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THE GLOBAL VALUE CHAINS AND THE EVOLUTION OF CHINESE ECONOMIC MODEL[1]

Fernanda ILHÉU

Abstract

According to the Word Bank in the first 38 years of China Economic Reform took 700 million people out poverty line in China at same time benefiting the Global South economy due to the integration of the Transnational Enterprises Global Value Chains with China. Chinese government understood the economic rational of Global Value Chains, Flying Geese Model and Foreign Direct Investment Theories and introduced policies to attract foreign capital, technology, production, and foreign buyers, placing China as the final stage of the production networks in Asia and also transforming China in the biggest buying market of many resources and energy suppliers from less developed countries in Asia, Africa and South America.

But a new model of Chinese economic development even more interconnected and interdependent with the world is now on move. Even quite before the world acknowledge the protectionist mindset of the US in Trump era, Chinese President Xi Jinping launched in 2013 a very ambitious initiative under the name of "One Road One Belt the 21st-Century Maritime Silk Road" to enhance a new stage of world globalization, which together with two complimentary initiatives the "International Production Cooperation" and "Third-country Market Cooperation" and in complementarity with the "Made in China 2025" and "Internet Plus" plans will lead China to develop Global Value Chains leaded by Chinese companies and integrating countries of Europe, Africa, Asia, and South America.

Keywords Global Value Chains, Chinese economic model, BRI, International Cooperation, Made in China 2025'.

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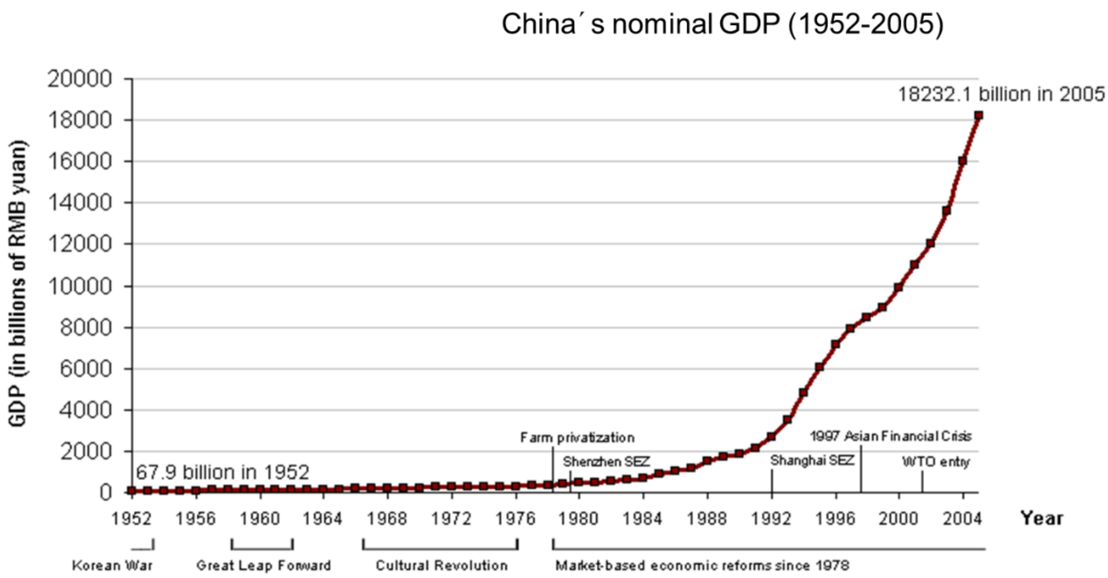
1. SYNOPSYS OF 70 YEARS OF THE ECONOMIC MODEL EVOLUTION

The historical evolution of the economic relations between China and the world in the last 70 years is correlated first with the Chinese economic struggle for economic survival and latter its economic growth sustainability. Each phase allowed China to establish different relations with the world and was closely followed by the Chinese economic diplomacy. Four stages in this process should be considered. In the first phase from 1949 till 1979, PRC closely followed the soviet economic model, with total nationalization of the means of production, closed economy, investment in heavy industry, light industry to replace imports, with the main economic activity being the artisanal agriculture, as we can see in Fig. 1, this policy was a complete failure in economic terms, and China diplomatic relations were mainly with countries of Marxist-Leninist influence.

