

Same Road, Different Dreams

Systemic challenges to
global trade governance by
the "One Belt One Road" initiative



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UN Poverty
Eradication
Addis Abba
18 April 2018

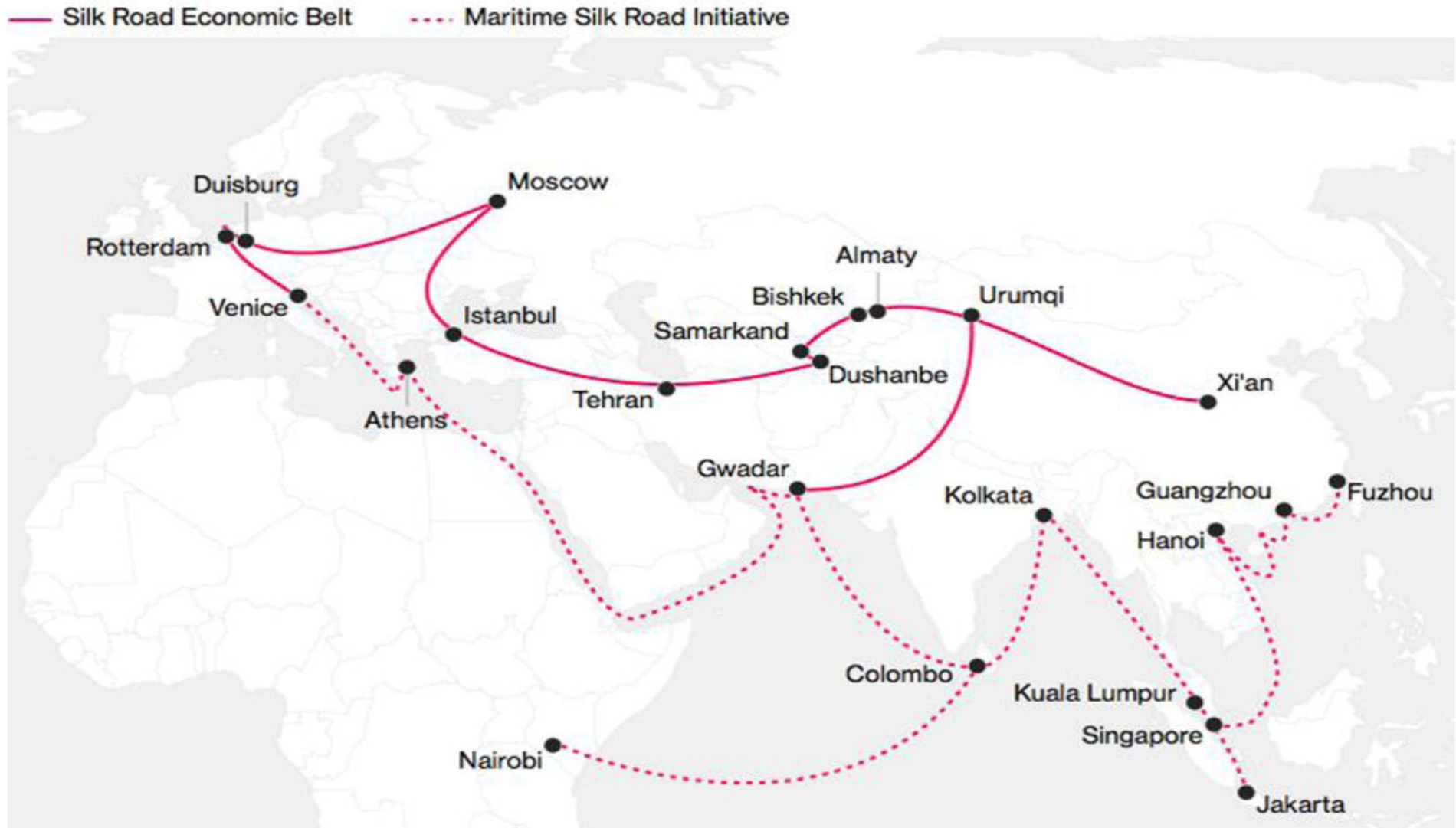
Poverty Eradication

- THE BIG STORY UNTIL NOW
- Institutions matter Why Nations Fail? Acemogulu and Robinson
- Wage Inequality continues to Grow like topsy R>G Picketty Capital In The 21st Century Global polarization of income a structural argument
- The rich are geting richer and the poor get poorer because globalization is the great unequalizer Milanovic *Worlds Apart Measuring International and Global Inequality*
- Many countries face resource, governance and landlocked traps Paul Collier The Bottom Billion Analyzes their consequences their many Consequences
- All these researchers point to one conclusion, namely the least Developed countries in the world remain poor marginalized and excluded. Human development is at levels that have not changed substantially in 40 years despite the UN Development Decade 70s, The 17-year-old inconclusive Doha Development Round, The Millennium Development Goals and the trillion plus dollars spent by governments and global governance institutions such as the World Bank, many regional development banks and rich wealthy countries in the global North.

