

# Correcting Ten Great Misconceptions in the Making of “One Belt One Road”

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From October 2013 until today, at such times as this author has participated in academic discussions and media interviews related to the “One Belt One Road” initiative, he has often had occasion to feel that the “One Belt One Road” concept has become in many people’s eyes a kind of giant cake, a cake which everyone is rushing about to eat, but inside which many cognitive errors brew and tumble about and which get passed on to others... Should these errors in understanding not be corrected, then they will certainly embarrass the initiative in that it shall “appear with a bang, be eaten with a bang, and then disappear with a bang”.

First of all, we have to be careful about using the word “bridgehead”. Many provinces have designated their locations as being “bridgeheads” of the “One Belt One Road” initiative. However, such words like ‘bridgehead’, ‘vanguard force’, ‘first strike team’ and ‘main force’ are part of military vocabulary and as such they possess a characteristically defensive feeling, that is to say, “no matter what, I’m not going to let you advance further”. On their translation into foreign languages, such words do not denote a sense of openness or tolerance but are prone to being misunderstood.

Secondly we should be cautious in discussing “excess capacity”. Elements in the media have often noted that the “making of ‘One Belt One Road’ may mean that products created through excess capacity may now have an avenue in which to be sold”. On hearing, this word is liable to conjure up a sense of revulsion on the part of some of our neighbouring countries. If you don’t want something, then why would others want it?

Thirdly, the expression that we have “65 neighbouring countries” is inaccurate. There are over 230 countries in the world and as long as a country wants to dedicate effort in some way to the development of “One Belt One Road” then it should be considered a Silk Road country. This author has advocated using “65+” to refer to the Silk Road countries. This way of looking at the issue not only encompasses the United States, but also Latin America and so on.

Fourthly, the expression that “Silk Road countries are mainly made up of developing countries” is incorrect. The core areas of the economic belt of the Silk Road are the five northwestern provinces of China as well as the five Central Asian countries, and the core areas of the 21st Century Maritime Silk Route Economic Belt are China’s southeast and southwest provinces as well as the 10 countries in ASEAN. In reality, this takes in an area which has, at one end, a flourishing East Asian economic region, and at the other end a developed European economic region. Therefore, developed countries are also

important members of the “One Belt One Road” initiative.

Fifthly, “cooperation in resources and energy” is not the only theme of “One Belt One Road”. It is the view of some that “One Belt One Road’s” purpose is mainly to safeguard China’s resource and energy supplies to ensure the strategic security of scarce resources. It is admittedly true that most of the neighbouring Silk Road countries possess abundant material and energy reserves, such as black gold (oil and coal) and blue gold (natural gas) and so on. But it is also true that these countries do not like the idea that “doing business means doing resources and energy”. They do not want to always be the one “playing second fiddle” in this exchange.

Sixthly, actions and achievements speak louder than words and slogans, and it is important not to try too hard to influence others’ perceptions of your real position: many provinces are currently involved in active debate over which of them can be truly called the starting point for the Silk Road in history’s page. Some describe themselves as the ‘new starting point of the Silk Road’, some say they lie on the ‘golden section’ of the Silk Road, some say they are the ‘key node’ of the Silk Road... in a globalised, Internet-connected modern economic era, the power to ascribe meaning to things is quite limited. The key point is not what you call yourself, but what content you have to show, what highlights, what kinds of breakthroughs, which is to say, it is more about which provinces have what kind of Silk Road advantages involving “irreplaceable and differentiated competitive advantages”.

Seventhly, we need to look at what China is going to sell to the Silk Road countries: for many provinces, as soon as they think of Silk Road their minds still hover around the idea of the silk industry, the tea industry, porcelain industry and such high quality industries that are China’s “classic trio”. True, these have been core industries for China throughout its history. But what are we going to buy today? First of all, we have to understand what the cooperating partner needs, and we need to go past the “whatever we have to sell, we sell stage”: what our counterparts need is what we will sell; more essential goods and services will be sold (for example, look at America’s three ‘chips’: potato chips represent the food and beverage industry, microchips represent technological industries, and movie chips or discs could represent the entertainment industry), with less luxury goods sold, and not only should goods be sold but also value, culture, so that through consumption China’s products can reach a higher level when it comes to the world’s appreciation of, and recognition towards, China (and at least such that is not contradictory to this). Many provinces complain we have wide roads but no products on our trucks, that the development spur and radiating side-effects promised to regional economies by “highway economics” has been insufficient. Hence, what one is planning to sell becomes a big deal.