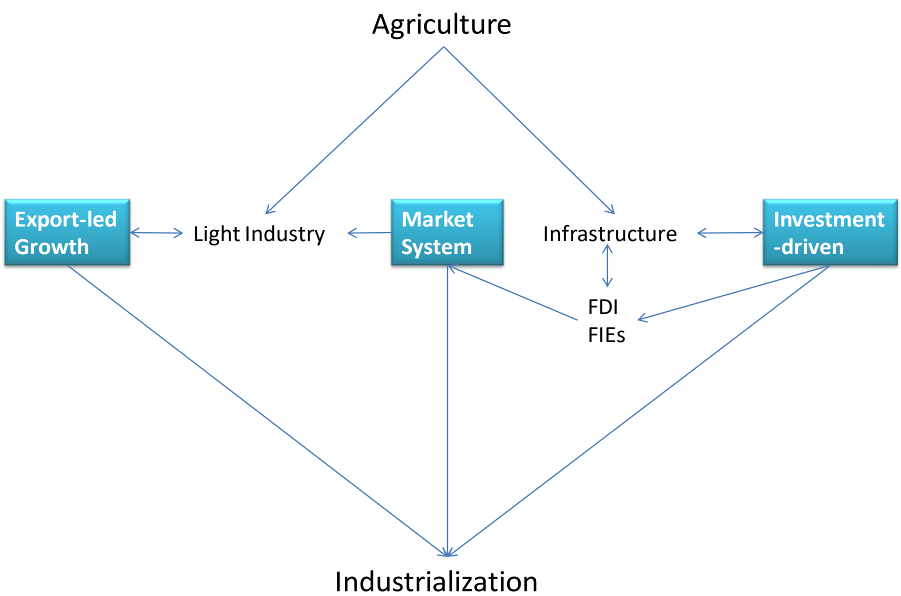
Fig. 1- Nominal GDP (1952-2005)



Source; China Statistics (1952-2005)

In a second phase, china pragmatically, begun to open-up to the world. The US President Nixon´s visit to China in 1972 marks the beginning of the dialogue between China and the Western world with American influence. In December 1978, Deng Xiaoping announced the Reform and Open Door Policy, this economic reform involved the de-collectivization of agriculture, the opening-up of the country to foreign investors and the begin of permission of Chinese citizens to start businesses. Many countries re-approach China for established or reestablish diplomatic relations. At same time China pro-actively called foreign businessmen and foreign entrepreneurs to invest in Special Economic Zones (SEZs)that meanwhile were created, first in 1980 in Shenzhen, Zhuhai, Shantou, and Xiamen and latter during the 80´s and 90´s similar zones were open in Hainan, Shanghai and other 14 larger and older cities. The foreign investment in China that was then initially circumscribed to these SEZs was mainly in light export-oriented industry following as can be seen in the SEZ Economic Development Model see Fig.2.

Fig. 2- SEZ Economic Development Model



Source Hao & Ilhéu (2014)

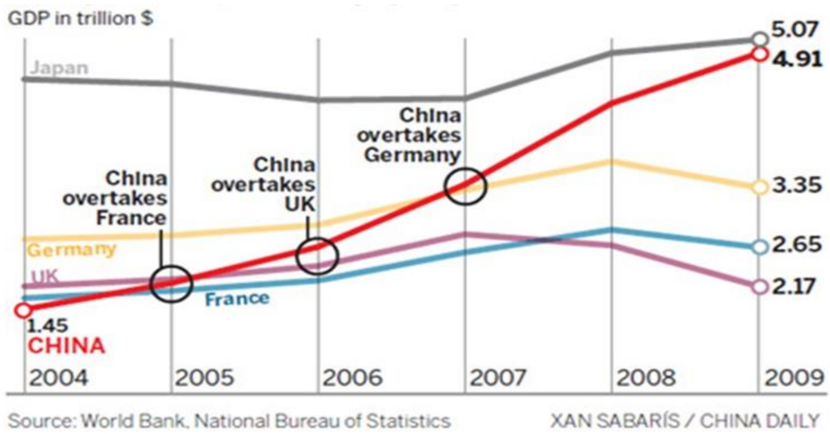
With the Open Door Policy, economic activities begun to be developed by private individuals and prices to be marked according with the demand in many products and services as a result the GDP started to grow immediately, as can be seen in Fig. 1. But we can say that the big takeoff was really verified only after the visit of Deng Xiaoping to the South of China near Hong Kong in 1992, where he announced the Socialist Market Economy, introducing pragmatic changes in the Chinese economic model and making it very attractive to the foreign investors.

