

Beijing Sets the Rules of the Game Governing Global Capitalism: An Essay

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Abstract

China's New Silk Road is challenging the international rules-based order that has governed the global economy since the Second World War. As unsettling as that may be for the establishment, there is value in understanding China's ambitious geopolitical and economic initiative with a focus on its new rules of the game "with Chinese characteristics" that impact financial institutions, judicial systems, special economic zones, digital sovereignty, and transcontinental commerce incorporated into Silk Road projects. This essay begs the question as to whether China's Silk Road will prove to simply be an expansion of the long-standing market system model or, ultimately, disrupt the global order in the years to come.

Keywords

China's Silk Road, Belt and Road Initiative, Global Capitalism

1. Introduction

The New Silk Road, first announced in 2013 by President Xi Jinping, is challenging the international rules-based order that has governed global capitalism for the past three-quarters of a century. The initiative is oriented toward global mass production and supply chains, financial modernization, 24/7 digitization, and the construction of an advanced transcontinental infrastructure grid to promote economic growth, empire expansion, and regional stability (Miller, 2019; Hillman, 2020; Economy, 2022; Rudd, 2022; Allen, 2023; Flynn, 2023). China's vision now reaches across seven continents, 151 nations, and the orbits encircling planet earth. The New Silk Road is vastly grander than anything we have seen in the history of global capitalism or its antecedents in traditional and command-based economies.

The rejuvenation of the ancient Silk Road begun under the Han dynasty (207 BCE-220 CE) and Tang dynasty (618-907 CE) demonstrates China's keen ability to not only embrace modern-day global capitalism but also to introduce new governance structures. As a result, the Chinese may be laying the foundation for the next global economic model.

This paper examines the powerful economic role China plays today in an ever-developing global order and its influence on the rules of the game governing global capitalism. Section II briefly summarizes China's economic ascent from dire poverty in the twentieth century to its position as the world's second-largest economy in the first quarter of the twenty-first century. Section III defines how capitalism is operationalized through the market system per economic theory. Section IV examines Beijing's embrace of capitalism "with Chinese characteristics" through the rejuvenation of the ancient Silk Road. Examples in Section V illustrate how China is changing the rules of the game via financial institutions, judicial systems, special economic zones, digital sovereignty, and transcontinental commerce. Section VI questions whether China's Silk Road will prove to be simply an expansion of the long-standing market system model or, ultimately, a significant challenge to this economic model in the coming decades.

2. China's Dominant Economy

Under Deng Xiaoping's leadership of the People's Republic of China (PRC) from 1978 to 1989, the Chinese Communist Party slowly dismantled key elements of its planned economy inherited from Chairman Mao Zedong, who ruled from 1949 until his death in 1976. European and U.S. corporations were allowed to offshore manufacturing facilities to China beginning in the 1980s, lured by manufacturing wages that averaged 3 percent of what they paid back home (Ezrati, 2023). Chinese peasants from the countryside moved to industrial hubs where jobs were plentiful, and standards of living were rising.

A world-class manufacturing economy made the PRC rich. By the end of 2024, its domestic economy was valued at \$18.6 trillion, and the annual trade surplus hit a record \$992 billion (World Bank, 2024).

The Chinese adroitly applied what they had learned from transnationals and built their own export-led facilities in manufacturing, electronics, telecommunications, fiber optic data cables, orbital satellites, global positioning systems, medical devices, biotechnology, and other high-value industries. In the 21st century, state-owned-enterprises worked with Chinese private for-profit businesses to construct modern railways, post-Panamax ships, electric automobiles, robotics, lithium-ion batteries, floating nuclear power generators, 5 nm microchips, solar panels, artificial intelligence/machine learning software, electric vehicles, and sophisticated financial systems.

Foreign direct investment and further offshoring were welcome in the 2010s and early 2020s (e.g., Goldman Sachs, JP Morgan Chase, Hewlett Packard, Apple, Ford, Tesla). This time, however, interested global investors were forced to help

upgrade the PRC's economy with strict oversight by the CCP, rather than just exploit its cheap labor and move on. The tables had turned.

Chinese citizens have gone along with this expansive endeavor because their quality of life has risen over the past 40 years. Fewer people now live in poverty, middle-class jobs are more plentiful, and material consumption has grown (Frankopan, 2015; Freymann, 2021). Thus, the centralized planning bodies within the Chinese Communist Party have been able to sequester trillions of renminbi in state funds for its One Belt One Road (*yīdāiyīlù*, 一帶一路). Any internal dissent is quickly controlled through software, hardware, and networks that power round-the-clock monitoring and social engineering (Strittmatter, 2020; Tau, 2024; Pei, 2024). Ubiquitous surveillance is made possible by the co-dependence of citizens who willingly purchase sophisticated robotic devices that track one's every move and decision (Chorzempa, 2022; Kokas, 2023; Murgia, 2024).

