Much focus on China’s ambitious Belt and Road Initiative has understandably been on the massive scale of its infrastructure projects and the implications for the economies of the countries involved. But more is at stake than just building railways, ports, and pipelines.

As proponents of China’s expanding global ambitions, Christopher H. Lim and Vincent Mack Zhi Wei argue that the BRI is a central component of Beijing’s agenda to cement its leadership in the world.
IS THE WORLD READY to accept a China-led development model through Beijing’s Belt and Road Initiative (BRI), which envisages massive infrastructure projects across a whole range of countries? Having adequate funding and technology is necessary but not sufficient to ensure the success of the BRI. Fundamentally, China needs to be able to inspire confidence in its partners. If it wants the moral legitimacy to lead the world using the BRI, China will need to ensure that its domestic socio-economic and environmental issues are well managed. Failing that, the aftereffects would likely spill over to the economies within the BRI network.

China’s credibility hinges on whether it can provide concrete and tangible evidence that its approach can address key domestic challenges in an adequate and timely manner: turbulence within the BRI network. The Chinese stock market is an ideal platform to indicate if China is well managed and ready to tackle global challenges, and to manage the country’s stock markets. The Chinese stock market needs to be well managed or it will be perceived as the world’s largest de facto casino, which may have downstream implications not just for China, but also the countries connected to the BRI network.

THE SPREAD OF ‘GHOST CITIES’

Following the 2007/2008 global financial crisis, economic stimulus measures taken by China resulted in the building of many “ghost cities” over the past decade. A population density of 10,000 people per square kilometer is the standard set by the Ministry of Housing and Urban-Rural Development in China. Any population density with less than half of this benchmark is classified as a “ghost town/city.” While it is hard to estimate the extent of the ghost city problem in China, a 2015 study by Baidu’s Big Data Lab attempted to track Baidu’s users on a daily basis over a period of six months in 2014 and 2015, and was able to determine its users’ home location with the help of a clustering algorithm. The result showed that there are currently more than 50 ghost cities in China.

Based on anecdotal evidence, the amount of concrete consumed in China between 2011 and 2013 was greater than the entire amount consumed by the US over the whole of the 20th century. The money spent on construction in these ghost cities is also responsible for swelling the Chinese government’s debt. Moreover, these cities probably won’t be sufficiently populated in the long run, given China’s demographic trends. The country’s current population of 1.411 billion is projected to decline after peaking at 1.415 billion in 2030. If the ghost city phenomenon is not managed properly, it could result in a new Asian financial crisis.

Perhaps a short-term measure would be to transform some of these cities into campuses for technical universities and create Silicon Valley-like technology parks for startups. In addition, some of the cities could be used as corporate training centers and retirement towns to cater for the country’s ageing population.

MANAGING JOBS AND THE COMING TECH TSUNAMI

Developments in technology are set to unleash a digital tsunami that could have a major impact on employment. The collective effects of 3D printing, robotics, artificial intelligence, Big Data and the Human Cloud, among other trends, promise to be a disruptive game changer for businesses and job markets in both manufacturing and services, particularly for China as “the world’s factory.”

If China is classified by wealth distribution (i.e., the regional contribution to gross domestic product), the Eastern coastal regions produce around 60 percent of total GDP as compared to the remaining three regions, namely, the Central, Western, and Northeastern regions, which occupy most of China’s land mass. In addition, in terms of population distribution of the four economic regions, the comparatively poorer regions (Central and Western) have a combined population of 506 million. This is compounded by the fact that in these poorer regions, particularly in the Western region, there is a higher concentration of ethnic minorities with a higher fertility rate. At a time when there is rising trade protectionism and the global economic outlook is anything but certain, the pressures of the technology tsunami and the impending effects on employment will be a challenge for China, given that it is the most populous nation on earth.

MANAGING ENVIRONMENTAL CHALLENGES

The economic success and transformation of China in the last three decades is undeniably impressive. However, the speed and scale of China’s massive industrialization and urbanization within such a compressed time has led to severe contamination and environmental degradation of the land, water and air. In short, the state of the environment and public health are two hidden costs for China’s economic achievements.

In recent years, with the frequent occurrences of smog in major cities, news reports of environmental-related disasters and extreme weather events have led China to acknowledge the importance of environmental issues for its economic development.

Perhaps, going forward, it is no longer a choice between economic progress and environmental protection. What does one gain if one’s mansion is located next to a garbage dump? Even a country

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with the highest GDP per capita and the largest foreign reserves would not be livable without safe agricultural produce, clean water and fresh air.