We can consider a third phase in China´s relationship with the outside world that began with the entry of China into de World Tarde Organization (WTO) in 2001, it was carried out by Jiang Zemin, who left the important legacy of the "Three Represents", thus opening up the Chinese Communist Party to the entrepreneurs and to all the most advanced forces of the Society. Anyway the first private property law was only approved by the Chinese Parliament in 2007, already under Hu Jintao´s leadership and after 14 years of discussion, but this was yet another major economic and political development towards China economic development and openness to the outside world, we can observe a step-by-step approach to these two vectors, starred by Chinese political leaders since Deng Xiaoping.

With China´s entry into WTO, the Chinese economy developed very rapidly. In terms of GDP in few years China bypassed France, UK, Germany and Japan to become the second world economy in 2010, see Fig. 3.

Lin (2011) explains this rapid growth of Chinese economy with the advantage of backwardness theory, of Gerschenkron (1962) saying that a latecomer country to development process can borrow technology, industry, and institutions from the advanced countries at low risk and costs and if that country "*knows how to tap the advantage of backwardness in technology, industry, and social and economic institutions, it can grow at an annual rate several times that of high-income countries for decades before closing its income gap with those countries*" Fig 3.

Fig. 3 – China in the World GDP



Overpass Japan in 2010 as the second world economy

But there are other important explanations. According the Word Bank, the first 38 years of the China Economic Reform took 700 million people out of poverty in China, at the same time benefiting the economy of the Global South due to the integration of the Transnational Corporations (TNCs) Global Value Chains (GVCs) in China. In fact the success of China in this process was not isolated, it also provided many gains to foreign companies that invested in China and provided also important benefits to the countries that in Africa, Asia and Latin America supplied raw-materials and semi-finished goods to the GVCs in China, enabling those countries to initiate development processes and also improved the purchasing power of the middle and lower-middle classes consumers in US and EU countries, China´s main export destinations, since Chinese-made products could be sold in those markets at a much lower prices due the low production costs in China.

We can conclude that China´s success in the global economy was initially due to its ability to integrate in its economy the GVCs. China´s so-called miracle was based on the export industry and foreign investment, but we have to recognize that China´s dependence on the rest of the world was very high and even dangerous.

Anyway this situation is changing, in a recent report on China´s world exposure to trade, technology and capital, published by McKinsey Global Institute in January 2019, was concluded that this exposure is diminishing in relative terms and the other way around the exposure of the world to China in that dimensions is increasing. Today the main growing force of Chinese economy is already the domestic consumption, making it less exposed to the economic conditions of the rest of the world, and instead we now see a greater dependence of the rest of the world of the Chinese economy.

We can now talk of a fourth phase that can be considered to have started with the 12th Five-Year Plan (2011-2015), in which objectives we can envisage the transition of China from the world factory to the China factory, and from the world factory to the world office. In 2013 2013 China became the world's largest nation in terms and trade in goods and by 2014 the world's largest economy in terms of purchasing power parity. But although China has 110 of the Global Fortune 500 companies, more than 80 percent of its revenue is made in the Chinese domestic market, which means that the degree of Chinese economy internationalization is still low.

A key vector in this new process of greater openness and internationalization of Chinese economy was the launching in 2013 by Xi Jinping of the Initiative "*One Belt One Road and the 21st Century Maritime Silk Road" (*BRI) with the aim of developing the provinces in the north and west of China and globalizing more the coast and south provinces. BRI also foresees China cooperation with other countries from various geographies, in the development processes of countries that although have development potential they are not able to do it alone they lack driving factors like capital, technology and foreign markets, they are in situation China was in 1979. Can BRI do it and this process will generate a new model of globalization, not any more lead by the Transnational Companies GVCs in China but by China Global Value Chains in those countries.

In the 13th Five-Year Plan (2016-2020), the growth drivers of Chinese economic model are based on increased domestic consumption, greater healthy and sustainable urbanization, the industry 4.0 through the implementation of the 'Made in China 2025' and 'Internet Plus' plans and BRI. In this new model China seeks to avoid the middle income trap, by growing Chinese GVCs add-value. China can do it through internal growth or through Mergers & Acquisitions (M&A) which allow it to be done at a faster pace, and as China has enormous foreign exchange reserves M&A it is the preferential way to do it. China´s concern is no longer to integrate GVCs in Chinese economy but to lead them.

