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Leonardo Burlamaqui

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Colégio Brasileiro de Altos Estudos
Universidade Federal do Rio de Janeiro

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Xi Jinping's Managed Creative Destruction and The Construction of a Eurasian Order:

Advancing Socialism with Schumpeterian Characteristics

Leonardo Burlamaqui[1]

Abstract

China's recent trajectory represents the most significant episode of growth, structural transformation, and social inclusion in modern history. Yet debates persist regarding its sustainability and its place in globalization. This paper examines the radical reforms implemented under Xi Jinping between 2017–2024 and situates them within the broader project of constructing a Eurasian order.

Domestically, Xi's political coalition has overseen what may be described as "managed creative destruction," combining financial restructuring, industrial modernization, green transition, common prosperity, and the state-led fostering of domestic innovation. Internationally, China has accelerated the Belt and Road Initiative (BRI), consolidated BRICS, and played a central role in expanding the Shanghai Cooperation Organization (SCO). At the same time, it is building financial and regional governance institutions that challenge the Bretton Woods orthodoxy.

The analysis advances two provisional conclusions: (1) China's macro-financial stability derives from a hybrid model blending Keynesian–Minskyian macrofinancial management, and robust economic and financial regulation, with a Hilferding-style developmental banking system; and (2) China is best characterized as "Socialism with Schumpeterian Characteristics"—a political economy in which innovation, structural change, and redistribution are coordinated by a central authority.

This represents not a Marxist-Leninist rupture into a post-capitalist order, but a Schumpeterian rupture: the continuity and re-engineering of corporate capitalism along socialist lines, consistent with Schumpeter's vision of capitalism's organizational transformation into a new, more efficient economic, social, and political architecture.

[1] Professor of Economics at the State University of Rio de Janeiro, and of the School for Advanced Studies at the Federal University at Rio de Janeiro (CBAE). Research Scholar at the Levy Economics Institute, Bard College- New York.

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Xi Jinping; Keynes; Schumpeter; Minsky; Creative Destruction; Socialism with Chinese Characteristics; Eurasian Order; Belt and Road Initiative; BRICS

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1. Introduction

China's rise over the past four decades combines rapid industrialization, urbanization, and social inclusion at a pace and scale without historical precedent. As China deepened its integration into globalization, however, concerns intensified about inequality, financial fragility, and geopolitical rivalry. The election of Donald Trump in 2016 marked a rupture in U.S.–China relations, while domestic vulnerabilities—corruption, debt, and technological dependence—threatened the "Chinese Dream." Xi Jinping's coalition response has been twofold: (a) a radical reform agenda at home, conceptualized here as a program of managed creative destruction (Burlamaqui, 2020, Economy, 2018, Rudd 2024); and (b) the construction of a Eurasian-centered order, which challenges U.S. dominance and the institutions of Bretton Woods (Diesen, 2024).

This paper attempts two contributions. First, it analyzes China's reform trajectory under Xi Jinping, highlighting how the Party-State political meritocracy-based Governance dismantles obsolete structures and cultivates new drivers of growth and legitimacy. Second, it advances on substantiating the case that the China's political economy and politico-institutional architecture are best understood as "Socialism with Schumpeterian Characteristics," a formation in which innovation, redistribution, and political coordination are centrally orchestrated by the Party in conjunction with the State (Burlamaqui: 2025b).

2. Theoretical Framework: From Keynes and Minsky to Schumpeter

China's reform trajectory is best understood through a triadic theoretical lens drawing on Keynes, Minsky, and Schumpeter. Each offers an essential dimension: Keynes highlights the nature of a monetary production economy, Minsky places financial fragility at the center of capitalist dynamics, and Schumpeter emphasizes innovation and creative destruction as the engine of structural transformation; and recasts Socialism away from the Marxist-Leninist perspectives. Together, they provide a comprehensive framework for analyzing China's political economy.

2.1 Keynes and the Monetary Production Economy

Keynes (1936, 1937) reframed economics by emphasizing capitalism as a monetary production economy, in which output and employment are determined by effective demand, expectations, and liquidity conditions rather than by supply-side equilibria. Uncertainty—irreducible to probabilistic risk—shapes investor behavior, making investment highly volatile and prone to cycles of optimism and pessimism. Because investment drives growth, fluctuations in expectations translate into fluctuations in output and employment, generating the possibility of involuntary unemployment even in the absence of market rigidities. Keynes therefore advocated the socialization of investment: the state must intervene through countercyclical fiscal policy, liquidity management, and the coordination of long-term capital formation.

In China, these Keynesian levers are reinforced by direct Party-State oversight of credit allocation and investment priorities, embedding countercyclical stabilization within a broader developmental strategy.