Poverty Eradication Has Had Some Astonishing Successes

- China's double-digit growth has moved over 400 million people out of poverty
- India and other countries have an similar success in moving people out of poverty, But not eradicating it.
- So the lesson is high-powered GDP growth is still the optimum monster poverty eradicator Along with other structural and systemic measures.
- The hypothesis worth testing is what is the evidence for believing that it is the best policy option on offer?
- It is in this context that we need to think clearly and collectively about China's global infrastructural initiative, 80 countries 2000+ projects with a \$2 trillion plus price tag. Is this the optimal form of poverty eradication on offer for the present?

A Transcontinental Rail And Sea Maze of Corridors Anchored In The Metropolitan Cities Of Western Europe, Central Asia, Russia And All Of Southeast Asia

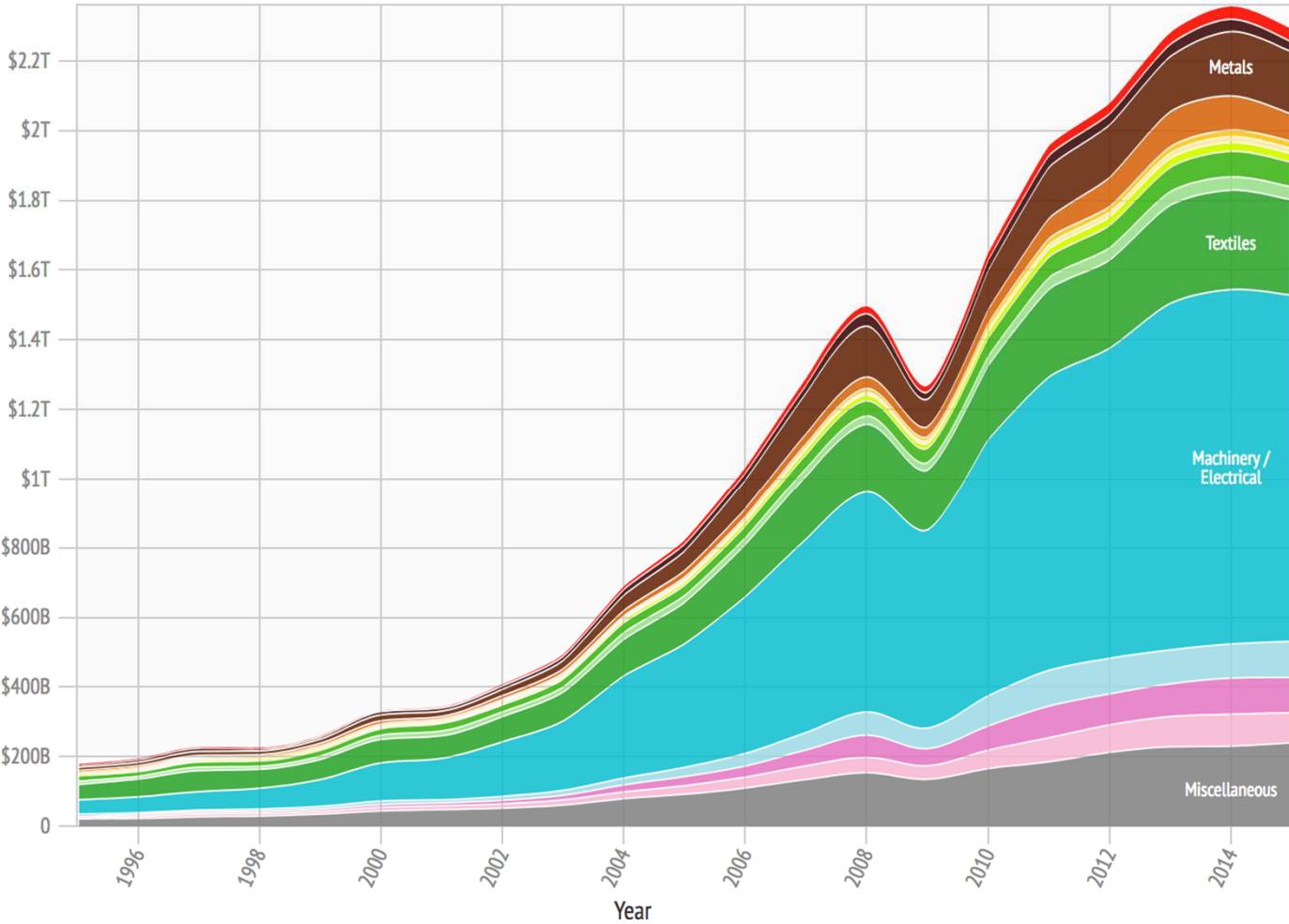


Multilateralism Under Siege

Dramatic changes to the world over the last 30 years have raised doubts about multilateralism as the optimal management of the global governance trade system.