The PRC continues to invest heavily in the human capital of its youth. It is building advanced infrastructure both domestically and in 151 nations collaborating on the New Silk Road. China offers partners its Cross-Border Interbank Payments System (CIPS) to bypass the Belgium-based SWIFT system to facilitate ease in Silk Road payments. The PRC launched its BeiDou-3 Global Satellite System in 2020 to power trans-continental telecommunications connecting Silk Road infrastructure projects.

Together these changes transformed the People's Republic of China from a so-called "least developed nation" when Deng Xiaoping stepped into power in 1978 to a world-class capitalist economy by 2023, the end of Xi Jinping's second term in office. Xi aims for the PRC to become the preeminent Asian "medium level developed economy" by 2035 and a global power by 2049 when the Belt and Road will be assessed as part of the PRC's centennial. Xi believes national greatness is imminent.

Xi's success is rooted in the long-standing pattern of Chinese ruling elites seeking to reunite rival dynasties and kingdoms to help the nation grow and prosper. Such influence is an example of what Harvard political scientist Joseph Nye dubbed *soft power*, that is, geopolitical influence through attraction. Nye applied his thinking to modern-day Chinese geopolitics:

As China dramatically developed its hard-power resources, leaders realized it would be more acceptable if it were accompanied by soft power. This is a smart power strategy because as China's hard military and economic power grow, that could frighten its neighbors into balancing coalitions. If it could accompany its rise with an increase in its soft power, China could weaken the incentives for these coalitions. In 2007, then Chinese President Hu Jintao told the 17th Congress of the Chinese Communist Party that they needed to invest more in soft power, and this continued under President Xi Jinping" (Nye, 2025).

Growth through unity has enabled China to move into a dominant geopolitical and economic position. This growth comes at a time when the world is witnessing

a significant shift in U.S. policy that increasingly relies on narrowly nativist sharp power under the Trump Administration, including bullying world leaders, triggering a domestic Constitutional collapse, and alienating allies and foes alike. The “America First” policy coupled with the dismantling of soft-power democratic institutions, provides an opening for China.

When contrasting China and the rest of the world, comparative historians stress the value of considering the whole political, geographic, social, economic, and technological matrix. Such analysis led Sino historian Mark Elvin to predict that when China enters the international economy, “it is capable of doing this with an effectiveness that will come as a shock” (Elvin, 1973). It is only a shock if we do not appreciate the full matrix of this ancient civilization embodied in its modern-day Silk Road, which is challenging the Western view of both geopolitics and capitalism.

In the case of China’s One Belt One Road, the ruling elite acknowledges that economic integration is an obstacle to political fragmentation. Thus, the PRC uses soft power to keep geopolitically conflicted transnational coalitions together by offering economic incentives embedded in Silk Road infrastructure projects.

China’s long-standing patterns are evident today in Xi Jinping’s leadership style to ensure that his dream to rejuvenate the ancient Silk Road is successful under his watch. Analyzing China’s strategy is valuable, as Kevin Rudd notes, because “the stakes for China and the world are now so high and the possibility of large-scale geo-political conflict so great, it is more urgent than ever to deploy every intellectual effort to get to the truth of what is unfolding before us, why it is happening, and, for policymakers, what can intelligently be done in response to it... We ignore Xi’s clarity of ideological purpose at our peril” (Rudd, 2024).

3. What Is Global Capitalism?

Before considering how the PRC is impacting global capitalism in the 21st century, let’s begin with terminology, specifically *capitalism*. In the economics canon, the term capitalism originated as a philosophy suggestive of how people could self-organize to survive, reproduce, feed themselves, provide shelter from the elements, extract resources, and enable production and trade. What is *capitalism*? How is it operationalized through what economists call *the market system*? What are the key elements of the market system? These questions are explored in turn below to ground a discussion of how the Chinese have embraced global capitalism with Chinese characteristics.

The Market System

Economists share an understanding about how the world operates based on postulates from classical and neoclassical economic theory. Fundamental to the economic way of thinking is the notion of *the market system* that holds together a capitalist economy.

The market system solidified during the late eighteenth century and replaced

tradition-based and command-based economic systems. A tradition-based economy presupposed that one's socioeconomic position in life was determined at birth. Girls followed in their mothers' footsteps, boys in their fathers' footsteps. Destiny was constrained by a person's right of birth. In command-based economies, emperors, queens, and kings determined each citizen's livelihood and, hence, socioeconomic standing. Neither tradition nor command-based systems allowed an individual the freedom to choose a trade, craft, or occupation.