2.2 Minsky and Financial Fragility

Minsky (1977, 1982, 1986) placed financial fragility at the heart of capitalist dynamics. In his framework, investment is financed under conditions of uncertainty, where liquidity preference and the composition of balance sheets determine systemic stability. Prolonged stability breeds instability: firms and banks migrate from hedge to speculative to Ponzi positions, planting the seeds of crisis. The endogenous nature of financial fragility means that capitalist economies tend toward instability unless checked by institutional safeguards. Crisis resolution, for Minsky, requires a 'Big Bank'—the central bank as lender of last resort—and a 'Big Government'—a fiscal authority able to sustain demand and profits during downturns.

China diverges from money-manager capitalism precisely because these roles are institutionalized ex ante: public banks dominate credit, fiscal authorities act decisively, and macroprudential regulation steers finance away from excess volatility. In practice, the Party-State combines the functions of Big Bank and Big Government in a permanent configuration, both absorbing shocks and directing finance toward strategic industrial policy (Burlamaqui, 2025a).

2.3 Schumpeter, Creative Destruction and Socialism

Schumpeter (1942) offered a penetrating critique of equilibrium economics and advanced a dynamic vision of capitalism driven by innovation and creative destruction (Burlamaqui, 2023). For him, capitalism's vitality lay in its entrepreneurial capacity to disrupt existing structures, but this very dynamism also contained the seeds of capitalism's decline. Schumpeter anticipated a form of socialism defined not primarily by the abolition of private property, but by the

centralization of decision-making and coordination within a public authority. In such a system, innovation and structural transformation would no longer be left to the uncertainties of entrepreneurial competition but would be rationalized, stabilized, and managed collectively (Burlamaqui, 2020).

From this perspective, socialism was understood as the institutionalization of innovation management — a stage beyond corporate capitalism in which the state, rather than the large private firm alone, would orchestrate technological advance and economic restructuring (1942, Ch. 16-17).

China closely approximates this template: the Party-state directs technological transformation, disciplines private accumulation, and integrates innovation into long-term national strategies. In effect, it engages in what may be termed "creative destruction management" (Burlamaqui, 2025b).

2.4 The Triadic Synthesis

Taken together, Keynes, Minsky, and Schumpeter provide a powerful analytical triad. Keynes explains why demand, uncertainty, and expectations matter for growth and employment. Minsky shows how financial fragility endogenously threatens stability and why institutional safeguards are indispensable. Schumpeter highlights the role of innovation and structural change in driving long-term development. China's political economy synthesizes these dimensions: it socializes investment in a Keynesian fashion, institutionalizes Minskyian safeguards against instability, and directs Schumpeterian innovation through state coordination. This combination underpins what may be described as Socialism with Schumpeterian Characteristics (Burlamaqui, 2025b).

3. Conceptual and Empirical Implications

3.1 The Trump Shock and China's Strategic Repositioning

Donald Trump's election in 2016 inaugurated an era of tariffs, sanctions, and technology controls targeting China. For Beijing, this was not a temporary disruption in US–China relations but the crystallization of a structural shift: the United States had moved from cautious engagement to open containment. The "Trump Shock" convinced Chinese policymakers that globalization could no longer be relied upon as an open, rules-based system, and that China would need to anchor and partially redesign its own global networks of trade, finance, and technology (Inkster,2021).

This strategic repositioning had its roots in 2013. On September 7 of that year, in what was initially a little-noticed speech at Nazarbayev University in Kazakhstan, Xi Jinping officially launched the Belt and Road Initiative (BRI). He outlined a vision of a new

economic global order, positioning China as an alternative to an increasingly unfriendly United States — a trajectory already visible since the Clinton years and sharpened by the Obama–Clinton "pivot to Asia" in 2011. Xi pledged more than $100 billion for China's development banks to finance infrastructure across Asia, Europe, and Africa, signaling that Beijing intended to embed itself at the center of a new Eurasian integration project (Fang, Nolan, and Linggui :2019, Naughton: 2021, Chan 2022).

By 2017, with Trump's election as the catalyst, the BRI became the centerpiece of China's global strategy. Xi used two symbolic stages to sharpen the message: the World Economic Forum in Davos, where he cast China as a defender of globalization, and the inaugural Belt and Road Forum, where China pledged an additional US$100 billion to development finance. The contrast was clear: as Washington turned inward, Beijing would position itself as the champion of connectivity and trade.

Simultaneously, Chinese capital pursued strategic acquisitions abroad, especially in advanced manufacturing, energy infrastructure, and digital technology. The 2016 purchase of Germany's robotics leader KUKA became a symbol of China's capacity to move up the global value chain, but it was part of a much broader wave of overseas mergers and acquisitions that provoked defensive screening measures in Europe and the US. For China, these episodes underscored both its growing technological reach and the mounting barriers it faced (Nolan,2012).