China Exports 1995-2015

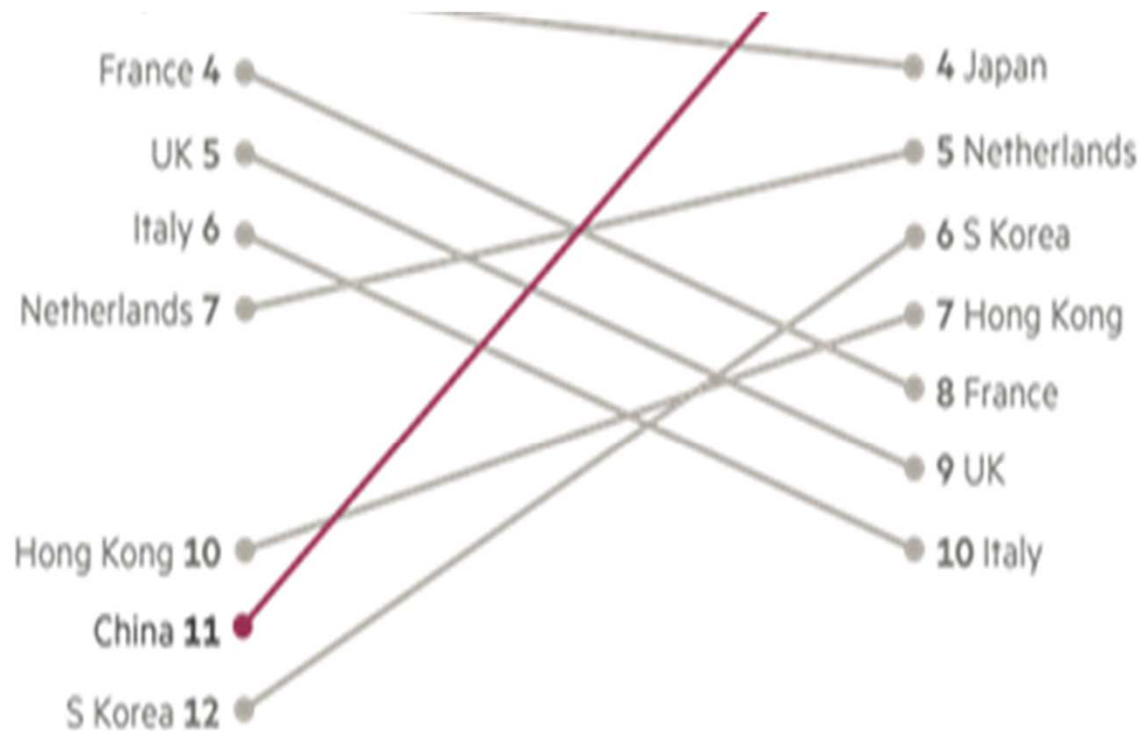


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The Reshaping of the World Economy