**CHINA IS NOT ALONE**
The four domestic challenges identified above are not exclusive to China. With the emergence of penny stocks, day trading, high-frequency trading, shorting and derivatives found in developed countries, financial speculation in the stock market is essentially no different from gambling or playing in casinos.

Since the onset of the global financial crisis in 2007/2008 (which originated in the US subprime mortgage crisis), most countries around the world have suffered various shocks, ranging first from a liquidity crunch and then from the effects of quantitative easing with historically low interest rates. This extensive overdose of financial measures has created a distorted demand for urban housing in a number of cities — a variant of the ghost cities problem in China. Today, cities such as Vancouver and Toronto in Canada, Auckland in New Zealand, and Sydney and Melbourne in Australia are suffering overpriced residential properties, with price-to-income ratios at historical highs. As a result, many professionals are priced out of the market in these cities; while at the same time, a number of investors are prepared to own an empty house with the anticipation of further appreciation in prices.

It is well documented in both scholarly articles and public media that there are pressing issues concerning global challenges involving the environment, ranging from climate change to increasing demands for clean water, safe food, low-carbon energy, sustainable agricultural practices and better management of fisheries.

As for the impact of technological trends, a study by The Economist of 702 occupations looked at the probability of computerization and the potential job losses in the US and estimated that 47 percent of jobs would be lost. Similar studies on job losses in the UK and Japan were 35 percent and 49 percent, respectively. The transitional period between the death of past or existing occupations and the birth of new jobs cannot be accelerated, and the social consequences related to the transitional period could be dire for many societies.

**THE BRI IS NOT IMMUNE**
The BRI will definitely face funding challenges, since it is a long-term initiative with no finishing date in sight. The Asian Development Bank (ADB) estimates that in the Asia-Pacific region alone, infrastructure investments will require US$1.7 trillion a year, or a total of US$26 trillion through 2030. Because the BRI covers a wide range of countries with different political and economic circumstances, potential investors may consider the BRI a high-risk investment, even if it is difficult to quantify these risks. Unless China were to bankroll the entire BRI, or the central banks of BRI partner economies were to share some of that burden, these risks — be they real or perceived — would be a challenge for China, especially since the world is still recovering from the 2007/2008 financial crisis. In contrast, investors, whether private or public, might prefer short-term speculative gains, as was seen earlier in the emergence of high-frequency trading in financial markets.

Given the scope of the BRI, environmental challenges will be inevitable. Although the BRI’s high-speed rail networks, when completed, would reduce the overall carbon footprint, the construction of railways and other infrastructure projects on this scale would have an undeniable impact on the environment. Potential destruction to natural habitats and endangered species, greenhouse gas emissions from construction equipment, noise pollution, disruption to urban areas and natural ecosystems, and pollution of water bodies are unavoidable.

The BRI may also create a new ghost cities problem, given that it aims to establish a network of industrial parks, science parks, ports, and cities/townships. This in part has to do with the sustainability of the BRI. For the project to remain economically viable, the high-speed rail networks need a sufficient base-load of population to keep demand and utilization rates high enough to offset the construction and investment costs. Given the wide range of countries that the BRI intends to cover, it is likely that infrastructure will be built ahead of demand. But if that demand does not materialize as planned, would we end up seeing a lot of ghost cities or ghost infrastructure?

The BRI is fundamentally premised on the economic logic of trade liberalization and economies of scale. Yet, with the advances in 3D printing, certain goods can be manufactured on site and on demand, eliminating the need for them to be physically transported via freight. Digitalization, particularly AI, will replace many jobs; and the outsourcing of professional services via the Human Cloud will drastically reduce the need for white collar workers to be physically located in offices.

These developments would reduce the utilization rate of high-speed rail networks and other forms of transport, with the exception of the transportation of raw materials. In short, the question arises whether evolving technologies will change the calculus of the BRI.

In short, China, the world and the BRI are like three different “patients” suffering from identical co-morbidities of the same social-economic ailments. If we push the medical metaphor further, all the three “patients” will urgently need an “experimental drug” for treatment.

**CHINA'S TRADITIONAL POLICY 'COMPASS'**
While many potential BRI stakeholders are optimistic about joining this trans-continental club, skeptics have brought up the lack of clarity regarding how the BRI will be implemented, especially regarding the lack of an official blueprint as to what the BRI exactly entails. However, those more familiar with China’s historical approach to economic development will recognize this as the country’s signature “compass approach.” As articulated by Zhang Weiwei, China’s development model is essentially based on...
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Feature Essay ‘Chinese Dream,’ Global Ambition: Beijing’s Belt and Road Initiative

on the intended direction or orientation but without any explicit blueprint or milestones.14

Since the BRI is a collection of many long-term projects, it may literally take years, if not decades, to materialize. Therefore, to the Chinese, the philosophy of using a compass rather than a “prescriptive blueprint” makes more sense (see Figure 1 opposite). But is this compass approach appropriate for the BRI? While it is consistent with Chinese behavior over its centuries of civilization — enabling China to morph and change with flexibility and fluidity over time — the compass approach is incomprehensible to those outside of China.