Domestically, Xi sharpened what might be called a *vulnerability agenda*. Anti-corruption campaigns were intensified, not only as political consolidation but also as a mechanism for disciplining state and corporate elites. Financial excesses—particularly shadow banking and real-estate speculation—were curbed through stricter regulation and deleveraging drives. Inequality and social discontent were addressed under the emerging banner of "common prosperity," which promised redistribution alongside growth (Rudd: 2024, Jin, K., 2023, Atkinson: 2024b).

And perhaps most symbolically, the digital platforms that had defined China's private-sector dynamism in the 2010s were reoriented: instead of prioritizing consumer apps and entertainment, firms like Alibaba and Tencent were pushed toward strategic sectors such as semiconductors, cloud computing, and industrial applications (Chen, 2022, Zhang, 2024).

Taken together, these moves marked the beginning of a comprehensive, state-led restructuring of China's political economy. They were not ad hoc responses to Trump-era pressures, but part of a broader repositioning: to reduce dependence on US markets and technologies, strengthen domestic foundations of innovation, and reassert the Party-state's capacity to guide the direction of China's modernization.

3.2 Xi Jinping's-led "Managed Creative Destruction"

The New Development Concept (NDC), embedded in the 14th Five-Year Plan (2021–2025), prioritizes innovation, coordination, green development, openness, and common prosperity. Its implementation has meant more than technocratic adjustment: it represents an ambitious project of managed creative destruction, in which fragile growth engines are deliberately phased out and replaced by new ones built around technological sovereignty and social stability.

The most visible expression of this strategy has been the Real Estate restructuring and the regulatory crackdown on China's digital giants. Real Estate giants like Evergrande, and Big-tech firms such as Alibaba, Tencent, and Didi had expanded rapidly in consumer-facing services, property development, finance, and entertainment, generating wealth but also systemic vulnerabilities: monopolistic practices, speculative finance, and excessive social influence.

Starting in 2020, Beijing moved decisively to discipline these platforms. Ant Group's IPO was halted, online tutoring firms were restructured, and gaming companies were subjected to strict limits. These measures were not intended to eliminate private enterprise but to redirect it — from consumer apps and financial speculation toward strategic technologies such as semiconductors, cloud computing, industrial software, and green energy applications.

This crackdown and restructuring marked a turning point: the Party signaled that private capital's expansion and increasing profits would be tolerated only insofar as it aligned with national priorities. At the same time, the state expanded its own presence in venture capital and industrial policy, reinforcing the developmental role of the public sector while maintaining competitive pressure within strategic industries. The result has been a deliberate reshaping of China's growth model, privileging resilience, innovation, and broad social legitimacy over the unchecked dynamism of platform capitalism**.**

3.3- Financial and Real Estate Restructuring: The Controlled Implosion of Evergrande

By the late 2010s, China's real estate sector had become the single greatest source of systemic risk in the economy. Developers financed explosive growth through pre-sales, high leverage, and heavy reliance on shadow banking, while local governments tied their fiscal revenues to land sales. The outcome was a classic Minskyan pattern: asset inflation, speculative excess, and deep financial fragility.

In 2020, regulators drew a decisive line. The introduction of the "Three Red Lines" created hard constraints on developers' balance sheets:

- a liability-to-asset ratio (excluding advance sales) capped at 70%,
- a net gearing ratio capped at 100%, and
- a requirement for cash holdings to cover at least 100% of short-term debt.

Developers breaching one, two, or all three lines faced progressively harsher credit restrictions: those crossing one line saw limited access to new borrowing; two lines meant a freeze on expansion; three lines effectively locked the firm out of fresh credit until compliance was restored. These rules forced developers to deleverage rapidly, sell assets, and restructure operations(Yu, 2022).

The most dramatic casualty was Evergrande, once China's largest developer. With over US$300 billion in liabilities, it had violated all three red lines. Cut off from new financing, it slid into default in late 2021. Unlike in earlier episodes of financial stress, Beijing refused to mount a sweeping bailout. Instead, regulators enforced a triage:

- homebuyers were prioritized, with local governments and SOEs stepping in to complete pre-sold housing projects,
- suppliers and workers received partial compensation to prevent social unrest,
- while equity holders and junior creditors were left to absorb the bulk of the losses.

This approach turned what could have been a disorderly collapse into a controlled implosion. The punishment for reckless expansion was clear: firms that had used excessive leverage would be allowed to fail, but systemic fallout would be contained. Smaller municipal banks and shadow conduits exposed to the sector were quietly restructured or backstopped, preventing contagion.

The broader purpose was not merely damage control. By forcing a deleveraging of the property sector, authorities freed up capital and labor for redeployment into advanced manufacturing, digital infrastructure, and green industries. In this sense, the Evergrande saga illustrates the Party-state's new mode of macroeconomic management: creative destruction under political control. Fragile growth engines are dismantled not by crisis, but by deliberate design, with the state orchestrating both the purge of excess and the reallocation of resources (Yu, 2022).