As expected, this process is creating trade tensions and increase protectionism in countries that feel threaten, mostly the USA. Already facing a protectionist attitude, President Xi challenged to USA the leadership of globalization by saying in Davos Forum 2017 "*If the United Sates adopts a more mercantilist path, the Asians and Europeans in general will have to combine to preserve free trade*" and "*We must remain committed to the development of global free trade and investment, and promote trade liberalization and investment*".

2. THE ECONOMIC RATIONAL OF THE GVCS AND CHINA INTEGRATION IN GVCS

Chinese government understood the economic rational of GVCs, as well as that of the Flying Geese Model and Foreign Direct Investment Eclectic Paradigm and introduced policies to attract foreign capital, technology, production, and foreign buyers.

In GVCs, intermediate goods and services are traded in fragmented and internationally-dispersed production processes and the GVCs establish trade flows of intermediary goods and services between different places in the world, that are incorporated at various stages in the production process of goods and services till the final consumer. This cross-border trade of inputs and outputs takes place within the networks of affiliates, contractual partners and arm's-length suppliers. Presently GVCs presently account for 70% of global trade in goods and services, whereas it was around 60% in 2013, 49% in 2011 and 36% in 1995 (OECD 2018; WIR 2013; International Statistics 2015). This shows the progressive trend of countries to specialize in particular stages of good's production (known as vertical specialization), brought about by foreign direct investment, that thus create new trade opportunities.

WIR (2013) defends that GVCs have been important for the economic growing of developing countries, contributing on average to 30% of the GDP of these countries whilst its contribution to the income of the developed countries was around 18%. The WIR also considers that a positive correlation exists between participation in the GVCs and growth rates of GDP per capita, as these chains have a direct economic impact on the added-value, employment and income of the countries where they operate.

Global investment and trade are thoroughly entwined in international production networks. This is especially true of TNCs investing in productive assets worldwide, as they manage trading inputs and outputs in cross-border value chains which are often highly complex. Such value chains (intra-firm or inter-firm, regional or global) transfer technology and knowledge, facilitated by trade with intermediates and Foreign Direct Investment (FDI) which made it possible for developing countries in 70´s, such as Korea, Taiwan, Hong Kong and Singapore to move up the product ladder in terms of capital intensity and quality. At the same time, the industrialization of these countries or territories gave rise to an increase in wages, which, in turn, triggered the outsourcing of unskilled labor-intensive tasks to China, Thailand, the Philippines, Indonesia and Malaysia after 1990.

The integration of GVCs in China transformed this country into the biggest buying market of many resources and energy suppliers from less-developed countries in Asia, Africa and South America. In fact China made a fundamental contribution to the present globalization process and has also benefited highly from this process by becoming the final stage of the GVCs production networks in Asia. In 2012 the processing trade units based in China imported 60% of the components incorporate in their production from Japan, South Korea, Taiwan and other Asian countries, and they exported 17.1% of their final production to the USA, 16.3% to EU and around 41% to Asian Countries.

Akamatsu (1962) Flying Geese Model explains that this industrial development process as a result of the interaction between developing and the developed countries, concluding that technology and production fly away from the more advanced countries to the less-developed ones, making use of international labor division based on dynamic comparative advantages. In Asia the leader geese were considered to be from Japan followed by the Dragons, after this the Tigers and then China, followed by Vietnam, Cambodia, etc.

The economic rational of the GVCs obliges companies to create their own specific advantages, because these advantages will be critical for the acceptance clients' products, and subsequently for their success in international markets. According with Dunning Eclectic Paradigm (1980; 1988) these companies that supply a particular market are chosen by their ownership of specific advantages, and it is these companies that choose the production location of the products that they are going to supply, according to the countries´ specific local advantages, which can be; labor costs, resources, knowledge, infrastructures, trade facilities or taxes incentives, all of which fall into the company´s country of origin or other parts of the world, and which obliges countries to create specific local advantages. As referred to above countries´ specific advantages today are far more complex than just the cost of labor, which thus oblige countries to offer competitive business environments to attract the inward investment of the transnational companies with ownership advantages, which can then choose them as the production location.

During the 1st Phase of China's globalization process, China's political leaders concentrated their policies on attracting the FDI of TNCs in China, be they American, European, Japanese, Overseas Chinese, Korean, or others, in order to bring investment, technology and the setting-up of markets. At the beginning, these investments were in intensive low-cost export-oriented sectors, as China's leaders believed that if China knew how to tap the advantages of backwardness in technology, industry, and social and economic institutions, by pursuing a structural transformation, it could grow at an annual rate several times more than that of high-income countries (Lin, 2011).

