



China's New 'Belt-Road' Project Already Needs Renovation

Unlike with the Silk Road, the one-way design has few benefits for China's partners

By Harry G. Broadman, Special to Gulf News

It's hard to take issue with the spirit behind Xi Jinping's celebrated 'Belt-Road' initiative. In parallel with China's Asian Infrastructure Investment Bank (AIIB), it signals Beijing's willingness to make infrastructure investments in poor countries across a huge geographic space to spur economic development.

Xi refers to the 'Belt-Road' program as the ["New Silk Road"](#), an idea that actually predates Xi's program by several years. But when one takes a close look at the actual design of the program, it appears that Xi's excessively grand political ambitions have gotten in the way: the overall objectives of the 'Belt-Road' plan run counter to both the basic elements of the ancient Silk Road and of China's own secret sauce for economic success at home.

For starters, the 'Belt-Road' initiative is *not* based on China's altruistic motives. Rather it is a vehicle to export the excess capacity of the Communist Party's lumbering state-owned enterprises (SOEs)—on which it is holding for dear life. And it is to gain control over the importation of raw material inputs so desperately needed to fuel the Chinese economy.

In light of the withdrawal of the U.S. from the Trans Pacific Partnership (TPP) trade agreement, there is serious concern among China's neighbors that Beijing now has carte blanche to rig trade patterns in the region. The result? Palpable fear that the 'Belt-Road' program will end up producing a scattering of large, abandoned 'white elephant' projects not only in China's immediate backyard but across the country's supra-regional neighborhood.

It would be disingenuous from a European or U.S. vantage point to blame the Chinese for their extra-territorial regional economic development ambitions. *Still, the process by which Xi has developed and promoted his program has created serious problems that need not have arisen. In effect, much of Xi's plans for his "New Silk Road" lack core 'Chinese characteristics'.*

The most salient and truly fundamental problem—which should be utterly obvious to Xi and his comrades — is their failure to structure the program consistent with the way the Chinese themselves have been engaging in domestic economic reform so effectively since its advent in 1978: namely incrementally, collaboratively, and through experimentation. These are the key ingredients China has mastered the use of over the past 4 decades to bring along the public to believe in and support its reforms.

If there is one lesson the Chinese have engrained in economic policy practitioners the world over it is that, with a few exceptions, the probability for success rises dramatically when economic and social reform programs build on engendering 'buy-in' from those directly affected.

To this end, what China has learned is that as policies enlarge in scope, they are modified to embody what has, and what has not, been effective earlier. For the past 40 years this has been the bedrock for Beijing's policies almost across the board, including reform of enterprises, cities, internal migration, pensions and the social safety net, education, environmental policy etc.

Instead, in almost one fell swoop since Xi's announcement of 'Belt-Road' program just three years ago, he rushed to enlist 65 partner countries and sign 130 transport agreements. At the same time, Xi unilaterally barred other countries from participating. For example, India has been excluded. The irony of the Chinese not heeding their own advice is supreme.

Much negative fallout from this approach is increasingly evident. Unless modifications are made, it will continue to haunt Beijing. In conjunction with the external impacts of the current structural weaknesses of China's economy, it could well jeopardize the success of the 'Belt-Road' plan itself.

It would be an understatement to say that China is big on symbolism. Indeed, the country makes sure the world takes note of this. Tremendous effort has been expended by Beijing since 1978 in deliberating to develop the 'right' name to market the authorities' specific economic policy measures among the Chinese citizenry.

When Xi unveiled the program in 2013 with great fanfare, he initially named it the *One Belt-One Road* (OBOR) initiative. This labelling by Beijing did not sit well with the affected countries.

The ancient Silk Road was actually an amalgam of multiple decentralized routes that evolved organically, and did so at the local level. It was not a single hub and spokes network; there was considerable variation among routes from where they sprouted up to where they terminated.

Moreover, while some of these networks emerged as pathways principally facilitating trade in merchandise, more importantly they served as nodes for the exchange of ideas and migration.

And, the exchanges generally were not one-way nor dominated by one overseer: merchandise trade was two-way; exposure to new or differences in ideas and cultural norms was not brought about by monologue but through dialogue (though not necessarily always peacefully); and migration was not unidirectional.

Despite this, Xi persisted in keeping the OBOR name.

Only after criticism was voiced by a number of countries that Beijing was looking to sign up that the OBOR labelling conveyed China's aim for regional domination did Xi order the "One" to be dropped. However, by the time the change was implemented damage has been done.

In May 2017, Xi held a Belt-Road gala, but less than half of the 65 partnering countries were represented by heads of state. At the close of the summit, Xi issued a "joint" communique, but it was signed by only 30 countries. Not an overwhelming endorsement.

At the Fall 2017 meeting of the National Congress of the Chinese Communist Party, Xi once again formally enshrined his Belt-Road initiative. But he did not take advantage of a pivotal opportunity to finally bite the bullet and signal the need to unwind some of the most egregious contradictions inherent in the Party's 'socialist market economy' paradigm underway since the early 1990s, which each year have become increasingly evident as [structural constraints on China's long run growth](#).

And in the beginning of December 2017, Pakistan, Nepal and Myanmar announced they canceled or sidelined three major Chinese hydroelectricity Belt-Road projects worth nearly \$20 billion due to unfavorable financing terms or irregularities in the sponsoring firms' irregularities.

As China continues to roll out its Belt-Road program it would do well to work in full collaboration from the ground up with proposed partner countries.

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