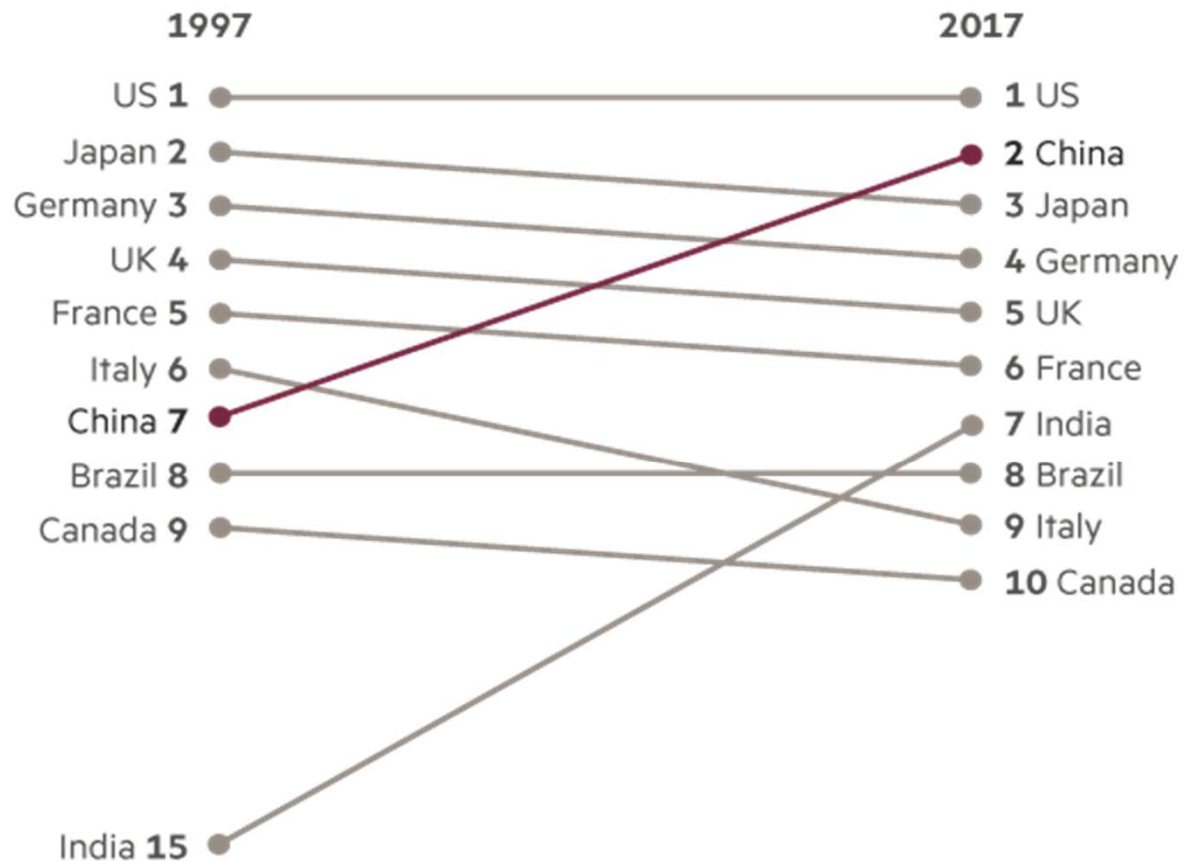
World ranking by size of merchandise exports



Source: Unctad

China (almost) #1

World ranking by size of the economy (current \$ value)



Source: IMF

Instability & Uncertainty the new normal



USA no longer #1 exporter

The WTO is less central
to global trade

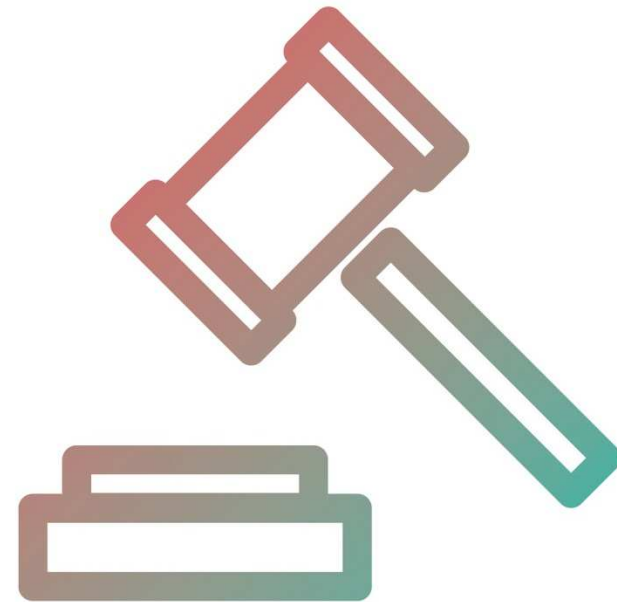
Countries are dropping the
WTO trade courts