For China’s purchases from Silk Road countries: if we need something, then we’ll buy something. Today’s Chinese enterprises particularly need to increase their ability to study and learn, to adapt, and to integrate and synthesise their resources, and what Chinese enterprises most need to ‘purchase’ is brand value. What Chinese cities particularly need is excellent innovation and experience in innovation, and Chinese provinces need to find real ways to modernise their management, artistic approach, and cultural tastes. What Chinese cities most need to ‘purchase’ is an attitude of persistence and an unwillingness to give up.

Eighthly, Silk Road strategy needs both top level design but more importantly grassroots innovation: in the course of surveys, we have found that many of the summarizing conclusions of local governments’ officials would often be disturbingly and surprisingly close to: that they hope the Central Committee will pay particular attention to us, that they will provide us with special policies, that they will bestow funds

and policy benefits on us; that we are ready and willing, we are waiting for the Central Committee's command and we will do whatever they want us to do. This tendency could be summarised as "placing one's hope and trust in whatever the General Secretary says". However, no matter how intelligent an expert in Beijing is, they will not necessarily have a greater understanding of Xinjiang than a Xinjiang official; no matter how outstanding and talented a leader of Zhongnanhai is, they are not necessarily more understanding of Guangxi than an official of Guangxi. Thus, one cannot simply wait. Grassroots innovation must come first.

Ninthly, One Belt One Road cannot be overconfident and self-congratulatory, you have to have an individual and careful understanding of each Silk Road country: Chinese people often lump together the 22 Arabic nations in singular fashion, we often lump together the five countries of Central Asia in singular fashion, we often consider the 54 countries of Africa in singular fashion... and on this basis we have formulated somewhat 'one size fits all' policies. However, for the sake of the future vitality of One Belt One road, we cannot engage with Silk Road countries in a matter-of-fact, self-congratulatory or simplistically one-sided manner. We need to genuinely understand each individual country and the hopes and needs of each group towards China. A taboo on strategy means simplification.

Tenthly, One Belt One Road should not be pursued in an over-hasty and over-urgent manner. There is no 'final destination point', but many 'key points on the timeline': One Belt One Road must be implemented and promoted at suitable moments, and particularly with the help of intellectual support working behind it. Development in Hainan is inseparable from China's (Hainan) Reform and Development Institute, Shanghai development is inseparable from the Shanghai Institutes for International Studies... The calmness and far-sightedness observed in development is a result of the endless intellectual support received. It is recommended that a Maritime Silk Road Research Institute be founded in the southern provinces, bringing together human talent from all over the country, and that a Silk Road Research Institute focusing on the land route be founded in the northwest provinces, with an accessory Think-Tank Park established and carved out at the same time, providing Chinese enterprises with the information exchange, linking services, risk control management and such other platforms as they may urgently need for expansion out of China. At the same time, we must be active in bringing out the pro-active qualities of enterprises, particularly civil enterprises, just as "those on the ground are the first to know", so the effect that may be exerted by these enterprises themselves cannot be underestimated.

In summary, for the construction of the Silk Road we have to keep thinking about what kind of China is going to be attractive to Silk Road countries, and what kind of Chinese provinces are going to be attractive for Silk Road countries. To put it simply, it is, firstly, development and stability and, secondly, openness and convenience. The attractiveness of the Silk Road is not simply in its being a channel for trade, but also in its being a mutually enlightening cultural and civilisational route. Today, for China Silk Road 2.0, and for the Chinese people more generally, it does not just mean an upgrade of industry, and an expansion in market content, but it is more about elevating one's conceptual thinking, as it is only by elevating the road of one's thinking that you can have create a true and genuine Silk Road.

# One Belt One Road's Main Pain Points

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The “One Belt, One Road” initiative is made up of four main resources: enterprises (state owned and privately owned), government organisations (central government and local governments), the which must work as wheels on a car, both of them moving forward in tandem; scholars, experts and think tanks make up the third main resource, being the backbone and brains behind the creation of the “One Belt One Road” initiative and who will provide it with the necessary intellectual support and conceptual calibre needed; whereas the media is the fourth main resource. In saying the media is the fourth main resource, it is plain that not only the media but also non-government organisations, civil groups, and even Chinese tourists all belong to this main resource category.