The transition occurred in fits and starts. Economic historians recount tremendous resistance to capitalist behaviors such as mercantilism and profit maximizing, which were not well received by all, especially feudal monarchs and the church (Heilbroner, 1953).

The market system is characterized by a host of factors, including the existence of private property rights, economic freedom, a profit motive, division of labor, flow of wealth into production, and the notion that wealth begets power. As illustrated in **Figure 1**, the market system has three key elements, the first of which is the *interaction of individuals* who engage in voluntary exchange with each other as buyers and sellers. Such transactions occur for private gain that could not be achieved alone. The exchange encourages and enables a division of labor across society and entails a high level of social coordination, albeit one in which individuals do not have to confer with each other at all times. Chaos is kept at bay because participants are financially vested in the system.

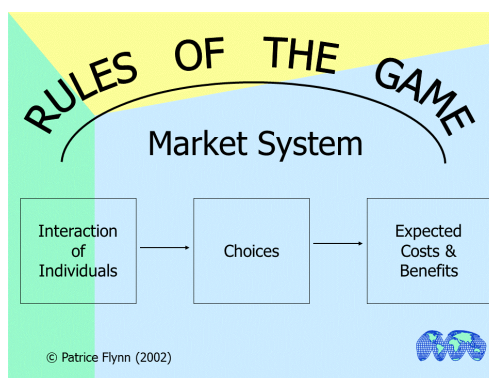


Figure 1. The market system (Flynn, 2002).

The second element of the market system is *choice*, whereby participants choose to mediate constraints of money, energy, volition, and time to get what they seek. Choices are made based on the *expected costs and benefits* of an action, the third element of the market system model. Embedded in each choice is a trade-off, the measurement of which requires assessing relative values through marginal analysis, one of the hallmarks of neoclassical microeconomic analysis.

Lastly, and most importantly for our analysis of China today, the market system operates under a set of guidelines or *rules of the game* to oversee exchange, choices, and decision making. Communities determine the rules under which the market system operates.

When the market system process illustrated in **Figure 1** works, wealth is created, which is the ultimate goal of capitalism, hence, the title of Adam Smith's seminal book, *The Wealth of Nations* (Smith, 1776). By the end of the 20th century, the capitalist system had expanded across the globe, leading to the more contemporary term: global capitalism.

No nation operates under the pure market system model. Nonetheless, the dominant economic model in place across all seven continents today is global capitalism operationalized through the market system.

4. Beijing's Approach to Capitalism

China has demonstrated its ability to successfully compete in the global market system over the past 40 years. In so doing, the PRC challenged traditional thinking. Specifically, according to the Chinese, the rules of the game should not solely be set by the established order in Washington and Brussels, but also by Beijing. A new calibration between the countervailing powers of government and private for-profit business is emerging (Flynn, 2024).

China's latest proposal to change international institutions, rules, and laws was issued on September 13, 2023, titled *Proposal of the People's Republic of China on the Reform and Development of Global Governance*. The proposal, marking the 10th anniversary of the Silk Road initiative, states:

The deep sea, polar regions, outer space, cyberspace and digital technology, and artificial intelligence (AI) have become new frontiers of global governance. Faced with new circumstances, new areas and new challenges, we need to... take active steps to keep the rules governing new frontiers up to date with the times and be fully reflective of developing countries' opinions, interests and aspirations... China takes an active part in the reform and development of the global governance system (5 - 7).

Increasingly, China is becoming a voice for developing countries. The Pardee Centre at the University of Denver developed an index to quantify the shift in "formal bilateral influence capacity" across the G77 countries (<https://korbel.du.edu/pardee>). The findings indicate that the U.S. "influence capacity [has] increasingly been rivaled by China, which after 40 years of relative insignificance saw its influence grow from [the year] 2000." Of the 130 member nations in the Global South, "China has become the most powerful member giving Mr. Xi the strongest claim to leadership... From 1992 to 2020, the number of countries over which China had more influence than America almost doubled, from 33 to 61" (2024, 48-49).

How did this happen? The answer is rooted in China's long history predating the New Silk Road. Notable, however, is a significant change that occurred in 2013 when Xi Jinping became the supreme leader of the PRC and let it be known that he had a plan to further develop and grow the nation that at once capitalized on the Western market system model and was ruled by the Chinese Communist Party. President Xi refers to his plan as the *zhōngguó mèng* (中国梦), that is,

China's dream to rejuvenate the ancient Silk Road, created under the Han and Tang (see **Figure 2**). The vision is to enhance the quality of life of the Chinese people and to ultimately position the People's Republic of China as a geopolitical and economic powerhouse (PRC, 2015).