New global cooperation For development & security

Explosion of Investor-State
dispute mechanisms

600+ disputes against the
global south since 1990

Commerce is challenging
the State's capacity to act



One Belt, One Road 2017 Global Launch Party

May 2017 meeting of
60 member countries

OBOR projects estimated
at a total cost of \$5 Trillion

**1 Trillion \$USD
Invested**



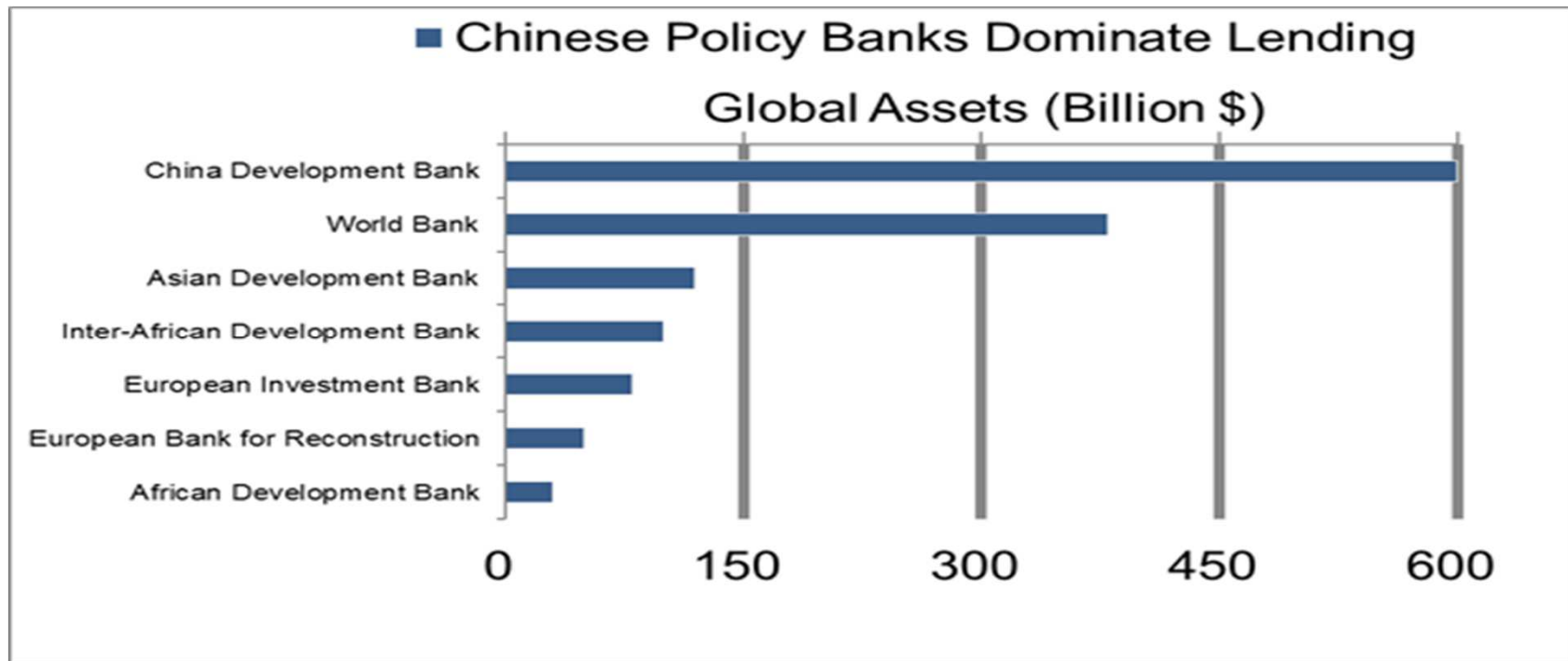
<http://www.scmp.com/comment/insight-opinion/article/2096323/chinas-belt-and-road-strategy-offers-winning-growth-formula>

Deal or No Deal?

The highly pragmatic, yet flexible, Beijing Bilateralism



Chinese Policy Banks' Lending Advantage



Catalytic Change

,kætə'litik tʃeɪndʒ

To transform,
Upend,
Make new outcomes possible.

Dramatic reforms to structures, institutions, values,
policies and perception.

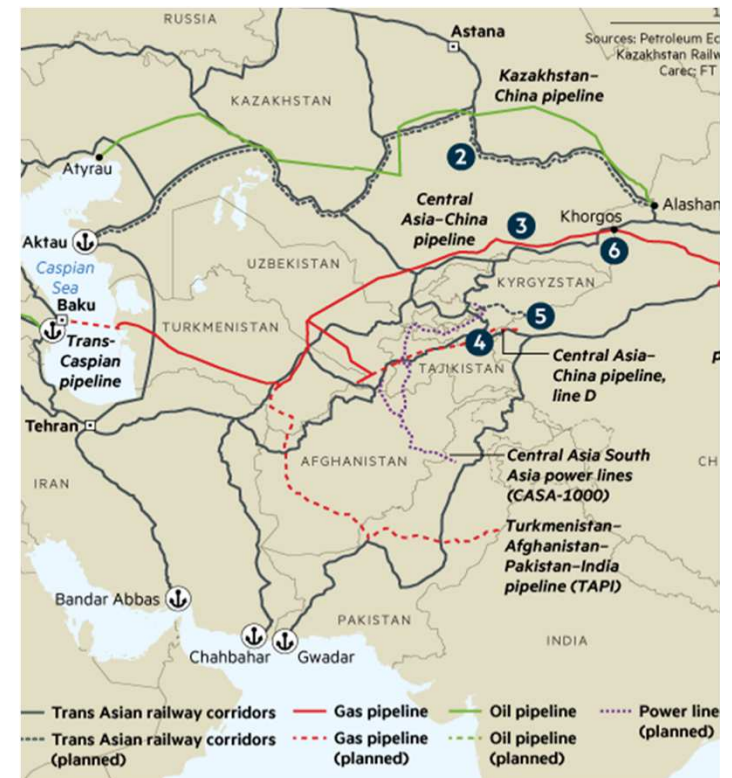
Also a process which requires the mobilization of
financial resources by the state to row and steer the
economy.

