Today, in the face of protectionist barriers arising in both developed and developing countries, it is good to remember that centuries ago, enormous regions of our planet were strongly interconnected.

Daniel Lemus

The Manila Galleon and 'the other silk route'

Daniel Lemus

FOREIGN VIEWS

THE Belt and Road Initiative (BRI) is undoubtedly one of the most important development projects in history. The Silk Road Economic Belt and the 21st Century Maritime Silk Road cover infrastructure projects involving 65 countries and 4.4 billion people. To understand this ambitious project, it is important to understand the historical background.

For centuries, China and the "known world" — Central and South Asia, Europe and even East Africa — were linked through distinct trading routes. These routes were not only a way to exchange commercial goods, but also to share ideas and beliefs. The BRI represents the rebuilding of these silk roads.

However, permanent contact with remote territories and cultures was not confined to Central Asia, Africa and the Western Hemisphere. Another route linked China with the Americas for more than two centuries. This route was known as the Manila Galleon or *La Nao de la China* — the China Ship.

The Manila Galleon was not only the name of the ships that plied the Pacific Ocean, but of route itself. The galleons shuttled back and forth between the city of Manila and the port of Acapulco in the Viceroyalty of New Spain, now Mexico. The trip took four to five months each way and the route was operational from 1565 to 1815.

Although some goods were unloaded before reaching Acapulco, the vast majority of products arrived there. From there, they were transported on the backs of mules to Veracruz, the most significant port on the Caribbean coast. Thereafter, the merchandise was sent on to Europe via Seville. Goods that left Manila for Seville took more than seven months to arrive.

On the voyage to Acapulco the galleon was laden with spices to season and preserve food, mainly cloves, pepper and cinnamon. It also carried ivory, porcelain, Japanese screens and swords, Persian carpets and the most luxurious fabrics in the world such as silk, velvet and taffeta. In Europe, these were genuine luxury products. It was possible to sell them for up to three times their original cost.

The galleon transported more than mere commercial products. It carried missionaries, diplomats and emissaries, merchants and soldiers.

On the return trip to Manila, the main cargo was silver bullion, scarce and very expensive in Asia. The high value of the silver facilitated the purchase of the highest quality of goods, predominantly from China.

The galleon also carried horses, cattle and many types of plants including cocoa, corn, papaya, peanut, pepper, pumpkin, sugar cane, tobacco, and tomato. Such was the traffic along the first commercial link across the Pacific.

The galleon was much more than a mere commercial ship. It was the preeminent means of communication between the peninsular authorities and the outposts of the Spanish Empire.

The galleon also served as the principal contact and means of cultural exchange between Asia and Europe, particularly that between Asia and Mexico.

The vast majority of Spanish living in the Philippines were not from Europe. They were born predominantly in Mexico. They were "Americans," not Europeans.

Consequently, many of the customs of the Viceroyalty of New Spain were transmitted to Philippine society. In addition, the Philippines was the window that allowed the Americas to look to East and South Asia. Even Spanish missionaries came to China by this route. The Augustinian friar Martin de Rada reached the port of Xiamen in 1575, and visited a number of Chinese cities, writing detailed observations of the Chinese people and their way of life.

During the colonial period, Latin America was much closer to Asia.

Today, in the face of protectionist barriers arising in both developed and developing countries, it is good to remember that centuries ago, enormous regions of our planet were strongly interconnected. Across these bridges ideas, people, products and beliefs came and went from one place to another, enriching everyone along the trade and cultural routes.

Remembering *La Nao de la China*, "the other silk route," can help consolidate the new era of exchange and integration. Latin America and China can resume their glorious past, reigniting a relationship based on respect, friendship, and mutual benefit.

Daniel Lemus, visiting scholar at Fudan Development Institute, is a professor at the school of social science and government, Tecnologico de Monterrey, Mexico. He studies the relationship between China and Latin America. His current research project is on opportunities to extend the scope of the Belt and Road Initiative in Latin America.

Chinese growth prospects in Trump's trade wars

Dan Steinbock

FOREIGN VIEWS

AS Trump tariffs continue to spread, there is much speculation about the state of the Chinese economy. What are the facts?

When the People's Bank of China (PBOC) recently cut banks' reserve requirements, skeptics in the West saw it as doom and gloom. Yet, local analysts saw the cut as an affirmation of the Chinese government's commitment to the domestic economy.

In the new, more challenging status quo, accommodative monetary policy is likely to continue, along with fiscal easing.

For now, solid service sector growth, supported by monetary and fiscal support, has kept the economy on track. Inflation is moderating and the current account surplus could narrow more than expected. Trump tariffs are designed to hurt export growth and thus the growth of manufacturing investment. The White House's sharpened tone suggests US trade hawks hope to instigate capital outflows from China.

In the medium-term, China is deleveraging, while reducing poverty and pollution, to sustain higher-quality growth.

In the long-term, the Chinese economy is rebalancing as the sources of growth are shifting from investment and exports to consumption and innovation.

On the supply side, the economy continues to move away from industry and toward services.

On the demand side, consumption is increasingly fueling growth. Meanwhile, global innovation hubs are expanding from Shenzhen to Shanghai and Beijing. Obviously, Trump's trade offensives complicate the economic conditions in China, but the momentum of Chinese development will remain unchanged.

"US trade deficits are unlikely to disappear. Only their composition will change as US trade deficits with South and Southeast Asia will replace some of those with China."

Over time, the unintended implication of US tariffs is that they are accelerating China's long-term rebalancing — particularly the transition to innovation and consumption — faster than anticipated. This will be challenging in the near-term, but it could make Chinese economy less susceptible to US policies in the long-term.

In turn, US trade deficits are unlikely to disappear. Only their composition will change as US trade deficits with South and Southeast Asia will replace some of those with China. Unless, of course, US tariffs are expanded against them as well, in which case costs to US multinationals will soar, making them less competitive internationally, while increasing prices to US consumers.

There are no winners in a trade war. If the White House ups tariffs on all Chinese imports, the stakes will soar to US$500 billion. That could penalize China by 1 percent of its GDP; but US GDP would suffer a 2 percent hit.

However, global economic prospects could suffer even more. The International Monetary Fund (IMF) has cut its forecast on global economic growth to 3.7 percent for 2018 and 2019, citing rising trade protectionism. But that is an optimistic projection because it downplays the full impact of the Trump administration's tariffs, retaliations, potential new targets and collateral damage.

What is needed is a united front of advanced, emerging and developing economies for global trade.

The alternative is the kind of global depression that was only just avoided in 2008.

Dan Steinbock is the founder of Difference Group and has served as research director of international business at the India, China and America Institute (US). He is a visiting fellow at the Shanghai Institute for International Studies (China) and the EU Center (Singapore). For more, see http://www.differencegroup.net/

Shanghai Daily welcomes the ideas of others. Please send your idea to **opinion@shanghaidaily.com**