Figure 2. China's ancient Silk Road c. 870 C.E. Source: Ibn Khordadbeh. *Book of Roads and Kingdoms*. Circa 870 C.E. [https://en.wikipedia.org/wiki/Book_of_Roads_and_Kingdoms_\(Ibn_Khordadbeh\)](https://en.wikipedia.org/wiki/Book_of_Roads_and_Kingdoms_(Ibn_Khordadbeh)).

Xi Jinping rolled out an impressive infrastructure plan to facilitate global connectivity. Sample projects range from new expressways and bridges to high-speed rail lines, advanced cross-border methane and oil pipelines, mining extraction and processing facilities, large-scale stationary and floating energy power plants, deep sea maritime ports with expansive hospitality functions for commercial ships, telecommunication fiber optic network systems, and low-earth orbit satellite navigation systems.

To date, 151 nations are working with China on infrastructure projects, of which 71 are official partners on the new Silk Road, powered by more than \$5 trillion in funding from the PRC and partnering nations (ZFC x RDCY, 2024; Feldstein, 2022).

4.1. New Silk Road Routes

The world learned of China's dream for a New Silk Road in 2013 after Xi secured the triple titles of Secretary General of the Chinese Communist Party, Chair of the Central Military Commission, and President of the People's Republic of China (PRC). He built on the commercial and financial largess of Deng Xiaoping's China to launch a ground-breaking initiative that rejuvenated the ancient Silk Road

while synthesizing and centralizing Xi's geopolitical and economic vision for the nation. In Mandarin, the new Silk Road is dubbed *yidaiyilu* (One Belt One Road), marketed to the West as the Belt and Road Initiative¹.

The initiative has four key routes:

1) The *Silk Road Economic Belt* is a predominately land-based route that retraces the ancient Silk Road network developed under the Han (207 BCE-220 CE) to connect Asia, Central Asia, the Middle East, Northeast Africa, and Europe (see **Figure 3**).



Economist.com

Figure 3. China's New Silk Road. The Economist. July 2, 2016. <https://www.economist.com/china/2016/07/02/our-bulldozers-our-rules>.

2) The 21st Century Maritime Silk Road runs from the South China Sea, around mainland Southeast Asia, through the Indian Ocean, to the Gulf, Red Sea and Mediterranean Sea, a network advanced during the Tang dynasty. A further maritime extension now connects China with South America, the latest continent to join the New Silk Road.

3) The *Silk Road on Ice* (or Polar Silk Road) runs through the Arctic Ocean. It was launched in 2019 when Russia became an official partner on China's Silk Road (Flynn, 2020).

4) The *Digital Silk Road* strives to facilitate seamless planetary e-commerce, global telecommunications, and swift transfers of data via satellites and cross-bor-

¹To allay concerns by Westerners of China's dream being a power play by the CCP, the propaganda agencies in Beijing renamed the effort more simply as the "Belt and Road" in 2015 for English speakers. The Chinese continue to refer to the initiative as *yidaiyilu*, translated as One Belt One Road. This paper uses the Chinese nomenclature.

der fiber optic cables by 2030.

Land-, maritime-, and space-based Silk Road infrastructure across the Eastern and Western Hemispheres will increasingly link to each other through a web of new airports, deep seaports, rail lines, vehicle expressways, data centers, power plants, pipelines, mines, special economic zones, satellite centers, and so on. A large cadre of highly educated Chinese scholars and civil servants collaborate worldwide to ensure overlap between various pieces of the Silk Road and adherence to the guiding principles set by the ruling party under the explicit direction of President Xi Jinping and his hand-picked Politburo Standing Committee.

4.2. Xi Jinping's Rules of the Game

Under Xi Jinping, the Chinese embraced their own organizing principles for its evolving economy. If we look closely, we can see evidence of China's impact on a range of industries today from energy production and distribution to electric vehicles, medical devices, shipping, railways, hyperscale data centers, satellite production, wireless communication, and generative artificial intelligence. One by one, China is beginning to guide these industries worldwide.

China's leaders learned that the most effective way to impact the world economy is to engage in the recrafting of the rules of the game governing global capitalism. The Chinese want favorable rules to enable it to trade freely with all countries. The party wants to ensure open access along its 21st Century Maritime Silk Road, avoiding possible blockades at critical choke points. The nation wants to protect its interests in the South China Sea—specified within the nine-dash line²—despite the United Nations Commission on the Laws of the Continental Shelf dismissing China's territorial claims of sovereignty over neighboring countries' exclusive economic zones.