3.4 New Productive Forces and Common Prosperity

Xi Jinping has redefined the benchmarks of economic success in ways that depart sharply from earlier growth models. For decades, China's performance was judged by GDP expansion, export dynamism, and industrial upgrading within global value chains. Xi's discourse now elevates new productive forces as the true measure of progress. These forces emphasize innovation-driven growth in strategic sectors—semiconductors, digital infrastructure, artificial intelligence, advanced manufacturing, and green technologies—areas that guarantee both national sovereignty and the capacity to set global standards (Hsiung, 2015).

This conceptual shift reflects a deeper recognition: GDP growth alone can conceal fragility, dependence, and inequality. By contrast, the pursuit of new productive forces is explicitly tied to building a resilient, self-sufficient economy. The aim is to ensure that China cannot be cut off from critical technologies by Western sanctions or supply-chain disruptions. In this sense, the agenda is not merely economic but geopolitical—China's survival as a great power rests on its ability to secure the commanding heights of innovation (Ang, 2018).

From the mid-2010s, China's platform economy amassed extraordinary market power across e-commerce, digital payments, mobility, and gaming. Policymakers judged that the resulting concentration amplified inequality, privacy risks, and macrofinancial exposure. Beginning in 2020, regulators imposed antitrust fines, data localization, algorithmic oversight, and restrictions on overseas listings for sensitive-data firms.

Crucially, the objective was not to suppress innovation but to reallocate it. Platform leaders pivoted from consumer-facing businesses toward strategic domains: cloud infrastructure for industrial policy, enterprise software, AI chips and models, autonomous systems, and green-tech applications. This turn operationalizes a Schumpeterian reallocation: entrepreneurial energy redirected from rent-rich consumer markets to productivity-enhancing general-purpose technologies, under Party coordination (Burlamaqui, 2025b).

At the same time, technological and industrial modernization advanced under Made in China 2025 and subsequent sectoral blueprints targeting robotics, aerospace, advanced materials, biopharma, and new energy vehicles. China deployed the world's largest 5G network, enabling factory automation and industrial IoT. R&D intensity surpassed 2.5% of GDP by the early 2020s, supported by tax incentives, procurement, and state-guided venture funds. Cybersecurity legislation, the Data Security Law, and the Personal Information Protection Law (2021) embedded national-security logics into the tech stack.

Running in parallel is the project of common prosperity, which Xi has elevated to the status of "the essential requirement of socialism and a key feature of Chinese-style modernization." At a 2021 Politburo meeting, he stressed that prosperity must extend to all citizens, not just a privileged few. In practice, this means narrowing income inequality, rebalancing development between prosperous coastal provinces and the less developed interior and redistributing wealth more fairly—while continuing to foster entrepreneurial activity and innovation. As Xi underlined, realizing common prosperity is not just an economic goal but a "major political issue that bears on our Party's governance foundation." (Rudd, 2024).

This dual agenda embodies both discipline and redistribution. On one hand, common prosperity has meant tightening oversight over excessive private wealth and corporate power—seen most vividly in the restructuring of digital platforms and restrictions on real-estate speculation. On the other, it has meant massive investments in rural revitalization, social welfare, health, and education, designed to ensure that innovation-led growth translates into tangible improvements in everyday life (Meng, Yang, Chen, Sun, and Liu, X., 2015; Yip, Hsiao, Meng, Chen, and Sun, 2014).

What links new productive forces with common prosperity is the logic of managed creative destruction. Outdated growth engines—such as overleveraged real estate or consumer internet models dependent on monopolistic platforms—are being phased out. In their place, the state fosters technologically advanced industries and a more inclusive distributional framework. The ambition is to ensure that innovation and social stability are mutually reinforcing, not contradictory.

From a Schumpeterian perspective, this represents a striking adaptation of his insights. Innovation and creative destruction, for Schumpeter, were the essence of capitalism but also its source of instability. In China's case, these dynamics are not left to "market self-regulation" but guided by Party-state institutions (Burlamaqui, 2025b).

At the same time, the redistributive thrust of common prosperity operationalizes what John Medearis (2001) has described as Schumpeter's transformative democracy: legitimacy not from electoral competition but from the capacity to deliver material progress and improved living standards.

In short, new productive forces and common prosperity are not separate slogans but two sides of the same strategy: to re-engineer China's development model so that technological upgrading is inseparable from social inclusion. This twin agenda positions China not only as an innovation powerhouse but as a polity where the foundations of legitimacy rest on broad-based, equitable modernization.