The new development game

Money & Management



String of Pearls – maritime power



Black Gold – oil & gas

Goals, Objectives, Aspirations

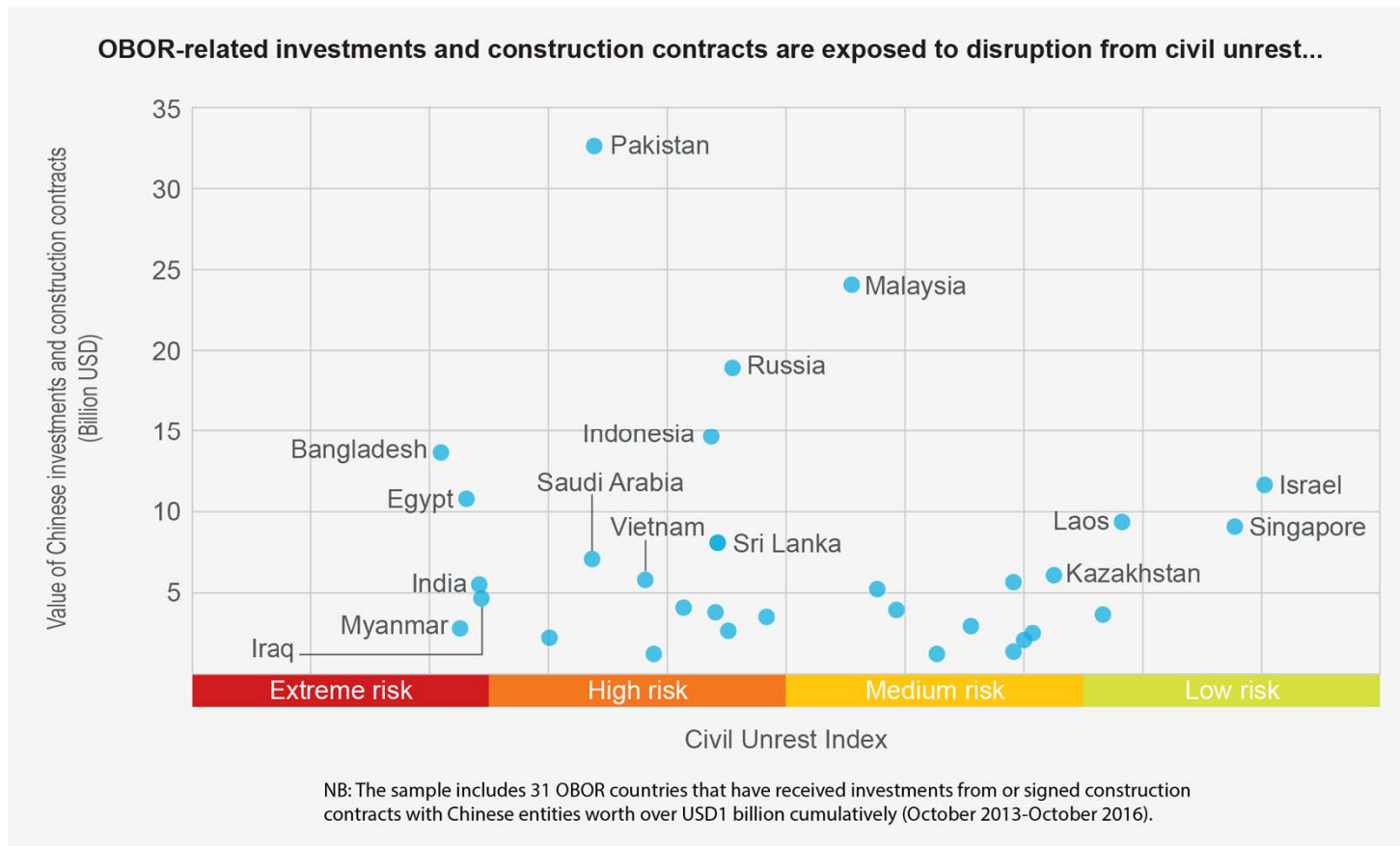
Increase exports by \$1 Trillion by 2020