The CCP repeatedly criticizes what it calls the “international rules-based order” established by the victors of World War II. At the 11th Peace Forum in Beijing in July 2023, China articulated how the values of the Global South and Global North differ. The government urged participating diplomats, experts, and scholars to eschew liberal democracies' call for “universal” values and rules, which they argue is a form of civilizational superiority, chauvinism, and arrogance. Discussed were Beijing's Global Development Initiative (2021), Global Security Initiative (2022), and Global Civilization Initiative (2023) to find common ground on how to “build a community with a shared future for humanity and inject strong positive energy into world peace and development”

(<https://www.tsinghua.edu.cn/en/info/1244/12309.htm>).

Sinologist Keven Rudd posits that to change the status quo and shape an alternative global order with new norms, values and institutional arrangements, China is putting in place a nationalist narrative “in a direction more supportive of Chinese foreign policy concepts and institutions, and much less accommodating of the universalist claims of the West” (Rudd, 2024: p. 21).

²The nine-dash line was expanded to a ten-dash line in 2023 (Clayman, 2023).

In October 2023, *The Economist* magazine lamented this loss of the historical rules-based order conceived by Europe and the U.S. in the 1940s and reified in the 1990s through the Washington Consensus. London sees a fundamental change in capitalism that favors “a protectionist, high-subsidy, intervention-heavy ideology, growing threats to national security, the energy transition and cost-of-living crisis [that] demand action by governments... When you lump them all together, it becomes clear just how systematically the presumption of open markets and limited government has been left in the dust” (*The Economist*, 2023b: 9). The Economist calls this “an alarming trend” that eschews classical liberal values and “will bring about its own demise.”

In *The World According to China*, political economist Elizabeth Economy discusses the means by which China has secured a growing influence on the international stage via governance. With regard to the New Silk Road, she recounts a seminal moment in 2019 when the Secretary General of the Paris-based International Police Organization (Interpol) guaranteed “that Interpol would collaborate to help safeguard Beijing’s Belt and Road Initiative infrastructure project” (*Economy*, 2022: p. 174). The declaration was made just after China’s Meng Hongwei served as President of Interpol (2016 to 2018). The Interpol decision reflects a clear pattern:

To achieve its strategic objectives, Beijing seeks to place Chinese officials in leadership positions within global governance institutions; flood the institutions’ expert committees with its representatives; coordinate all relevant public and private actors to advance its interests; provide financial contributions that are targeted to realizing its domestic priorities; and ensure close integration between its initiatives within international institutions and domestic priorities (*Economy*, 2022: p. 175).

Such policy changes are catching the attention of leaders the world over.

5. New Rules of the Game

Below are examples of how China’s new Silk Road is changing the international rules-based order vis-à-vis financial institutions, the China International Commercial Court, special economic zones, digital sovereignty, and a new map for global commerce.

5.1. Financial Institutions

To advance its aims of peace and shared prosperity, China is exerting influence through multilateral institutions that are central to world financial governance. In some instances, the PRC has created new institutions to specifically support its sovereign goals.

- **Multilateral Development Banks:** The CCP has placed its representatives in key positions at multilateral development banks such as the Asian Development Bank, African Development Bank, World Bank, Inter-American Devel-

opment Bank, and European Bank for Reconstruction and Development.

- **International Financial Institutions:** The CCP is actively engaged and represented in major international financial institutions including the World Economic Forum, International Monetary Fund, World Trade Organization, and Asia-Pacific Economic Cooperation.
- **Asian Infrastructure Investment Bank:** When efforts by the PRC to increase its voting shares in long-standing multilateral institutions fell on deaf ears, the CCP started a new financial institution—the Asian Infrastructure Investment Bank—in 2016 with 57 founding members who wanted to build an “infrastructure for tomorrow” (i4t). China has 24 percent voting shares in the AIIB compared to 6.08 percent voting shares in the IMF. Including Uzbekistan’s membership approved by Beijing in September 2024, the AIIB has 110 members, a market capitalization of \$100 billion, and a AAA rating by the major credit agencies.
- **BRICS+:** Brazil, Russia, India and China established the BRIC intergovernmental group in 2009 as a counterweight to the G7 richest countries. The block expanded in 2010 to include South Africa and was renamed the BRICS. China has since spearheaded further expansion, dubbed the BRICS+, to include Egypt, Ethiopia, Iran, the United Arab Emirates, and Indonesia, all of which are official partners on China’s Silk Road. In 2024, thirteen “partner countries” were invited to join BRICS+ as observers and possibly future members.
- **New Development Bank:** Founded in 2015 by the BRICS nations, the “NDB supports infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, contributing to their development strategies and agendas” (<https://www.ndb.int/>). China is the largest shareholder in the New Development Bank, which is located in Shanghai, China.