In 1979 when Deng Xiao Ping initiated a structural economic transformation with the \`Reform and Open-Door´ and \`Four Modernizations´ policies, the per capita income of China was US$182. Thirty five years later, the per capita income was US$ 7900, as an output of GDP annual growth rates of 9.9% in media. This strategy accepted that the added-value that remain in China, albeit very small it was very important for providing jobs to millions of Chinese in order to take them out of the absolute poverty line. Other policies taken during the first 35 years of the China Economic Reform, were equally important, such as \`Grasp the Big Let Go the Small´, the \`Socialist Market Economy´, the \`Go West´ and the \`Go Global´ to transform Chinese economy in the second biggest in the world.

Indeed, it could be said that a new world economic order begun when China joined WTO, placing China at the center of the world. In 2006 the percentage of Chinese exports carried out by Foreign Investment Enterprises (FIEs) was around 60%, most of these exports (60%) being manufactured by processing trade units that imported from between 50% to 80% of the exported incorporated value that make up foreign products and parts. In 2017, the percentage of Chinese exports carried out by FIEs was 43.1% of China total exports, with 32% of the output being manufactured by processing trade units that imported 22% of the final value exported, Table 1.

Table 1. Importance of FIEs in China´s Foreign Trade

	2006	2015	2018
Number of FIEs	560 000	481 179	599 878
FIEs % of Total Exports	58%	44.1%	43.1% (2017)
FIEs%Total Imports	60%	49.3%	45.7% (2017)
% of Exports done by Export Processing Units	60%	35%	32%
% of Imported value of intermediary and semi-finished products exported by Export Processing Units.	50 a 80%	26.5%	22%
% of China Exports to UE	18.1%	15.6%	16.9%
% of China Exports to US	21%	17.9%	19.2%
% of China Exports to Hong Kong	17%	14.5%	12.2

Source: China Statistical Yearbook (2006-2018)

This economic model doesn´t produce anymore such high rates of growth, and Chinese domestic economy indicates that China has to make structural changes to achieve a sustainable economic development. A new model has to be implemented that avoids middle-income trap and raises income per capita, reducing inequality. The new growth drivers have to be based more on domestic consumption and less in exports and investment. The rules of this new economic model, oblige China not to be chosen by FDI investors to integrate in China a small add-value in production, but pushes Chinese companies to lead global value chains by their own specific advantages as leading innovation, brand, design consumers convenience and services assistance This new economic model has at the same time ecological concerns utilizing productive processes that reduce pollution and guarantee energetic securitization.

3. CHINA AND THE WORLD – MACROECONOMICS AND GVCS TRENDS

Even if trade war and trade tariffs between USA and China dominate the present world news concerning globalization, it is important to refer that the structural changes in macroeconomics global environment and in GVCs begun in 2008 with the financial crisis and recession.

In the World Economic Forum Annual Meeting 2016 macro environment remarks appointed inclusive growth is a big global challenge, and the rising of income inequality was apointed as a cause for economic and social problems, from low consumption to social and political unrest. Participants referred that several years after the 2008 crisis, the world economy was still struggling with slow growth, the labor market was showing a mismatching, with a need of 500 million jobs till 2020 for unemployed people around the globe and at the same time a shortage of skilled people that the businesses were looking for. International trade and investment were considered vital drivers for economic growth. In his speech at Davos Forum 2017, President Xi Jinping recognized that "*The global economy has remained sluggish for quite some time. The gap between the poor and the rich and between the South and the North is widening. The root cause is that the three critical issues in the economic sphere have not been effectively addressed*". He went on to identify these three root causes as being: the lack of driving forces for global growth, the inadequate global economic governance and the uneven global development. He assumed that globalization has problems and threats; however he also mentioned the positive aspects saying "*China has not only benefited from economic globalization but also contributed to it. Rapid growth in China has been a sustained, powerful engine for global economic stability and expansion*", and as mentioned above he affirmed its intentions to lead the globalization process together with other Asian and European countries if USA is showing retrieving attitudes.

