The Guardian

The west is mired in 'soft' development. China is trying the 'hard' stuff

Branko Milanovic

The massive One Belt One Road project harkens back to a pre-Washington-consensus when rich countries built bridges rather than soft power

Wed 17 May 2017 12.01 BST

Views are sharply divided on the viability and usefulness of the Chinese-led One Belt One Road (Obor) project, which plans to reconstruct the ancient Silk Road trade routes while also building new trading routes out into the oceans.

Some in the development world think it will be a colossal waste of money with no practical gains – akin to the expeditions that the Chinese Admiral Zheng He led along the coasts of south-east Asia and east Africa in the 15th century, before the whole idea of exploration was abruptly shut down by his emperor. But others believe that it can jump-start worldwide development, broaden globalisation and make it irreversible. The official Chinese news agency described the plan as a “Chinese solution to global economic blues”.

There are two parts of the project that are worthwhile emphasizing: the scope and the philosophy. The scope is immense. The project involves more than 60 countries, two out of every three persons living in the world, and the areas producing 40% of world output. It includes most of the Eurasian continent and eastern Africa.

Nothing vaguely similar has been seen since the Marshall Plan that kickstarted the development of western Europe. The leading western nations have largely lost the ability, or become disenchanted, with large-scale projects, so much so that when we read of past accomplishments (the Suez and Panama canals) and the projects mulled over a century ago (the Berlin-Baghdad railway), they appear to belong to another era. This is to some extent paradoxical because the means that rich countries have now are many times greater than a century ago.

This is partly the result of a change in philosophy and partly a "withdrawal unto oneself", where rich countries have become almost afraid to deal with the poor world lest it overwhelms them. For how else to explain the lack of desire to implement such seemingly easy projects that would boost trade and political stability in the Middle East, such as a bridge between Spain and Morocco, or even a Roman-considered bridge from Otranto in southern Italy and Albania?

More importantly, Obor represents a major change in developmental philosophy. Since the 1980s, first with structural adjustment loans and then even more so after the fall of communism in the 1990s, western-led development organisations adopted a philosophy where development was no longer seen as brick-and-mortar building of factories and bridges, but as institution-building and policy change. It was a new attitude fully in accord with the intellectual climate of the Reagan-Thatcher era. The reason why countries failed to develop, it was held, was because they had wrong policies: if one privatises, deregulates and liberalises prices, foreign exchange etc, private entrepreneurs will jump at the opportunity and development will happen by itself. These ideas were embodied in the "Washington consensus" set of policies defined in the early 1980s.

There is nothing wrong in these policies if one reads them in their original formulation. The problem was, and the manifest failure came from, the fact that they were a one-sided and incomplete agenda for change. They led to complacency (and intellectual laziness) among development institutions, which believed their role was just to induce the right policy change by delivering money to governments and not engaging in any actual project lending for factories, bridges, dams etc. All of that would be done, it was argued, by the newly unchained private sector.

This is how development aid and lending moved towards the "soft" areas of either budget support to governments or funding for a myriad of "worthy causes", which generally meant many conferences on local empowerment, private sector development, transparency in government and the like.

The Obor project brings us back to a philosophy that prevailed in development lending before the 1980s. Development does not happen by itself and it is not just a matter of having the right prices, lowering taxes and deregulating everything. For development to happen, you need "hard" stuff: you need roads for farmers to bring their goods, you need fast railroads, bridges to cross the rivers, tunnels to link communities living at different ends of a mountain. Obor proposes an activist view of development scaled up to the level of three continents.

The project is also non-ideological. The change in philosophy that occurred in the 1980s was heavily ideological in its market fundamentalism. After the end of communism, a requirement of "liberal democracy" was added to market fundamentalism. A strong moralising tone crept in and, under the guise of development aid, countries were lectured on a number of topics and their economic and moral failings were highlighted. Obor will, apparently, not deal with any of this. While in some quarters, this may be thought as a defect, in others, it may be considered a plus: it will clearly distinguish between mutual economic self-interest and other political or cultural domains.

By separating economic interest from politics, it may become more successful in addressing even the political domain and promoting peaceful cooperation than the more ideologically driven approach used today. Obor is implicitly based on the view of "doux commerce", the idea going back to philosphers Montesquieu and David Hume, that contact and trade stimulate self-interest and mutual regard, and reduce the likelihood of conflict. The intellectual antecedents of the project go back far in time, to the idea that trade is good for world peace, rather to the Kantian view that durable peace is possible only among democratic nations. It may yet prove these old ideas right.

Join our community of development professionals and humanitarians. Follow @GuardianGDP on Twitter.

Topics

Working in development

Infrastructure for development