While Chinese officials do not dominate the above institutions, their presence and participation provide mechanisms through which the CCP influences transnational financial rule setting.

5.2. China International Commercial Court

The CCP is finding ways for China to advance its global vision with or without Western support. As a result, global governance is bending to China’s will. In 2018, the Supreme People’s Court of China went so far as to create its own court system to adjudicate international commercial legal disputes along the New Silk Road, called the China International Commercial Court (CICC). The first International Commercial Court is in Shenzhen (Guangdong Province); the second is in Xi’an (Shaanxi Province).

The CICC seeks to usurp the standard-setting judicial power of entities such as the World Trade Organization and the International Court of Justice in The Hague one day. We saw the PRC boldly challenge the U.S. Congress and U.S. Supreme Court in 2025 when China secured a suspension of the TikTok divest-or-

ban law³. China wants disputes to be tried by Beijing through its courts where the Communist Party determines the rules of the game.

5.3. Special Economic Zones

When negotiating construction contracts with partnering nations on the One Belt One Road, China often suggests creating protected commercial zones that are roped off from the reach of national governments. These areas are referred to as enterprise zones or special economic zones (SEZ) that may forgo planning permission in the locality, bypass local laws and governance, and skirt labor and/or environmental protection policies (Pagliarini, 2023). By sidestepping the state, historian Slobodian (2023) describes such zones as being hostile to democracy in their favoring the free flow of money through lavish tax incentives and other privileges on wealthy investors. The undermining of national sovereignty is built into some of the Silk Road maritime port contracts with the consent of local politicians eager to work with the Chinese on new infrastructure development.

The Chinese watched and learned when the English benefited from Hong Kong SAR's special economic zone status that created an "impeccable vessel for commerce and finance—armored against the demands of the population but nimbly responsive to the demands of the market" (Slobodian, 2023: p. 58). The PRC replicated the Hong Kong SAR model in 1979 under Deng Xiaoping in SEZs to the north of Hong Kong SAR and later in the booming cities of Shenzhen, Zhuhai, Shantou, and Xiamen.

Xi Jinping is known for setting up both large and small SEZs surrounding deep seaports that Chinese firms construct, renovate, operate, and/or own as part of the 21st Century Maritime Silk Road, including the Gwadar Port in Pakistan, Sihanoukville Port in Cambodia, Port of Piraeus in Greece, Kyaukpyu Port in Myanmar/Burma, Hambantota Port in Sri Lanka, Chabahar Port in Iran, Obock spaceport in Djibouti, Cosco Shipping Port Chancay Perú, and dozens more. These ports benefit from tax-free manufacturing and storage facilities, regulation-free labor hires, simpler tax regimes, no income tax on value added commodities for export, and offshore banking facilities, creating further competitive advantage for the PRC's shipping industry.

5.4. Digital Sovereignty

Digitization swept the world during the first quarter of the 21st century and is now an integral component of China's dream. The fourth major route in the modern-

³ByteDance, TikTok's parent company, demonstrated how the PRC subtly changes the rules of the game. Despite initial news that the U.S. would ban the TikTok social media app under the *Protecting Americans from Foreign Adversary Controlled Application Act*, the Chinese firm changed the discourse to its benefit using 170 million young American users, who are on TikTok an average of one hour per day. The strategy directly challenged anti-Chinese rhetoric in Washington. The short-term results were two-fold: 1) the strategy lowered foreign apprehension toward Chinese software and 2) U.S. policy makers softened their position toward Beijing and held off on the ban as of this writing. In the long term, China may be able to secure foreign investment from U.S. digital platforms if a joint venture with TikTok is eventually created.

day Silk Road is the *Digital Silk Road*. China envisions a system that will facilitate seamless global communications connectivity, data reconnaissance via satellites, and swift transfers of data through cross-border undersea and terrestrial fiber optic cables, and other communication trunk line networks. China plans to use this universal digital system to ensure social control, geolocation safety, intelligence surveillance, and the management of society through centralized audio and video analysis, biometric identification, intelligence security, and policing products (Flynn, 2023). Toward this end, the party-state views digital sovereignty as synonymous with national sovereignty.

Since Xi Jinping's announced the One Belt One Road in 2013, the PRC has passed a series of security laws to ensure digital sovereignty. Article 7 of the National Intelligence Law of 2017, for example, demands that "Any organization or citizen shall support, assist and cooperate with the state intelligence work in accordance with the law, and shall protect national intelligence work secrets they are aware of" (<https://www.chinalawtranslate.com/en/national-intelligence-law-of-the-p-r-c-2017/>). This means that all firms doing business with the PRC—both inside and outside Chinese Mainland—must comply with requests from China's security agencies as part of Beijing's intelligence-gathering activities, even if the request conflicts with home jurisdiction.