According with The Economist (July 13th 2019, p; 3-5), "*there are signs that the golden age of globalization may be over" … "Cross-border investment dropped by a fifth last year"* and although output and trade continue to increase in absolute terms, it´s growth rates fallen from 5.5% in 2017 to 2.1% this year, OECD predicts that the trade war between USA and China could take-off 0.7% of global output growth, around 600 bn.

Also trade intensity is declining within almost every goods-producing value chain. Now flows of services and data play a bigger role in global economy. Not only trade in services growth more than trade in goods, but also services are creating more value on GVCs integration than goods (McKinsey January 2019). We have to analyze the GVCs trends to understand the position of China and its consequences for its economic development mode. The Mckinsey survey on global flows and digital globalization researched 23 GVCs in both products and services industries, working in 43 countries that account for 96% of global trade, 69% of global output and 68% of global employment, this survey cover the years-1995-2017. The findings of this survey are that globalization is in the process of transformation, the mix of countries, companies and workers skills are changing, and they move according specific drivers, such as:

1- All GVCs are becoming more knowledge-intensive

2- GVCs driven by global innovation on industries including automotive, computers, electronics and machinery account for 13% of gross output and 35%of trade. One-third of the workforce is highly skilled. R&D expenses and intangible assets account for 30% of the revenues. These GVCs are concentrated in small number of developed countries; only 12 countries are responsible by 75% of the exports. The role of China is rising.

3- Low-skill labor is becoming less important as a factor of production, only about 18% of global trade in goods is now justified by labor arbitrage.

GVCs including textiles, apparel, shoes, toys, furniture are still labor and trade intensive. More than two thirds of income goes to low-skill labor, and around

28% of the global output is exported. Production is concentrated in developing countries and those countries account for 62% of trade. But they only represent 3% of global gross output and employ only 3% of the global workforce. China is the largest producer, but new manufacturing technologies, changes in the demand, protectionism and China rising labor costs are shifting country participation, we are already observing the movement of labor-intensive chains from China to other developing countries.

4- GVCs of products like metals, rubber and plastics, glass, cement, ceramics and food and beverage are low in intermediary goods they are spread around the world and have a regional processing and a high share of intraregional trade (56%) and are low global tradable with the exception of food and beverage. Anyway trade in these GVCs is growing faster than global innovation or labor intensive chains and they account for 9% of gross global output, and 5% of global labor force.

5- Goods-producing value chains are becoming less trade-intensive. Trade still grows in absolute terms, but the share of output moving across global borders has fallen from 28.1% in 2007 to 22.5% in 2017. It reflects the development of China and other emerging markets that are now consuming a lot of they produce.

6- Emerging economies are building more comprehensive domestic supply chains, reducing the weight of imported intermediate inputs.

7- Services play a growing role in GVCs. Although the gross trade in services is 2017 was only 29.4% than the gross trade in products, it has grown 60% faster on the past decade, and in some subsectors like telecom and IT services, business services and intellectual property charges is growing two or three times faster.

8- GVCs of labor-intensive services include retail, wholesale, transportation and storage, and healthcare and they are the largest job creators, after agriculture employing 23% of global workforce. Given its nature the trade intensity is low but is increasing.

9- GVCs of knowledge-intensive services include professional services, financial intermediation and IT services. These value chains have lower trade intensity than goods producing chains mostly due to regulatory barriers. They are highly concentrated in advance countries, rich in skilled workforce and intangible assets, only 21% of all exports in this category comes from developing countries.

10- GVCs are being reshaped by cross-border data flows and new technologies including digital platforms, Internet of Things, automation and AI.

We can conclude that these trends favor advanced economies, given their strengths in innovation and services and highly skilled workers, but developing countries geographically near large consumers markets, may also benefit since production is moving near the consumers. Countries that mix last wave of globalization can face problems since automation reduces the importance of labor costs, reducing changes for low-income countries to utilize labor-intensive exports as a driver of development. Companies must decide where to compete along the value chain, considering new service offerings, and speed to market is becoming a key competitive tool, companies are also considering that instead-off localizing supply chains for keeping suppliers at arm´s length they can establish cooperative relationship with those that are core to the business in place.

3.1. CHINA VISION OF A NEW STAGE OF GLOBALIZATION

In China's vision, the world needs a more integrated and globally controlled world economic model, to achieve a more dynamic and balanced growth, where China must assume global responsibilities. China wants to have a role in the decision-making of the rules of the relationship model for the world's countries, especially regarding international organizations and regional integration policy. The world can expect a higher integration of China in the global economy (Angang, 2015, p.8). According with this author the more integrated is the Chinese economy more it will act as a global stabilizer, as it happens in 2008, when the aggressive economic stimulus plan of Chinese government positively contributed to the global recovery.

