the framework of the Belt and Road Initiative. Enterprises of the two countries partnered in launching infrastructure, energy and logistics projects in the third markets. Chinese companies provided services for projects in the third-party countries with the aid of British talent, manufacturing and technology platforms. British companies provided professional advice and services to help Chinese companies operate in unfamiliar and high-risk business environment. China has prominent interests in the infrastructure construction for countries along the Belt and Road. Chinese enterprises accumulate rich experiences in constructing modern infrastructure networks such as highways, railways, airports and power generation facilities, and at the same time China has financial support from the Silk Road Fund and the newly established financial institutions such as the Asian Infrastructure Investment Bank. As a developed country, British enterprises provide professional services support for Chinese enterprises. The report analyzed the cases that British law firms and accounting firms did to help Chinese enterprises in expanding their overseas markets. Linklaters Limited Liability Partnership has provided legal services for syndicates consisting of the China Construction Bank, the China Development Bank and the Industrial and Commercial Bank of China, which support the construction financing of coal mines and accessory power plants in Pakistan. KPMG International is providing advisory services for

Chinese enterprises in seeking financing for projects in Nigeria. Facts have proved that the advantages of professional services in cross-border projects of the UK will provide innovative and responsive solutions for Chinese enterprises in expanding markets, thus avoiding risks and improving the success rate of investments. And Chinese hardware construction abilities will provide a new market for British high-end services.

The UK needs to cooperate with China to improve its external influence. In recent years, due to the economic crisis that lead to the decline of the international influence of the UK, and the domestic tendency of national separation and the 2016 Brexit referendum, the position of the UK in Europe is becoming unsteady. Since the GDP of the UK decreased by 7.0% in 2016, it directly affected the employment of the residents. Under this special historical background, the British government strengthened cooperation with China through the innovation of diplomacy, and promotes its employment and economic and social development by expanding bilateral investment trade and cultural cooperation, which are strategic decisions of the British government to improve its international influence. In July 2016, in his congratulatory telegram to the new British Prime Minister Theresa May, Chinese Premier Li Keqiang praised the British government for its enterprising spirit of being the pioneer in promoting cooperation with China. In September 2016, Theresa May attended the G20 summit in Hangzhou, China. When she met Chinese President Xi Jinping, she said that China and the UK are entering a golden age of developing their relationship in a wider field with great potential. The British side is devoted to increasing the bilateral comprehensive strategic partnership, promoting mutual understanding and trust, and strengthening cooperation with China in fields of economy, trade, investment, finance, security, law enforcement,

and others. China-UK cooperation is showing the phenomenon of the greatest common divisor.

3. China-UK Deep Cooperation should move with the times

Since the international financial crisis in 2008, the global economic development is weak, while the Chinese economy is thriving and has shown its institutional advantages in responding to the crisis, as well as the rapid improvement of the Chinese strategic position on the global level. In 2010, China's GDP reached 5.7 trillion US dollars, accounting for 9.2% of world GDP, surpassing 5.3 trillion US dollars of Japan's GDP, and becoming the world's second largest economy. In 2016, China's GDP grew by 6.79% in the context of increasing difficulties with global economic growth, and China continued to play an important role in leading the world's economic growth. In 2016, China's non-financial foreign direct investment reached 170.11 billion US dollars, representing year-on-year growth of 44.1%, and becoming one of the world's most active sources of investment. The United Kingdom has also experienced relatively fast economic growth

among developed countries in recent years. In 2015, its GDP reached 2.85 trillion US dollars, up 2.2%, ranking the second place after the United States in the several largest developed countries (see Table 1). However, according to the analysis of the history trend of China-UK economic development, it can be seen that the gap in gross economy between China and the UK are indeed growing rapidly (see Figure 1).

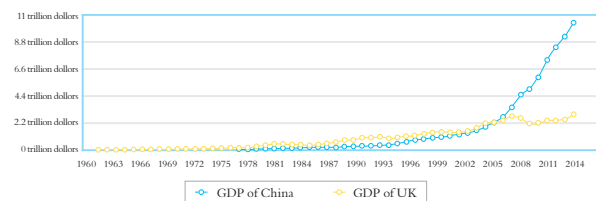


Figure 1. GDP of China and the UK since 1960.