3.5- A Note on the Green Transition

The green transition has become one of the defining pillars of China's economic strategy under Xi Jinping. It embodies the New Development Concept's emphasis on sustainability while simultaneously advancing technological sovereignty.

China today is the world's largest investor in renewable energy, accounting for more than half of global solar and wind capacity additions. Longi Green Energy has become the global leader in solar photovoltaics, while Goldwind is a major force in wind turbines. Entire provinces such as Gansu and Inner Mongolia have been transformed into hubs for vast solar and wind bases, with electricity transmitted to eastern cities through ultra-high-voltage (UHV) lines built by State Grid Corporation of China (Mathews and Tan, 2011, International Energy Agency (IEA), 2021).

The electric vehicle (EV) ecosystem has emerged as the clearest demonstration of state-coordinated creative destruction. BYD, once a battery maker, has become the world's largest EV producer, recently surpassing Tesla in global sales. NIO, another leading Chinese brand, pioneered battery-swapping stations as an alternative to charging, now deployed nationwide. Contemporary Amperex Technology Ltd. (CATL) dominates the global battery market, supplying not only Chinese automakers but also foreign firms such as BMW and Tesla. These companies represent China's move away from fossil-fuel dependency toward a self-sustaining, innovation-driven green economy.

Green innovation is also visible in infrastructure. The Shanghai–Beijing high-speed rail line, the busiest in the world, displaces short-haul flights with lower-carbon transport. Metro networks in Chengdu, Shenzhen, and Guangzhou, built at record speed, have reduced private car dependence and created more equitable urban mobility.

The environmental dividends are tangible. Air quality in Beijing, once infamous for heavy smog, has improved significantly over the past decade as coal plants were closed or modernized and renewables scaled up. Regulatory frameworks back these changes: Xi's pledge to peak carbon emissions before 2030 and reach carbon neutrality by 2060 has been translated into green credit quotas, carbon trading pilots in Shenzhen and Shanghai, and industrial policies that penalize heavy emitters while subsidizing clean technologies.

From a Schumpeterian perspective, the green transition exemplifies another facet of managed creative destruction. Carbon-intensive industries such as coal and steel, once pillars of growth, are being deliberately downsized through capacity controls and credit tightening. Meanwhile, entire new sectors—solar (Longi), wind

(Goldwind), EVs (BYD, NIO), and batteries (CATL)—are being fostered under Party-state coordination. Local governments and SOEs absorb stranded assets, while channeling resources into green innovation.

In short, the green transition is not an environmental afterthought but a frontline of China's developmental model. It secures technological leadership, provides public goods in health and mobility, and anchors the Party's claim to performance legitimacy. Ecological modernization thus illustrates socialism with Schumpeterian characteristics in practice: innovation harnessed, destruction managed, and legitimacy derived from visible material progress (Mathews and Tan, 2011, International Energy Agency (IEA), 2021).

4. Building a Eurasian Order: The SCO, BRICS+, and BRI

At the conclusion of his March 2023 state visit to Moscow, Xi Jinping told Vladimir Putin: "There are changes happening, the likes of which we haven't seen for 100 years. And we are the ones driving these changes together." This remark crystallizes China's ambition under Xi: to shape a new international order, centered not on the post-1945 Atlantic institutions of Bretton Woods, but on an emergent Eurasian architecture.

Domestic restructuring—tightening financial discipline, fostering technological upgrading, and asserting Party leadership over capital—has been matched externally by a strategy to re-wire globalization around institutions and initiatives that dilute U.S. dollar primacy and the Western-led quest for extending its hegemony. The Shanghai Cooperation Organization (SCO), BRICS+ (and its financial arms, notably the New Development Bank and the Contingent Reserve Arrangement), and the Belt and Road Initiative (BRI) collectively form the backbone of what can be termed a Eurasian order (Diesen, 2024).

Unlike Bretton Woods, which was anchored in U.S. financial supremacy, the dollar's convertibility to gold, and the institutional pair of the IMF and the World Bank, the Eurasian order rests on three interlinked pillars:

•Security and political coordination (SCO): Originally a regional security mechanism, the SCO has grown into a platform for Chinese-Russian coordination and an institutional anchor for Central Asian integration. It projects an alternative to NATO's security paradigm, embedding multipolarity as a principle.

• Financial and developmental instruments embedded in South-South integration (BRICS+): With the creation of the New Development Bank and the Contingent Reserve Arrangement, BRICS+ has built embryonic alternatives to IMF and World Bank lending. Its recent enlargement into "BRICS+" has widened its geopolitical scope, linking energy powers (Saudi Arabia, Iran), industrial hubs (India, China), and major commodity exporters (Brazil, South Africa) into a potential "global South G-20." Crucially, these instruments are insulated from Washington consensus conditionalities, offering infrastructure finance and liquidity support without neoliberal strings attached.