On September 7, 2013 President Xi Jinping announced while visiting the Nazarbayev University in Astana an initiative he called "*One Belt One Road*" and a month later more precisely on October 2 while addressing the Indonesian Parliament announced the "*New Maritime Silk Road of the 21st Century"*. With these two announcements, what is now know the BRI was created, with it Chinese President envisaged cooperation between China and neighboring Central Asian and ASEAN countries in a process of cooperation and development with various corridors by land and by sea, that will link China to Europe, revitalizing and reshaping the ancient Silk Roads and turning them in new vectors of global trade.

According with the document that structured BRI the `Vision and Actions in Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road´ published in March 2015, by National Development and Reform Commission (NDRC) and the Ministry of Commerce of PRC "*The initiative will enable China to further expand and deepen its opening-up, and to strengthen its mutually beneficial cooperation with countries in Asia, Europe and Africa and the rest of the world"*.

The justification presented by NCRD of the Chinese Government to create BRI is centered in the complex and profound changes that have affected world as well as the 2008 crisis, which continues to impact the world with slow economic growth recovery, and uneven global development as well as the difficulty felt by many countries in their development process as was referred on World Economic Forum Meeting in 2016 conclusions and in the Davos 2017 speech of Xi Jinping.

Winter (2016) refers BRI as "*the most significant and far-reaching initiative that China has ever put forward*" and mention five major goals for this initiative policy coordination; facilities connectivity; unimpeded trade; financial integration; and people to people bonds.

In 2015 the 65 countries that had joined BRI accordingly with the World Bank, accounted for 62% of the world´s population and 30% of the world GDP they own 75% of the world energy reserves and they purchase 50% of China´s iron and steel exports, 49% of aluminum, 38% of cement and they supply 65% of China´s oil imports and 78%of gas (OECD, 2017). Six years after the announcement of BRI, 125 countries, including developed and developing ones and 29 organizations have shown interest in cooperate with China and 173 cooperation agreements were signed for projects development.

BRI´s vision as a major development opportunity can be explained by the increased trade and investment being generated by the sheer size of the physical and digital infrastructure projects being carried out and the synergies they create.

The impact of BRI on global trade has been high, it is estimated that in 2018 alone BRI added $170 billion to global trade, of which $50 billion were exports from China.

Imports and exports from China to BRI countries grew at a higher rate than China's trade with the rest of the world but imports grew stronger. The value of goods transacted with these countries and regions in the last six years exceeded US$ 6 trillion about 27.4% of China's total trade in that period. In 2018 alone this figure was US$1.3 trillion, 16.4% more than in 2017 while China's total foreign trade in that year grew 9.7%. In 2018 imports from China grew by 12.9% but imports from the BRI countries (49 countries) grew by 21%. China's exports grew by 7.1% but exports to BRI countries grew by 7.9%.

The impact on investment is also remarkable; between 2014 and 2018 more than $410 billion of China's investment was made in the BRI countries, only the FDI was US$90 billion. Between 2014 and 2017, loans totaling US$120 billion were made, among other projects financed from railways, highways, power stations. The value of China's construction project contracts at BRI exceeded US$400 billion. China also signed industrial cooperation agreements with more than 40 countries in the BRI and the 82 Chinese State-Owned Enterprises in 24 BRI countries generated US$2.28 billion in taxes for local governments and created 300,000 jobs. By the end of 2018, only 933 enterprises have been set up in China's economic and trade cooperation zones, which have invested US$20.96 billion and employ 147,000 people.

3.2. GLOBAL VALUE CHAINS LEADED BY CHINESE COMPANIES

China links the BRI with two complimentary initiatives - the ‘International Production Cooperation’ and ‘Third-country Market Cooperation’.

The ‘International Production Cooperation’ was launched by Chinese Government on the 16th May 2015, with the release of the `Guiding Opinions of the State Council on Promoting International Cooperation in Industrial Capacity and Equipment Manufacturing´. This initiative aims to match the China´s industrial production with existing global demand, giving priority to China’s cooperation with emerging countries whose economic structures require large amounts of money to spur growth. ‘Third-country Market Cooperation*’* was first mentioned by Premier Li Keqiang in June-July 2015, when he attended the 17th China-EU Leaders’ Meeting and visited Belgium and France. This initiative aims to combine China’s production capacity with developed countries´ advanced technology and equipment, to jointly develop markets in developing countries.