Analyzed at a deeper level, the United Kingdom is the birthplace of the world's first industrial revolution, and is still one of the largest developed countries and one of the countries with the highest per capita GDP, having strong strengths in higher education, research and development, cultural and creative industries, international finance, urban and rural construction, airport construction and so on. Although China has sustained rapid economic

Table 1: Ranking of GDP of IMF members in 2015

Gross ranking	country/region	GDP (hundred million dollar)	Growth rate (%)	Per Capital ranking	Per Capital GDP (dollar)
1	United States	179470.00	2.4	6	55805
2	China	109828.29	6.9	76	7990
3	Japan	41232.58	0.5	26	32486
4	German	33576.14	1.5	20	40997
5	UK	28493.45	2.2	14	43771
6	France	24214.60	1.1	22	37675
7	India	20907.06	7.3	144	1617
8	Italy	18157.57	0.8	27	29867
9	Brazil	17725.89	-3.8	74	8870
10	Canada	15523.86	1.2	17	43332

Data source: World GDP Ranking 2015, IMF, April 12th, 2016.

growth since the reform and opening-up, its per capital GDP still does not reach the global average (see Figure 2). China is still a developing country and faces heavy missions to learn from developed countries in the process of becoming a high-income country in the future. Therefore, it is the historical trend to deepen the cooperative relationship between China and the UK, and there is a huge platform for their cooperation.

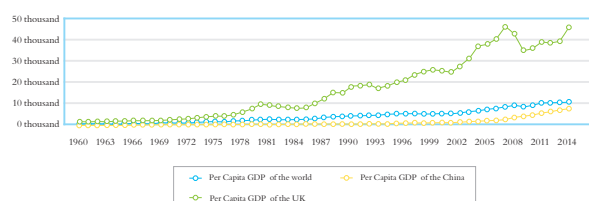


Figure 2. Per Capita GDP change of the world, China and the UK since 1960.

First, cooperation in higher education. The UK is one of the most developed countries in higher education. It is the birthplace of the modern higher education system and has a complete higher education system. The UK has the world's oldest institutions of higher education such as Oxford University and Cambridge University, which have trained many outstanding scientists and politicians for the world. Moreover, the UK is good at exporting educational resources. The reason that English is popular in the world is closely related with the developed higher education in the UK and later in the United States that attracting a large number of students studying in those two countries. China has already carried out a lot of higher education cooperation with the UK, and the effect is remarkable. With the "golden age" of the China-UK relationship, these two countries should have more deep-seated cooperation in the field of higher education, and especially make a breakthrough in the areas of running schools. The UK promotes cooperation in running schools and has a strong presence in many countries and regions

in the world. China must improve its cooperation in higher education with foreign countries, and actively introduce the educational resources from the famous British colleges and universities. In the joint cooperation of specialties, especially the high-tech specialty, we must settle down and learn from the UK to cultivate more brilliant young talents and new professionals in new fields, preparing talents for China-UK industrial cooperation in the future. Based on such cooperation, we can also cultivate the cultural genes of inclusive development between China and the UK, create the cultural atmosphere of deep integration, establish and improve the mechanism of communications, and cultivate new higher education models with cooperation and mutual reference to the cultures of both East and West. For the central and western regions of China, it is the feasible choice to directly cooperate with British institutions of higher learning in running schools or specialties considering the mutual benefits and cooperation.

Second, cooperation in the field of research and development. The UK is one of the most developed countries in the world, accumulating abundant advantages of talents, public resources and applicable achievements in the fields of modern economy and the application of technology, research and development, philosophy and social sciences, and the cultivation of an outstanding humanistic spirit. For China, these fields need to be strengthened. Therefore, we should act as primary school students and cooperate with Britain in the fields of research and development through a multitude of flexible forms, like major research projects, the introduction of talents, commercialization of research outputs, large-scale dispatched studying visits, co-organized academic seminars, cooperation commitments to research projects, and establishment of new scientific research institutions. This could not only take full play of the advantages of the UK, a developed

country, but also make up for Chinese disadvantages of lacking research resources during its development. Specially-appointed Researcher (Professor) System sponsored by the local government in many regions of China has laid a great system and mechanism foundation for the deep cooperation in the field of research and development. We need to further understand the importance of deep cooperation with the UK, improve the initiative of carrying out in-depth cooperation, truly deepen long-term continuous cooperation in relevant professional areas, and flexibly connect the British research and development advantages with China's development advantages, to earnestly promote the mutual benefit and win-win cooperation.