THE BRI’S EXTERNAL DIMENSIONS

China needs to recognize that the external dimensions of the BRI are equally important if not more so than the internal factors in China. For the country to successfully develop and realize the full value of the BRI, it will need to rely on the full co-operation and willing partnership of its stakeholders. Without explicit milestones and detailed blueprints, this may be difficult and even create unnecessary misunderstandings between China and its BRI partners. The long-term nature of the project may present added difficulties. For example, due to differences in their time orientation, problems arising during project implementation may be perceived as not urgent or immediate by China, but immediate and urgent to its BRI partners.

The external nature of the BRI also requires China to examine the initiative from its partners’ perspectives. This is more than just a high-speed railway, or globalization through economic or trade arrangements (the Anglo-Saxon concept of globalization). The BRI is also a hard-wired network linking China to the geographies and economies of its BRI partner countries. Therefore, any economic, political, or social perturbations — whether stemming from within China or from its BRI partners, or occurring during or after the BRI’s construction phase — would have an impact on all members along this network.

In other words, the success of the BRI club is measured beyond China and its commitment to the BRI, but also rests on the confidence of all BRI club members.

THE DIFFERENCE BETWEEN CHINA AND THE REST OF THE WORLD

One may wonder: why don’t China’s BRI partners adopt the compass approach as well? While this approach provides flexibility — which has served China well in the past, especially for projects with long gestation periods — one needs to bear in mind that China’s success in using the compass approach is due to the inherent sheer size of its geography and economy, as well as the country’s depth of socio-cultural and historical capital. With these inherent and unique Chinese factors, China has a bandwidth that other countries do not possess.

To illustrate this point, let us consider the variable of time orientation. Metaphorically and culturally speaking, the difference in their perspectives of time as well as their reference units would be in terms of hours for the Chinese mind, as compared to seconds or minutes for other countries. Because the time orientation of the Chinese is so different and viewed in a protracted time window — not only over years, but decades or even longer — China is thus able to adopt this non-definitive approach, because it is able to offset losses from failures with immense reserves and ride over rough patches.

In contrast, most if not all of China’s BRI stakeholders cannot afford such luxury. Without the same resilience and historical depth that China has, stakeholders may not be well equipped to handle the repercussions of these spillover effects, especially with the long-term nature of the BRI.

CHINA’S GLOBAL POSTURE

Further compounding the problem is China’s posture toward the rest of the world. After the Second World War, the world order as conceived by the Anglo-Saxon powers was based on the belief that a single set of universal rules could and should be applicable to all.

With the exception of China and other countries with closed economies, the world after 1945 became addicted to the Anglo-Saxon world order — where institutions such as the World Bank, the International Monetary Fund and the World Trade Organization espoused an economic management philosophy that advocated explicit developmental milestones, and that philosophy has become well entrenched.

In contrast, China does not believe nor accept this absolutist philosophical framework. Rather, it subscribes to a more relativistic mindset where each country will apply what it deems fit. While China believes its system is robust and flexible, it does not actively seek to impose it upon others. Instead, it subscribes to a more relativistic perspective that accommodates any unforeseeable changes.

On the other hand, other BRI club members may not necessarily share this view, especially if they have been conditioned to the Anglo-Saxon approach. The institutional incompatibility of China’s compass approach with her BRI partners may lead to anxiety. While BRI stakeholders wish to reap the benefits of the partnership, without a detailed set of rules and explicit measures to


FIGURE 1 POLICY TOOLKIT CHOICES: A COMPARISON BETWEEN THE “COMPASS” AND “BLUEPRINT” APPROACHES TO ECONOMIC DEVELOPMENT

<table>
<thead>
<tr>
<th>Philosophical frame/value</th>
<th>Timeframe perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute</td>
<td>Short</td>
</tr>
<tr>
<td>Relative</td>
<td>Protracted</td>
</tr>
<tr>
<td>Compass Approach</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Blueprint Approach</td>
<td>Explicit rules and milestones</td>
</tr>
</tbody>
</table>
China’s success in using the compass approach is due to the inherent sheer size of its geography and economy, as well as the country’s depth of socio-cultural and historical capital. With these inherent and unique Chinese factors, China has a bandwidth that other countries do not possess.