•Infrastructure and trade-development corridors (BRI): The Belt and Road Initiative seeks to physically re-route globalization across Eurasia, through massive infrastructure investments, energy corridors, and digital networks. By prioritizing connectivity from Asia to Europe and Africa, BRI challenges the maritime dominance of U.S. and allied powers while internationalizing the renminbi through project finance and settlement practices.

Taken together, SCO, BRICS+, and BRI amount to more than institutional experimentation. They articulate the outlines of a parallel globalization, one whose gravitational center lies in Eurasia and whose organizing principles reject the conditionality, hierarchy, and dollar supremacy of Bretton Woods (Maçães,2018).

If Bretton Woods stabilized U.S. hegemony after 1945, the Eurasian order seeks to institutionalize multipolarity, create diversified sources of finance, and embed China at the hub of new trade and technological circuits. BRICS+, in particular, functions as the political crystallization of this project: a coalition of major emerging powers that embodies the possibility of a world economy no longer centered on the Atlantic.

4.1 The Shanghai Cooperation Organization (SCO)

The Shanghai Cooperation Organization (SCO) was founded in 2001 by China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan as a regional security framework aimed at combating the so-called "three evils" of terrorism, separatism, and extremism. Over the past two decades, it has expanded both its membership and its scope of activity (Deeparghya, 2019) .

With the accession of India and Pakistan in 2017 and Iran in 2023, the SCO today encompasses nearly half of the world's population and covers a vast territorial expanse stretching from the Pacific Ocean to the Persian Gulf. For China, it provides security for its western periphery, facilitates the coordination of energy and transport corridors, and serves as a political umbrella for the overland expansion of the Belt and Road Initiative (BRI).

The organization's geographical reach now covers most of continental Eurasia, effectively linking East Asia, South Asia, Central Asia, and the Middle East within a single institutional framework. With Belarus preparing to join and other states—such as Turkey, Mongolia, and several Gulf countries—participating as observers or dialogue partners, the SCO is gradually transforming from a Central Asian security grouping into a genuinely pan-Eurasian organization. This shift in scale has been accompanied by a broadening of goals and functions (Deeparghya, 2019).

The SCO today plays a central role in the geopolitical and geo-economic redesign of Eurasia, embedding Chinese and Russian leadership in a governance model that diverges from Western templates. Unlike NATO's military structure or the EU's supranational economic integration, the SCO privileges sovereignty, regime stability, and connectivity through infrastructure as the organizing principles of cooperation.

For Russia, the SCO provides a framework to redirect development toward Siberia and the Russian Far East, integrating these resource-rich but underpopulated regions into Eurasian trade and transport networks with the help of Chinese investment and BRI corridors. For China, the SCO's security umbrella ensures that BRI projects in Central Asia—energy pipelines, railway corridors, and digital infrastructure—advance with political legitimacy and reduced vulnerability to external disruption.

Security cooperation remains at the core of the SCO, but its scope has deepened considerably. The organization now holds large-scale joint military exercises, coordinates border management, and is increasingly active in digital and cyber security, positioning itself as a regional alternative to Western security frameworks. At the same time, its membership and partnerships are expanding steadily. States in the Middle East, South Asia, and even Eastern Europe view the SCO as an attractive platform through which to hedge against Western dominance and secure access to Eurasia's emerging political and economic networks.

In short, the SCO has evolved from a narrowly defined counterterrorism alliance into the political-security pillar of the Eurasian order. It anchors China's western frontier, provides Russia with an institutional platform to project influence, and offers a forum through which new connectivity and development strategies—most importantly the BRI—can be geopolitically safeguarded.

In Schumpeterian terms, the SCO represents a new form of political and security organization, distinct from NATO or the EU, and therefore a genuine institutional innovation. It stabilizes sovereignty and regime security while simultaneously anchoring economic integration, making it an indispensable political-security innovation within the broader project of building an Eurasian form of socialism.

4.2 BRICS+: The Political and Financial Core of Multipolarity

The BRICS was formally established in 2006, bringing together Brazil, Russia, India, China, and, since 2010, South Africa. Initially conceived as a loose coalition of emerging powers, the grouping gained new momentum in the aftermath of the 2008 global financial crisis. From that point onward, it evolved into a more concrete institutional project, most notably through the creation of the New Development Bank (NDB) in 2015 and the Contingent Reserve Arrangement (CRA).

These institutions represented the first serious attempt by major emerging economies to create lending and liquidity mechanisms that operated outside the orbit of the IMF and World Bank, and without the restrictive conditionalities associated with the Washington Consensus (Kwang Ho Chun, 2013).

The turning point, however, came between 2023 and 2025, when BRICS underwent a historic enlargement that consolidated its transformation into BRICS+. In 2024, Saudi Arabia, Iran, the United Arab Emirates, Egypt, and Ethiopia were admitted as full members, and at least nine other countries are now in the process of accession.