In *Trafficking Data: How China Is Winning the Battle for Digital Sovereignty* (Kokas, 2023), Aynne Kokas examines how China imposes laws on individuals and firms who challenge the PRC's national security. The Cybersecurity Law of 2017 requires that any foreign business operating in or with the PRC submit to centralized oversight of proprietary data. Foreign firms are required to store data in Chinese-government-run servers and are subject to data audits by the party.

The law was successfully put to the test during the global coronavirus pandemic when China exerted power over the Zoom videoconferencing firm's data in the U.S. to the consternation and attention of the FBI. Founded in 2011 by Chinese-born engineer Eric Yuan (now a naturalized U.S. citizen), Zoom felt the reach of the Chinese law enforcement and security state that blocked access to selected Zoom users in China and the U.S. beginning in 2019. The block would be lifted only if Zoom agreed to: 1) abide by Chinese rules, 2) migrate more data from U.S. servers to Zoom's China servers, 3) grant Chinese security agents special access to the data, and 4) target specific groups overseas. Zoom and the FBI learned that the "PRC laws are written so broadly, they can apply to activities and individuals both in and outside China as long as there is a nexus to China" (Allen, 2023: p. 94).

A third example of new rules is the Data Security Law of the People's Republic of China of 2021 that subjects Chinese and non-Chinese businesses and individuals to PRC government punishment for national security-related crimes committed anywhere in the world. All exports of data are subject to a cybersecurity review. Such policies ensure the CCP's ability to exercise power as it seeks to reform China's economy and support long-term growth.

A fourth example of China's assertion of digital sovereignty pertains to internet laws. In September 2019, a group of Chinese engineers from Huawei, the Ministry of Industry and Information Technology, China Unicom, and China Telecom presented a "futuristic vision of a reinvented Internet—New I.P., or Internet Protocol" to forty country delegates at the headquarters of the International Telecommunications Union (ITU), a specialized unit of the United Nations in Geneva (Kapur, 2024: p. 56). The ITU and the Internet Engineering Task Force (IETF) set international standards for and oversee the core architecture of the network.

With the support of Russia, Iran, and Saudi Arabia, the Chinese presented their New I.P. as a top-down network that challenges extant internet protocols. Dr. Elizabeth Economy recounts the boldness of China's proposed initiative: "New IP contains within it the potential that the state, with its control over internet service providers, would have control and oversight of every device connected to the network and be able to monitor and gate individual access" (Economy, 2022: p. 198). The New I.P. has to date not been accepted by the ITU or IETF. Yet, the framework and technology could be deployed in countries that are partnering with China on the Digital Silk Road.

The PRC's success in influencing standardization of wireless communication, quantum computing, and artificial intelligence was evident in September 2024 when the United Nations' International Telecommunications Union "approved three technical standards that will be embedded in sixth generation (6G) mobile technology" applicable to AI networking and virtual reality (The Economist, 2024b). The Chinese Academy of Sciences and China Telecom developed these newly adopted United Nation's standards.

The PRC is also trying to win favor with the International Telecommunications Union (ITU) to secure access to lunar spectrum described as "the invisible highway of electromagnetic waves that enable all wireless technology, on or from the Moon" (Hawkins & Hollinger, 2025). Chinese satellite manufacturers and operators want the rights to use radio spectrum on the Moon and exploit the emerging *cislunar economy* covering the area between the Earth and Moon. Other rights allocated by the ITU include landing on the lunar surface, which is of great interest to China's Chang-e's space missions.

To date, the ITU has received 50 lunar applications, primarily from the U.S. and PRC. The 2027 World Radio Conference is expected to be closely followed by governments and businesses interested in influencing the international *Radio Regulations*, "the international treaty governing the use of the radio-frequency spectrum and the geo-stationary-satellite and non-geo-stationary-satellite orbits" (<https://www.itu.int/en/ITU-R/conferences/wrc/Pages/default.aspx>). The Chinese continue to play an active role in crafting future international space law for deep space exploration to further expand its Digital Silk Road (see China Aerospace Studies Institute, 2022).

China's data and security laws fundamentally differ from those in liberal democracies. Scholars of Chinese law indicate that the CCP uses the phrase *fazhi-*

quan, which means “rule by law”, in contrast to the western phrase “rule of law”. Bethan Allen highlights the central difference: “Rule *by* law means using laws to impose the government’s will on society, whereas “rule *of* law” confers rights on citizens and, as often as not, means using the law to restrain the power of the government” (Allen, 2023: p. 99).

President Xi Jinping has given his official stamp of approval on rule *by* law to enshrine censorship, surveillance, and data usage into law to pursue his government’s desired digital governance framework.