Third, cooperation in the financial area. The UK is one of the most important financial centers in the world. It has world-class abilities in financial products innovation, financial capital operation, resisting risks in the financial industry, managing financial markets in developing countries, analyzing venture capital for innovation and start-ups, financial personnel training and so on. After the completion of the original capital accumulation, China is facing problems on a large scale like industrial upgrading and development, capital output, capital flows, prevention and control of financial risks, financial personnel training, financial knowledge and skills of decision-makers at all levels so that it really needs to cooperate with the UK whose financial philosophy is safe and secure. Not only at the basic level can this cooperation help China to cultivate young financial professionals, but also in the operational level can we learn and communicate financial operations from each other, and discuss the establishment of risk prevention and control systems for the long-term. China has been fruitful in the RMB internationalization cooperation. In the future, we should take full account of the historical trend after the Brexit, further promoting the RMB exchange

products diversification in London, expanding the serviceable scope of the RMB in international trade and infrastructure construction cooperation beyond the dollar and Euro, and creating additional potential for RMB transactions.

Fourth, cooperation in the social management area. As a country with a high degree of welfare, the UK has very mature legislation and practices in social management, especially in the management of social welfare, social stability, social income, poor populations, social security and so on. With the improvement of Chinese residents' income levels, these series of social problems which have not been highlighted in the past will become more important, and we must face them and break the new development contradiction step by step. In particular, China is at the special stage named the "Middle Income Trap" and social stability is a strategic issue. National GDP growth rate is very important, but in comparison, social stability is also very important. Only maintaining the overall situation of stability can we steadily enter the ranks of high-income countries. Therefore, China must comprehensively strengthen cooperation with the United Kingdom in the field of social management and earnestly study the British experience, to make the strategic goal of building a moderately prosperous society in all respects come true.

Fifth, cooperation in cultural and creative industries. The UK was the earliest country to propose the basic theory of cultural and creative industries which are defined as those derived from individual creativity, skills and talents, and have the potential to create wealth and employment opportunities through the creation and use of intellectual property. The cultural and creative industries comprise 13 categories like fashion design, film, interactive leisure software, music, television and broadcasting, performing arts, publishing and software. Based on the rich historical foundation

of traditional culture, the UK has cultivated many influential creative talents and produced the British experience which has far-reaching influence on the development of global cultural and creative industries. China has accumulated a rich traditional culture, and cultural and creative industries have entered a comprehensive development stage with the service orientation of the national economy in recent years. Strengthened cooperation with the UK in cultural and creative industries is conducive for the younger generation to exchange ideas and communicate on a cultural level which encourages learning from each other's cultural and creative industry development experiences. This can guide the Chinese cultural and creative industries to gradually increased popularity among people, support bilateral people-to-people bonds, and contribute to Chinese wisdom in the development of global cultural and creative industries.

For other fields, such as the supply-side structural reform, regional development theory, rural construction, public health care systems, aviation city construction, university science and technology parks, high-tech parks and private investments, China and the UK have a relatively large cooperation space, and both countries could act according to the own ability and actively promote their cooperation.

4. Conclusion

The realization of the Chinese Dream of national

rejuvenation requires the Chinese nation to have a more open philosophical thinking. The Belt and Road Initiative proposed by Chinese President Xi Jinping is an inclusive initiative of globalization, and more and more countries and international groups are supporting and becoming engaged in it. China and the UK have historically opened a "golden age" of deep cooperation through the strategic cooperation based on the Belt and Road Initiative. We should cherish such an historical opportunity, act as President Xi Jinping referred in the congratulatory letter for *2016 Media Cooperation Forum on the Belt and Road* with 212 media participants from 101 countries, namely, China is willing to work together with countries along the route to build mutual benefit cooperation networks and new cooperation models, expand multi-platform cooperation, promote projects of key areas, and create the green, healthy, intellectual and peaceful silk road for the benefit of the countries and people along the route. With the opening of the 2017 International Cooperation Forum on the Belt and Road held in Beijing, China would promote a new round of globalization with a more open strategic thinking and promote the Belt and Road Initiative toward a new level. We should rely on many more cooperation projects to promote China-UK strategic cooperation on the Belt and Road to deepen China-UK cooperation and create green, healthy, intelligence and peaceful flowers and contribute to people's hardworking bilateral spirit and wisdom for human progress and development.

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