This expansion decisively altered the bloc's profile: BRICS+ now encompasses over 40 percent of the world's population, around 36 percent of global GDP (measured in PPP), and controls close to half of global oil production. What began as a coalition of five states has thus become a geopolitical and geo-economic heavyweight with the scale to rival the G7 (Salzman, 2019).

Institutionally, the financial instruments underpinning BRICS+ have also gained depth and scope. The New Development Bank has broadened its lending portfolio well beyond infrastructure to include projects in the digital economy and green transition, while increasingly financing operations in local currencies as a deliberate step to reduce dependence on the dollar. Its capitalization, initially supplied by BRICS members, has been reinforced by new contributions from the enlarged membership and by project-backed instruments.

In parallel, the Contingent Reserve Arrangement has begun to play a more visible role as a liquidity safety net, offering balance-of-payments support to members without IMF conditionalities. Alongside these institutions, discussions are advancing on payment systems in national currencies, as well as on the creation of a common BRICS digital settlement instrument designed to circumvent the vulnerabilities created by dollar clearing and SWIFT dominance.

Two recent summits crystallized this evolution. The Kazan meeting of 2024 produced a declaration explicitly presenting BRICS+ as an alternative to the Bretton Woods system. Emphasis was placed on monetary sovereignty, the right to development, and the construction of parallel financial circuits anchored in the NDB and local-currency trade (BRICS. 2024**,** Russian Council, 2024 "The Kazan Declaration — a New World Order").

Building on that foundation, the Rio de Janeiro summit of 2025 went further, calling for structural reform of the global governance system, denouncing the weaponization of the dollar, and advancing coordinated BRICS+ strategies in the fields of energy security, food supply, and technological standards. The Rio declaration marked a decisive step in transforming BRICS from a mere "voice of the South" into a coherent institutional platform for systemic alternatives (BRICS. 2025. Rio de Janeiro Declaration of the XVII BRICS Summit).

In Schumpeterian terms, BRICS+ can be understood as a new form of geopolitical integration, and a new institutional architecture for global finance and governance. It is not simply a coalition of states, but an innovation in the broader sense identified by Schumpeter: novel forms of geopolitical, geoeconomic, commercial and financial organization.

By experimenting with new sources of credit, novel funding mechanisms, and non-dollar settlement systems, BRICS+ is creating a cluster of institutional innovations that directly rival the IMF–World Bank–dollar nexus (Nilsen, A and Holdt, K. 2021).

4.3 The Belt and Road Initiative (BRI): Re-routing Globalization through Development Corridors

When Xi Jinping announced the Belt and Road Initiative (BRI) in 2013, he positioned China at the center of a project that would become the largest development and infrastructure program in modern history. In just over a decade, the BRI has signed cooperation agreements with more than 150 countries and 30 international organizations, extending far beyond its initial Eurasian focus into Africa, Latin America, and the South Pacific. Cumulatively, BRI-related investment and construction contracts have already surpassed one trillion dollars, an amount without precedent in the history of state-led international development (Fang, Nolan, and Linggui :2019, Naughton: 2021, Chan 2022).

The BRI's defining feature is its network of development corridors. These include the flagship China–Pakistan Economic Corridor (CPEC) linking western China to the Arabian Sea, rail connections from Chongqing and Yiwu to Duisburg and Madrid, and pipeline routes through Central Asia that diversify China's energy supply. Maritime corridors, centered on port developments in Gwadar (Pakistan), Piraeus (Greece), and Djibouti, extend the initiative's reach into the Indian Ocean, the Mediterranean, and Africa (Miller, 2017).

Together, these land and sea routes create overlapping connectivity grids that physically re-route globalization away from U.S.- and European-dominated choke points and toward Eurasia. Equally transformative is the Digital Silk Road, which expands the BRI into telecommunications, satellite networks, e-commerce, and fintech (CSIS, 2024).

Chinese firms such as Huawei, ZTE, and Alibaba are exporting 5G systems, digital payments, and cloud services to BRI partners, embedding Chinese technological standards across the Global South (Proença and Burlamaqui: 2023). Parallel to this, the Green Silk Road promotes investment in renewable energy and climate-resilient infrastructure, with solar parks, hydroelectric plants, and smart grids financed and constructed by Chinese state-owned enterprises. These dimensions underscore that the BRI is not simply about hard infrastructure, but about remaking technological and economic ecosystems (Hillman, J. 2021).

The financial architecture of the BRI is equally significant. Alongside Chinese policy banks and sovereign wealth funds, multilateral platforms such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) provide additional funding and legitimacy. Increasingly, projects are denominated in renminbi, contributing to the gradual internationalization of China's currency. This creates a parallel circuit of global finance that reduces reliance on the dollar and embeds China at the hub of trade and payment networks.