Secure an Overland Route for oil & gas

Secure new markets for exports



The Chinese Model of Risk Management



<https://maplecroft.com/portfolio/new-analysis/2017/06/29/chinas-belt-road-one-initiative-many-questions/>

5-Star Projects



CHINA-PAKISTAN ECONOMIC CORRIDOR, 46 billion USD

Kashgar, China

to Gwadar, Pakistan

5-Star Projects



MASSIVE FOREST CITY PROJECT
Malaysia, 38.5 billion USD



CHINA-LAOS RAILWAY PROJECT
6.8 billion USD



JAKARTA-BANDUNG HIGH-SPEED RAILWAY
Indonesia, 5.1 billion USD

<https://www.bloomberg.com/news/features/2016-11-21/-100-billion-chinese-made-city-near-singapore-scares-the-hell-out-of-everybody>

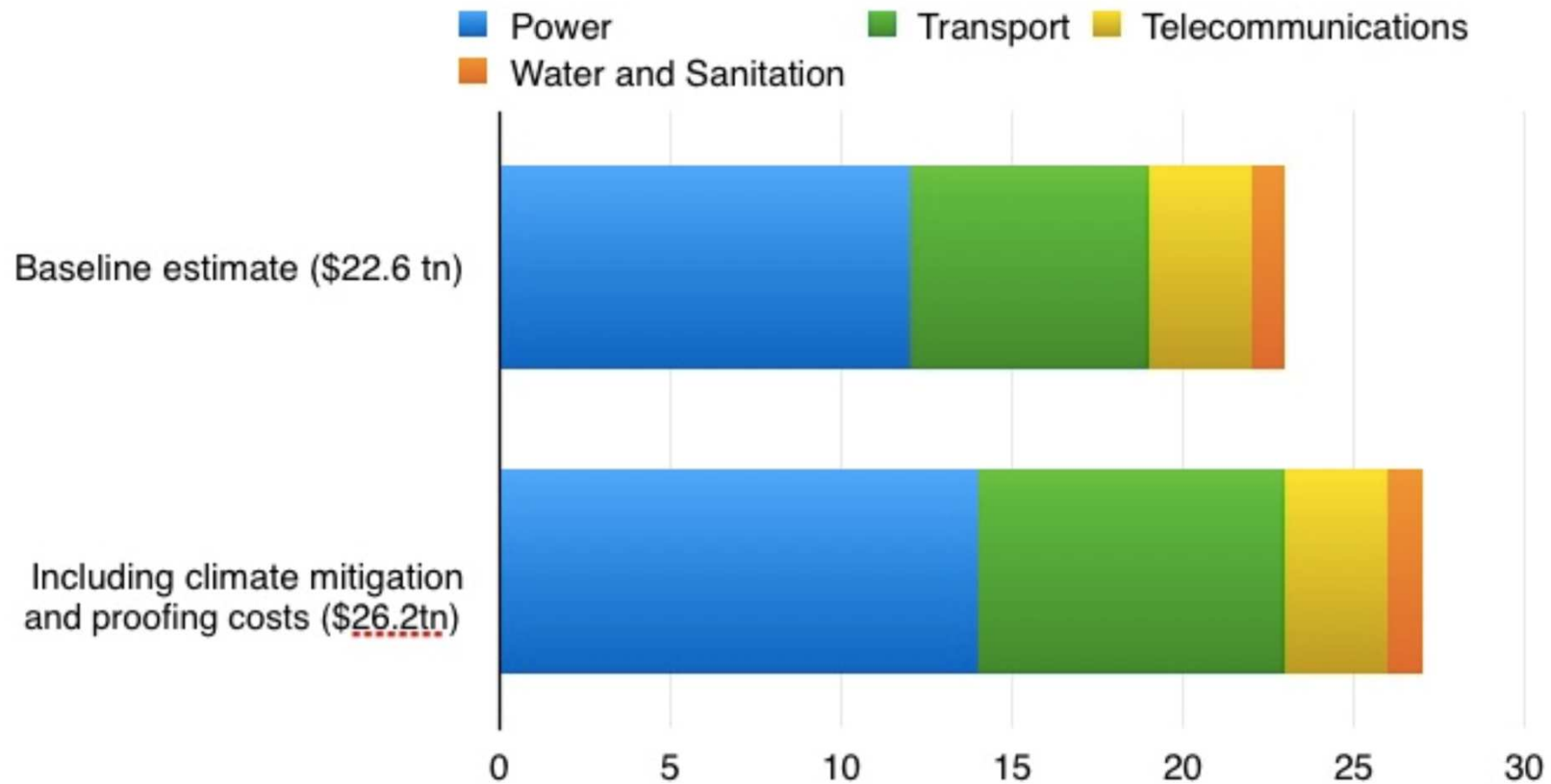
Green Projects

900 MW SOLAR FARM
\$1.5B Invested
Punjab, Pakistan

DAWOOD WIND
POWER PROJECT
\$800 Billion
