Opinion **beyondbrics**

# China’s Belt and Road plan hobbled by ironies and mismatches

Sino-centric focus lies behind shortcomings of ambitious infrastructure project

A crane operates at a development site, operated by China Overseas Ports Holding Co, near Gwadar Port in Gwadar, Balochistan, Pakistan © Bloomberg

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Five years since its launch, China’s Belt and Road Initiative, which envisages funding and building infrastructure in about 78 countries, is riding both high and low. No other developmental initiative has stirred such international debate among academics, policymakers and entrepreneurs.

But while analysts focus on the impact — positive or negative — of this ambitious undertaking, they often remain vague on what counts as “Belt” and “Road” initiatives and what China wants from the scheme. Few understand who in Beijing decides on BRI projects and how the overall budget is distributed through Zhongnanhai, the seat of China’s central government.

The BRI faces three distinctive ironies. The first is that it seeks to address industrial overcapacity but could end up increasing it. The second is that it is seen as centrally run, but is actually quite uncoordinated. The third is that it aims to strengthen state-owned enterprises but in some cases exposes their limitations.

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The BRI seeks to merge the supremacy of domestic economic interests with a grand international geopolitical gambit. BRI aims to redress economic imbalances between the coastal and inland provinces of China, stabilise the country’s troublesome western borders and contributors from the worlds of business, finance, politics, academia and the third sector. All views expressed are those of the author(s) and should not be taken as reflecting the views of the Financial Times.

consume China's excessive industrial capacity. Mr Xi explicitly linked the pursuit of BRI to his own economic reforms focused on the market allocation of resources.

But the scheme so far appears to have further distorted resource allocation, exacerbating this longstanding problem. This is because the companies participating in BRI projects tend to assume their successful implementation and therefore boost production to match optimistic forecasts.

However, the ultimate success of the BRI is not only dependent on China's financial resources and political capital, but also upon the co-operation of foreign partners. Beijing must have a well thought out Plan B to avoid waste in financial resources and manpower if some projects do not come into fruition.

Another issue is an assumption overseas about the nature of an authoritarian China in which policy is immaculately planned and executed from the upper echelons of Mr Xi's team. This perception has caused a critical misunderstanding about the BRI in the west.

BRI is very much in line with the distinctive Chinese character of past grand initiatives. It is fluid in nature, opaque in implementation and flexible in the measures used to deliver projects. Such unique features are well understood and practised by Chinese political elites. Deng Xiaoping described his ethos for reform in 1978 as "crossing the river by feeling the stones".

Mr Xi has clearly adopted this approach in leading the BRI. But whereas Mr Deng used this tactic when China was isolated in the immediate aftermath of the Cultural Revolution, Mr Xi needs the involvement of about 78 countries to achieve his vision.

The design fluidity of BRI leaves much room for mandarins in Beijing to veto loans and governors from provinces to jostle for their favoured interpretations of the BRI. The BRI has been a romantic idea without a detailed execution road map from its inception.

All 32 provinces and regions of China from Hainan to Heilongjiang have scrambled to list their preferred projects and industries to win official support under the BRI. If successful, each administration will receive generous budgetary support and then shape their own participation in BRI according to their preferences because there are few standard operating guidelines from the top.

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A final irony concerns Chinese companies. The Chinese leadership intends to use the BRI to deepen its reforms to debt-laden state-owned enterprises (SoEs) and expand their global footprint. But despite their clear size advantage, they remain short of global business exposure, general market knowledge and corporate governance. Many run into problems when working in the country hosting their investment.

They often believe that hiring leading professional services firms is the same as possessing sound project-management skills themselves. They utilise professional services firms mostly on the basis of their reputations rather than their specific know-how. In part, this reflects the fact that for many Chinese companies, their BRI involvement is based on showing loyalty to Beijing's priorities rather than on business objectives.

Beijing has already realised that its passion for BRI may be unrequited abroad, partly because the programme includes serious risks. China should not automatically assume that growth through gigantic infrastructure investments that drove its own economic miracle is a panacea applicable everywhere. Nor should it relentlessly seek endorsements from its neighbours and great powers from afar.

Instead, it is time to iron out the three domestic ironies and stop being too Sino-obsessed. Beijing must retain a keen interest in what others want or fear from their interactions with China on BRI. The challenge for China may be winning hearts and minds rather than showering dollars and pounds.

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