

THE DIGITAL SILK ROAD: THE MYSTERIOUS POWER OF CHINA'S RISE

Zhou Siyan

dandanmaerfu@gmail.com;
Supervisor – O. E. Трясунова, senior lecturer

The Digital Silk Road is an important aspect of China's "Belt and Road" initiative, which aims to establish a global digital infrastructure that enhances connectivity and promotes economic development. This article tries to reveal the mysterious power behind China's rise in the digital field, focusing on the motivation, strategy and influence of the Digital Silk Road. By analyzing the political, economic and technological factors driving the Digital Silk Road, we have a comprehensive understanding of the economic impact of China's Digital Silk Road. In addition, we assess the impact of the Digital Silk Road on the global digital landscape and examine the opportunities and challenges it brings to countries along the route.

Key words: digital silk road; belt and road initiative; digital infrastructure; economic development; China.

China's "Belt and Road" program plans to build economic bridges in Eurasia and the Middle East. As an integral part of this initiative, the Digital Silk Road aims to establish a global digital infrastructure to promote economic growth and technological innovation. The purpose of the Chinese government's launch of the Digital Silk Road is the following:

1. **Building a global digital infrastructure.** Through the construction and upgrading of digital infrastructure, connect more people and regions, improve Internet coverage and quality, and promote global digitization.

2. **Improve the level of economic development.** The digital economy has the potential to increase productivity, innovation and economic growth. By sharing experience in digital technology and the economy, China hopes to help other countries improve their economic development.

3. **Strengthen global digital cooperation.** Through this project, China hopes to establish closer cooperation with other countries in the field of digital technology and economy, share information and resources, and promote global digital development.

4. **Promote China's digital technology exports.** Through the Digital Silk Road Project, China can export digital technologies and products to other countries and enhance China's influence in the global digital economy.

5. **Increase political influence.** This is also a means for the Chinese government to enhance its global influence and advance its international policy agenda.

The main directions of the implementation of the set goals are the following (picture 1).

TECHNOLOGY INFRASTRUCTURE OF DIGITAL SILK ROAD



Pic. 1. Technology infrastructure of digital silk road [1].

At the same time the development of globalization and digitization, the traditional trade model of the Silk Road can no longer meet the economic development needs of China and some other countries. The proportion of trade volume on the Silk Road has gradually declined: according to the data from the General Administration of Customs of China, from 2013 to 2019, the proportion of China's trade with countries along the “Belt and Road” in China's total foreign trade increased from 14.5 % to 19.9 %. At the same time, the proportion of China's trade volume with the rest of the world has declined [2].

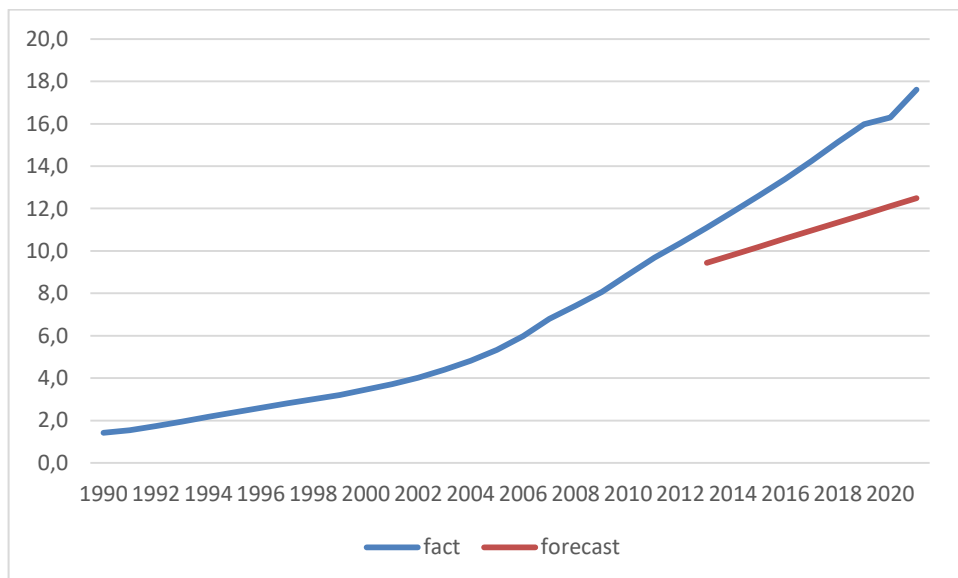
The limitations of traditional trade models are becoming more and more significant. For example, traditional trade models rely too much on infrastructure such as logistics and transportation, while the digital economy can achieve more efficient trade and exchanges through digital technologies such as the Internet. In addition, the traditional trade model has many problems in terms of environmental protection and sustainable development.

The development of the digital economy has brought new economic growth points: according to data from the National Bureau of Statistics of China, in 2020, the scale of China's digital economy reached 39.2 trillion yuan, accounting for 38.6% of GDP. The digital economy has become a new engine of China's economic development. Besides, the digital economy has a significant role in increasing employment, promoting innovation, and improving industrial efficiency.

To date, a certain part of the way has been passed. The International Telecommunication Union (ITU) states that China's technology adoption has increased significantly in recent years. For example, 4G coverage in China has exceeded 93% (for comparison in Pakistan and Malaysia it has exceeded 75 %, though China has 600 million Internet users, and Pakistan and Malaysia have 120 million and 230 million Internet users respectively) [2].

The shift from traditional physical stores to online markets has always been an important driving force for China's digitization. E-commerce platforms like Alibaba, JD.com and Pinduoduo have completely changed the way people shop and do business. For instance, in 2020, China's e-commerce sales reached US11.935 trillion, accounting for 52.1% of the global e-commerce market. Online retail sales of physical goods in China increased from 1.3 % in 2008 to 24.9 % in 2020. This growth indicates a significant shift from offline retail to online retail. Trade between the "Belt and Road" countries is becoming more frequent, and e-commerce plays an increasingly important role in this regard. The Chinese government hopes that the trade volume with the "Belt and Road" countries will reach US22.5 trillion by 2025, of which e-commerce will account for a large part. Therefore, China is actively promoting the use of electronic payment tools such as Alipay and WeChat Pay in the "Belt and Road" countries to promote the development of cross-border e-commerce.

To assess the expected impact, we built a model based on exponential smoothing of time series, within which we were able to create an estimated forecast of changes in China's GDP without the global development of the digital economy within the digital Silk Road (picture 2).



Pic. 2. China's GDP per capita, PPP (thousand), 1990-2021. Reality and forecast [authors' own development based on www.worldbank.org].

China's Digital Silk Road will accelerate global digitization and connectivity, changing trade and geopolitics. It emphasizes China's ambition to lead digital governance and shape a new world order in which technology and data promote cooperation between countries. The Digital Silk Road allows China to exert its soft power, promote national progress, and formulate technical standards abroad. For participants, this may promote growth, but it will increase dependence on China.

The geopolitical landscape is also complicated by the US-China technological tensions. As China's influence grows, the United States and other countries may curb technical cooperation or set competing standards. There may also be a "digital iron curtain" in global technology.

Countries and multilateral institutions should guide the development of China's Digital Silk Road through cooperation and safeguards. By formulating plans that are in line with local interests, the world can benefit from China's investment in global connectivity. Geopolitical tensions around science and technology must also be managed to prevent the "digital divide" and ensure that no country dominates the global digital landscape.

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