However, the current reality is that these four main types of resources are fundamentally not connected, not integrated with their related resource types to a severe degree. Achieve linkage effects require one to proceed further in recognising and linking up the main types of resources. A further recommendation would be to set up a well-funded intellectual space for the “One Belt One Road” concept, involving the creation of a kind of “think-tank valley”. And these think-tanks cannot only be focused on research on China, but more on China’s neighbouring countries, such as for example in Inner Mongolia you could have a think-tank that researches and applies its research to Mongolia, Russia as well as other countries in the far east, to more effectively work in its funded think-tank research space, bringing its talents to bear on the three countries: China, Mongolia and Russia.

One of the documents presented at the 35th annual meeting of the Asian Development Bank council raised the idea of “joint land and maritime initiatives”. Referring to current “One Belt One Road” arrangements being undertaken for provinces bordering the sea, such arrangements are mainly maritime-focused, whereas for provinces in the West the planning has been mainly focused towards the European and Asian subcontinents. This is problematic. Looking at this issue we would do well to consider Singapore’s experience.

Singapore knows how to plan with a “light but precise touch”. Their first classic example in this area would be the Suzhou Industrial Park, and the second would be the Sino-Singapore Tianjin Eco-City. These two projects were both conducted in cities by the sea, whereas the third was set up in Chongqing. Singapore is, fundamentally, an ocean state, and we would expect that it is simply enough for it to connect well into the maritime aspect of the ‘Silk Road’. However, this metropolis-country is also planning development projects in Western China, which is to say, on the ‘land route’ of the Silk Road. Our cities should also have the same kind of breadth of vision as Singapore. I believe that the regional linking in the “One Belt One Road” concept should be made up of a set of “One Belt One Road” frameworks on a provincial scale with a development structure involving policy harmonisation and project linking, for example, as in large-scale trading forums, cooperative liberalisation in the tourism realm, and so on.

We must be wary of low quality enterprises as not all enterprises coming out of China are those capable of representing the “One Belt One Road” ideal.

At the moment, there are presently a number of enterprises that are using the “One Belt One Road” concept to their advantage in expanding out of China, and this is a matter on which we ought to be cautious. As soon as quality issues are encountered or projects get out of hand in some way, the “One Belt One Road” brand suffers, and thenceforth it will be hard for the ‘brand’ to recover. Hence, in these crucial two years we must certainly exercise good judgement in the vetting and approval of projects in order to create a high quality image for the “One Belt One Road” brand. First of all, looking at the issue conceptually, not all enterprises that expand out from China are capable of representing the “One Belt One Road” standard, and not all projects that go beyond China are projects capable of representing the “One Belt One Road” standard. We must be careful in our evaluations.

Good projects should be put on a special list of recognition, to say to the international community that this is an outstanding Chinese “One Belt One Road” enterprise, which, to that enterprise, would undoubtedly be a major source of encouragement and motivation. Poor quality enterprises would be entered onto a list of notoriety, which would be telling the international community that one must be cautious in cooperating with such enterprises, even to indicate that when it comes to contributing financial support you might want to put some restrictions in place. In this way, and through a process of having a ‘list of recognition and a list of notoriety system’, some projects for these Chinese enterprises can be made into ‘elite items’, whereas bad quality enterprises will suffer from restrictions and limitations. As Chinese enterprises go about expanding beyond China, respect from the international community towards China’s “One Belt One Road” project will not be won by crude over-development, but by the process of careful and detailed creation and sculpting such that the making of high quality products deserves.

The “One Belt One Road concept” is not simply about China being able to sell things, it is also about China being able to buy things, and in the process find that which China has most need of itself, which China can itself purchase back.

To give an example, we can ask the question: why did China South Locomotive and China North Locomotive split? It was due to the differing sources of the technology that they employed. From the beginning, the source of technology for China South Locomotive came mainly from Japan and Canada, whereas for China North Locomotive the technology was mainly sourced from France and Germany. Development is only possible with technology, and so how was this technology to be gained? The strategy at the time was to use market incentives in exchange for technology whereby foreign investments casting an eye towards the Chinese market would then have to use their technology as part of their cooperation. Later on, our China South Locomotive and China North Locomotive products were then made up respectively of the most advanced technologies of such countries as Japan, Canada, Germany and France, and so on. During this process, the gradual innovation of Chinese enterprises resulted, in the end, in new kinds of innovation breakthroughs, and thus we can see that China has highest total amount of miles of high speed rail today in the world, and such countries as England, America and Indonesia, and so on have all sourced projects from us on the development of their own high speed rail.