Address the uncertainty of future challenges and provide a problem-solving guide, stakeholders will have little assurance that they are not getting out of the frying pan and into the fire — especially with the memory of the 2007/2008 global financial crisis.

What are China’s options at this juncture? China needs to decode its compass approach, making it comprehensible and acceptable to the global community, and complement it with a blueprint of detailed policy measures to handle different scenarios.

CHINA’S MARSHALL PLAN 2.0

Over the past decade, given the distrust in the neoliberal Anglo-Saxon international order, the slowdown in economic growth and the continuing recovery from the aftershocks of the 2007/2008 financial crisis, it is understandable that China’s attempts to evangelizing the BRI to the world has faced difficulties and been met in some quarters with suspicion. China has faced its fair share of naysayers and detractors, citing geopolitical constraints, project scoping overreach, mistrust of China’s motives and even competing projects. Regardless of China’s intentions, the BRI does present an avenue of mutual co-operation that benefits both China and the BRI club, especially for many developing nations straddled between China and Europe.

His torically, the US-led Marshall Plan after the Second World War allowed for the creation of a stable environment through the removal of interstate trade barriers, the reduction of regulations and the modernization of business practices — necessary prerequisites to re-establishing a market economy in Europe. This led to the prosperity of Europe and the eventual establishment of the European Union.

In today’s context, what would be the most ideal equivalent of a “Marshall Plan 2.0” that could potentially help overcome the global trust deficit? This Marshall Plan 2.0 would not be a particular country-centric plan, but one that would truly address current and emerging global needs.

For China, the BRI could be the Marshall Plan 2.0. But the plan that the rest of the world desires is more than the BRI.

We would recommend that China prioritize and allocate resources to develop the “experimental drug” solution together with a detailed blueprint to tackle the four social-economic ailments (or challenges) mentioned above for the three “patients.” This would be equivalent to a Marshall Plan 2.0 that would address the current and future needs of the global community.

Given the complex ecosystem of economies that will be connected to China as the BRI takes shape, an “operating system” approach is paramount especially for the short-term focused BRI stakeholders who simply do not have the same latitude and socio-political bandwidth to adopt China’s compass approach without clear and explicit means to tackle any immediate and potential challenges.

Just like the operating system of a computer or a mobile device, which interfaces between the software applications and manages the computer hardware and resources, this Chinese operating system could be a clear set of rules or best practices for how China will deal with problems that may arise, so that stakeholders can adopt and/or modify them for their own specific needs.

Such an effort to develop an operating system would be valuable, because China could use this to demonstrate a common vision and shared values for the world, built around the China Model. Taken together with the Marshall Plan 2.0, this would propel China’s leadership role further, enabling it to be conferred with a “license of trust” and enable it to glue the world community together through the BRI.

THE WORLD JOINS THE ‘CHINESE DREAM’

If China does this well, it could attain President Xi Jinping’s “Chinese Dream,” not just for the Chinese people but for all of the world. This is the missing piece that could create a catalytic effect and legitimize the leadership position of China in the BRI. It could also effectively lead to the Chinese Dream being seen as morally and intellectually superior to the American Dream.

For all of the countries within its geographical coverage, the BRI is like a membership club to participate in the Chinese Dream. The BRI network could thus become an exclusive pipeline for these economies outside of China to access, realize and enjoy the trickle-down effect of the Chinese Dream, without the need to physically reside in China, unlike the many legal and illegal immigrants who have had to travel to the US to realize the American Dream. When the BRI is completed, more than half of the world will effectively be connected to China politically, culturally and economically.

To return to the analogy of computers or mobile devices, the common vision and shared values work like an operating system with an “application market” platform that allows China to add or upload future “Chinese Dream” software upgrades developed by China and her BRI partners. Just like how application consumers need to have faith in the platform service provider and its app developers, this cannot be done without complete trust in China’s moral legitimacy and the robustness of its approach. This is critical for the BRI’s success, because only then will China and her BRI partners be able to capitalize on and realize the full potential value of the BRI.

In closing, if China is willing and able to actively develop its Marshall Plan 2.0 by turning around the four challenges it faces into opportunities and creating an operating system solution, there will be significant impacts on China, above and beyond economic considerations. Such a robust operating system would mean that China has truly created a Beijing model of development. And this would be as if China were able to travel back in time to 1793 to make China great again, changing the fate of the Middle Kingdom and redressing the opportunity missed by Emperor Qianlong.