5.5. New Map for Global Commerce

Lastly, China has created a sophisticated system to circumvent the international rules-based order set by the West to include trade sanctions imposed by the U.S. government to thwart China’s growing geopolitical and economy power, a central topic in Washington, DC today.

Over the past ten years, China offshored some of its manufacturing facilities to countries that are partners on China’s Silk Road while retaining ownership and control. The party actively incentivizes Chinese for-profit businesses to operate in Silk Road countries, for example, near neighbors in Southeast Asia (e.g., Thailand, Vietnam, Cambodia, Indonesia), South Asia (e.g., Sri Lanka, Pakistan), Europe (e.g., Serbia, Hungary, Slovakia, and Romania), and as far away as Mexico. China can thus re-direct trade by selling its products from countries that are not on the U.S. sanction list without challenging the U.S. government directly.

This strategy is not new. Post-1977, for example, the Global Sullivan Principles cut-off exports from South African businesses to bring down the apartheid system through economic pressure. To get around it, the small nation of Swaziland (since renamed Eswatini) allowed South African firms to sell their products to Swaziland for export to the U.S. and avoid sanctions. The strategy served Swaziland and South African firms well.

We see the Chinese adopting the same strategy today by selling Chinese products to the West from stops along its New Silk Road. Research conducted by Professor Caroline Freund and colleagues at the University of California found that “Countries which had the strongest trade relationships with China in a given industry have been the greatest beneficiaries of the redirection of trade, suggesting deep Chinese supply chains still matter enormously to America. This is even truer in categories that include the advanced manufacturing products where American officials are keenest to limit China’s presence” (The Economist, 2023a: p. 57).

In *Beijing Rules*, Bethany Allen describes how the United States created the conditions that allowed for China’s emerging rules of the game to flourish in the 21st century:

In the United States, a systematic dismantling of the state, years of deregulation, free trade without democratic guardrails, and less corporate accountability, combined with a political culture that eschews government involvement in business decision making, means there are fewer tools to counter-

balance the pressure the Chinese Communist Party is placing on U.S. organization... As a result, [the U.S.] has floundered in our attempts even to envision, much less carry out, adequate responses (Allen, 2023: pp. xxiii-xxiv).

As this paper goes to print, the world is beginning to see the costs of the Trump Administration's assault on the global order that "represent the end of liberal, predictable and rules-governed trading relationships with the world's most powerful country and also the one that created the system itself" in the aftermath of World War II (Wolf, 2025). The destruction of democratic institutions, rising nationalism, and a rejection of globalization and neoliberalism leave the world wondering what's next.

Meanwhile, the Chinese Communist Party's ability to plan, finance, implement, monitor, and receive rents from its long-term *yidiayilu* dream is in plain view. Even early skeptics have come to see the New Silk Road as a formidable global endeavor. China's long-term ambition reflects a methodical, building-block approach to growth that has resulted in impressive capabilities in a dozen short years.

6. Conclusion

The rules of the game are a key element through which global capitalism plays out. For more than seven decades, the U.S. has been the primary rule maker, imposing its will on global political and financial institutions. Today, the People's Republic of China is poised to advance its agenda and to set the rules of the game governing global capitalism. Their steady, deliberative advances appear to be gaining traction and may redound to Xi Jinping's geopolitical and economic advantage. Both the East and the West recognize the shift.

While China's ambitions may be unsettling for the established world order, capitalism has never been a static system despite its core, immutable building blocks founded in classical and neoclassical economic theories. As economist Anatole Kaletsky reminds us, "Capitalism is an adaptive social system that mutates and evolves in response to a changing environment" suitable to a new era (Kaletsky, 2010).

Global capitalism in the 2020s appears to be veering towards adaptation, provoked by the steady, clear-eyed vision of Xi Jinping's dream of rejuvenating the People's Republic of China. As China brings more countries into its circle, the post-World War II political and financial institutions established in Washington are being forced to recalibrate expectations, often begrudgingly.

It is an unpopular opinion these days to even recognize the degree to which the PRC has adroitly embraced global capitalism. Nonetheless, the evidence suggests that the Chinese are successfully adapting through discipline, inventiveness, and long-term planning. The economic question is whether China's New Silk Road will prove to be simply an expansion of the long-standing market system model or, ultimately, challenge conventional theory.

Meanwhile, China's Silk Road initiative is expanding quickly across the globe.

As an economist, I am watching it closely and documenting the changes in real time. It does us no service as researchers to turn a blind eye. Politics aside, perhaps a new model is indeed in the making, one that is more suitable for a changing planet characterized by climate chaos, recurring financial crises, overpopulation, endless wars, and the unwinding of democracy.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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