For host countries, BRI investments address chronic infrastructure gaps, facilitate industrial upgrading, and expand access to new markets. For China, the initiative secures long-term access to raw materials, diversifies export markets, and deepens political partnerships across multiple regions. Importantly, it also anchors China's domestic development strategy by channeling excess industrial capacity and financial surpluses into overseas projects, thereby linking global expansion with domestic restructuring.

From an analytical standpoint, the BRI must be understood as a Schumpeterian cluster of innovations on a global scale.

It introduces new methods of production, transportation, and communication; it creates new consumption goods and services by expanding digital platforms; it opens new markets and secures new sources of raw materials through strategic corridors; and it establishes new business models and organizational forms through novel financing instruments and multinational consortia.

In Schumpeter's broader sense, the BRI is not a single innovation but a system-level transformation, designed and orchestrated by the Chinese state, that redefines the geography of globalization.

In short, the BRI is the infrastructural and economic backbone of the Eurasian order. It physically and digitally integrates vast regions into a China-centered network, institutionalizes alternatives to Western financial dominance, and if sucssefull, it might come to embody the most ambitious experiment in Schumpeterian socialism beyond China's borders (Fang, Nolan, and Linggui, 2019).

5. Conclusion: Advancing Socialism with Schumpeterian Characteristics

China under Xi Jinping is not simply "state capitalism," nor can it be reduced to labels such as "authoritarian developmentalism." What emerges from the evidence is a far more radical , and new, experiment: a political economy that internalizes Keynesian,

Minskyian, and Schumpeterian logics into a coherent, state-led project of transformation.

From Keynes, China takes the recognition that capitalism is a monetary production economy driven by expectations, investment, and effective demand. Its *socialization of investment* — through public banks, targeted credit, and industrial policy — operationalizes Keynes's call for the state to stabilize output and employment against the volatility of private expectations.

From Minsky, it absorbs the insight that stability itself breeds fragility. Yet rather than awaiting crisis, China institutionalizes "Big Bank" and "Big Government" in advance: public banks dominate credit allocation, fiscal authorities move swiftly to absorb shocks, and Party oversight disciplines speculative excess (Burlamaqui, 2025 a). The managed implosion of Evergrande epitomizes this *reversal of the Minskyian cycle* — fragility contained through state ex-ante restructuring, rather than resolved by collapse.

From Schumpeter, it inherits the recognition that capitalism advances through innovation and creative destruction, but it recasts this dynamic within a socialist framework. In China, the Party-state does not passively await entrepreneurial disruption; it orchestrates creative destruction: disciplining Big Tech, phasing out unsustainable real estate booms, and reallocating capital and talent toward semiconductors, artificial intelligence, green energy, and advanced manufacturing. This is not the blind turbulence of markets but a new practice of "*creative destruction management.*"

Internationally, these domestic reforms are coupled with a project to reconfigure globalization around a Eurasian order. The Shanghai Cooperation Organization, BRICS+, and the Belt and Road Initiative function as institutional innovations in their own right: the SCO as a novel political-security framework, BRICS+ as an embryonic financial architecture outside the IMF–World Bank nexus, and the BRI as the infrastructural and technological backbone of a multipolar globalization.

Together they constitute not a reform of Bretton Woods but an effort to supersede it. Xi's insistence that China and its partners are driving "changes unseen in a century" captures the ambition to build governance structures reflecting Eurasian scale, South–South solidarity, and technological sovereignty.

What, then, is China? This paper advances on the hypothesis that China represents Socialism with Schumpeterian Characteristics (Burlamaqui, 2025b). It has a Keynesian dimension in the socialization of investment and demand management. It

incorporates an upgraded Minskyian architecture that both produces financial fragility and contains it preemptively, avoiding the slide into instability.

But its core is Schumpeterian: the deliberate orchestration of innovation and structural transformation at home and abroad, configuring a global-scale policy of creative destruction management. SCO, BRICS+, and the BRI are not peripheral foreign policies but integral extensions of the same developmental logic that governs China's domestic economy.

This synthesis explains why China has sustained growth while avoiding the recurrent crises of financialized capitalism. More importantly, it highlights the systemic challenge Beijing poses to the neoliberal order: not through rhetoric or ideology, but through institutional design, performance, and demonstration effects. In this sense, the Eurasian order is more than a geopolitical realignment; it is the attempt to internationalize Schumpeterian socialism, a framework that fuses innovation, stability, and redistribution under public authority.

In short, China is pioneering an experiment in political economy that redefines both domestic development and global order. If successful, it will amount not merely to a Chinese path, but to a new paradigm in the history of capitalism's transformations — one that demands recognition as Socialism with Schumpeterian Characteristics.

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TEXTOS DE DISCUSSÃO

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