Clearly BRI aims for global and regional cooperation, and plans should be worked out for regional cooperation on large-scale projects, implementing ‘Third-country Market Cooperation’ and creating the conditions for the development of the China Global Value Chain Model of BRI, whereby, in the spirit of the ‘International Production Cooperation’, the division of labor and the distribution of industrial chains should be improved by encouraging the entire industrial chain and related industries to develop in conjunction, as well as to establish R&D, production, and marketing systems.

According to China Outlook (2016, p.26) “*This would benefit: China, by facilitating the export of its production capacity and industrial products to the international market; Developed countries, by creating new sources of economic growth; Developing countries, by promoting their industrialization and economic development*”. During Summer World Economic Forum in Davos in September 2015, Premier Li Keqiang referred doing his speech in September 2015 to the fact that “*China has come up with the initiatives to build the Silk Road Economic Belt and the 21st Century Maritime Silk Road, and to promote global cooperation on production capacity. We believe these initiatives could help further open up our country and forge a more balanced and* *inclusive global industrial chain. This in turn could pool the comparative strengths of all countries and foster a global community of common interests and development for win-win, inclusive and common progress*".

With the advent of a more mature economy, a New Normal Growth´s pace, China's investment priorities focused now more on sectors based on industrial technology, machinery, consumer, modern services and financial institutions.

China's State Council announced the 'Made in China 2025' plan in May 2015, as a national initiative to improve its manufacturing industry – initially up to 2025, and then up to 2035 and 2049. We can see that `Made in China 2025´ fit the GVCs trends summary made above, it is a 10 Years Plan that will be followed by another two plans, in order to transform China into a leading manufacturing power by 2049, the year of the 100th anniversary of the founding of the PRC.

'Made in China 2025' was inspired by Germany's 'Industry 4.0' Plan. Lothar de Maiziere, the former prime minister of the GDR, declared to the China Daily newspaper that "*China wants to learn from the 'Industry 4.0' German Plan to combine industrialization and customization, with intelligent production technologies".*

The concept of this Plan is to link virtual reality to real production, as in the German project, which primarily means using the Internet of Things to connect small and medium-sized companies more efficiently in global production (*Kennedy, 2015)*. This Plan stresses the need to underscore the innovation-driven approach in making the switch of emphasis from 'Made in Chin*a'* to 'Create in China', from speed to quality, and from products to brands. In order to avoid the 'Middle Income Trap', China needs to move up the value chain to avoid being challenged at one end by low-cost countries and at the other end by high-quality manufacturers around the world. This presents opportunities for partnerships with EU companies with renowned expertise in the export of high-tech equipment, technical and management consultancy services, joint R&D, design, education and skills training, and financial and professional services.

The 'Made in China 2025' document available on the State Council website identified ten priority sectors for China, highlighting areas of opportunity for partnerships with EU companies. The sectors include: advanced rail and equipment; aviation and aerospace equipment; agricultural machinery and technology; power equipment and technology; low and new-energy vehicles; new materials; high-end manufacturing control equipment and robotics; biopharmaceuticals and high-end medical equipment; advanced marine equipment and high-tech vessels, and; integrated circuits and new generation information technology.

At the Summer Davos Forum in 2016, Premier Li referred that "*The leading role of consumption and services is becoming more visible. New areas of consumption, such as information and communication, smart phones, and new energy vehicles are rapidly expanding. The five 'happiness industries' of tourism, culture, sports, health, and old-age care are rapidly growing",* and he advocated "*mass entrepreneurship and innovation, to further promote the 'Internet+' strategy, extensively applying the new generation of information technologies, such as the Internet of Things, big data, and cloud computing.* Premier Li promise to implement the 'Made in China 2015' initiative to make manufacturing more "*IT-based and smarter*".

We can conclude that now China is not anymore passively following the globalization process but rather is taking the initiative by leading changes in macroeconomic environment with BRI and at some time developing internally policies and plans to positioning their companies as leading GVCs, by integrating resources and international production supplies of third countries of the Eurasia, Asia, South America and Africa, high-technology through cooperation with developed countries namely the European ones, and by supplying big consumer markets like China and Europe among others with high quality products and services.

h. PEV had 1 lady. PAN had none.

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