From the beginning, China only went looking for others to partner with it because it had its own various needs to fulfill. China considered itself to be benefitting greatly by obtaining these technological advantages. At such times as others had need of China, so these technologies would then be ‘re-

exported' outwards. This is not a process of de-industrialisation, but an essential step on the road to a higher plane of industry.

There is an imbalance between light and heavy-asset Chinese enterprises seeking to “expand outwards”. Why is it difficult for projects to expand beyond China?

At the moment, asset-heavy projects are where our strengths lie and this is also an area of need for the international community towards China. Hence, we are going to accept them as matter of course. At the moment, what we are advocating is not that asset-light projects replace asset-heavy projects, but that light and asset-heavy projects be carried out alongside each other. Asset-light projects can be invested in quickly, on short cycles but with high revenues. On the other hand, asset-heavy projects exist in a space that is a little bit far from the lives of the ordinary people of our neighbouring countries. For example, if a city constructed a large scale dam or a hydropower project, then the average person may not be aware of who constructed it. A characteristic quality of asset-light projects is that they make an appearance in the work and the lives of ordinary people.

That being the case, what projects belong to the asset-light project category? For example, Chinese medicine, Chinese food, health industries, folklore, mobile medicine, cultural industry products and so on are all industries in demand. I have conducted my own polling on this: why would Central Asian countries have a need for Chinese industry? They are particularly interested in China's medicine, especially acupuncture, and Chinese massage, and it is because such things are capable of contributing to the resolution of problems suffered by people in their everyday lives. Many of our neighbouring countries are relatively poor, and the first priority of the average person is to obtain gainful employment. Mastery of such skills as acupuncture or Chinese food would allow them to maintain quite a decent standard of living.

Secondly, we must be focused on producing something excellent. Should there be a particularly positive and genuine willingness to cooperate on both sides and a particularly safe trading and business environment somewhere, so to there our projects shall go, and will be dedicated in making them high quality projects. When our projects become ‘excellent quality projects’, they will be invested with a certain degree of regional promotional power, in a project role-model effect, and many countries will proactively seek us out to cooperate with us. China will use the quality of what we do to attract them, and so the setting up of the “One Belt One Road” involves the setting up of five “haves”: to have content, to have talent, to have influence, to have branding, and to have quality.

The final core issue is that we must still be careful not to allow “One Belt One Road” projects to become unduly politicised. To sum this up in a single sentence it would be “enterprises first, for market development, and competition orientated”.

The country's support of the conceptual framework behind “One Belt One Road”, lies essentially in mutual interaction, mutual connection and mutual pathways.

It is certain that the country supports the conceptual framework behind “One Belt One Road”. Of course, this support lies in society's ample and full interactive participation in it, meaning the “construction of the five pathways”: pathways in policy, pathways in transport, pathways in trade, pathways in finance, and pathways in person-to-person communication. A current misconception is that “One Belt One Road”

projects will be recipients of quite strong-handed policy support. However, it will be different to what has been seen in the past. It is true that “One Belt One Road” is a proposal implemented from above, but it also provides the possibility of mutual interaction between top and bottom.

It is here that we must return to a certain problem: one must not over-emphasise the connection between “One Belt One Road” and the China-led Asian Infrastructure Investment Bank. The Asian Infrastructure Investment Bank is a financial platform that belongs to the category of ‘public goods’. When neighbouring countries come to see the Asian Infrastructure Investment Bank as serving the policy needs of “One Belt One Road”, they will come to see it as one of China’s tools, and this will decrease their willingness to participate. Thus, we would like to emphasise that the Asian Infrastructure Investment Bank is a “public good”, whereas “One Belt One Road” is an international proposal and there is no necessary connection between the two. That which is an accessory of “One Belt One Road”, and that which is not is a matter on which we should be clear. One cannot lump all such matters together with “One Belt One Road”. It is also different to what we have seen before in the area of policy support. “One Belt One Road” is not a project upon which whatever the China Development and Reform Commission says goes. There are so many neighbouring countries, and we are merely the advocates and proponents of the proposal. Related countries that desire cooperation and share similar needs need to involve themselves in a process of bilateral or multilateral policy dialogues. Its nature has determined that the benefits of the “One Belt One Road” project will be felt at the grassroots, in the process of development, and in those presently unconnected and separated places, and not by the level of spending by each particular country on its various components.