World's Largest Wind Farm



Asia's Infrastructural Deficit



Winners & Losers

Does the project...

have powerful, long-term legacy effects?

initiate for recipients long-term structural change?

have community-based, people centered planning, supporting clean water and continuous electricity?

will bring creative business opportunities / partnerships?

focus on sustainable / renewable technologies?



Troubles & Challenges

Secret deals with China's many partners has left a large governance gap

Mismanagement and corruption can create risk and a low return



Local resentments to dependence on China will lead to anti-China sentiment

OBOR's challenge to trade rules

Figure 3.1. Dutch cases

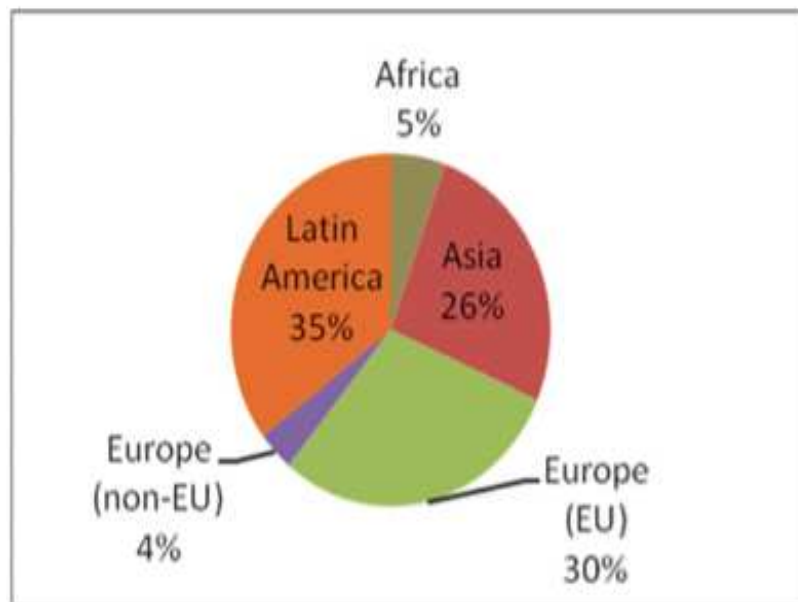
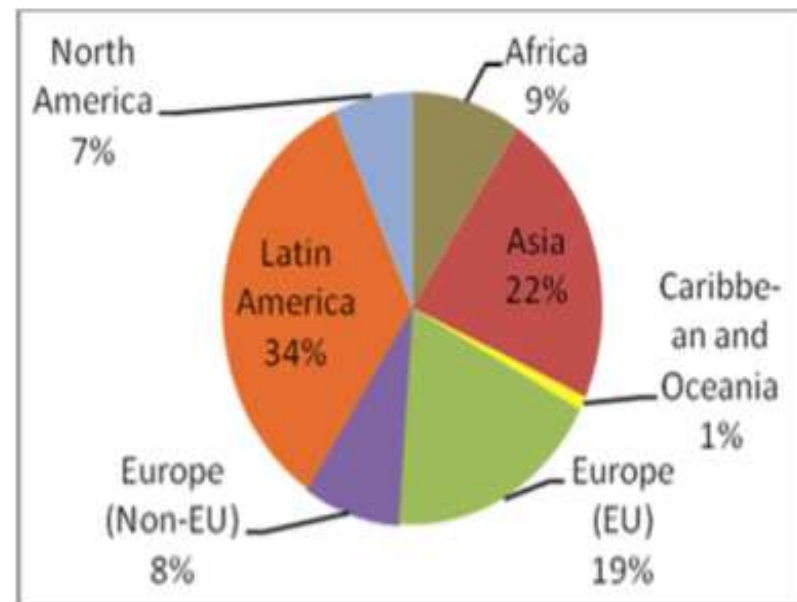


Figure 3.2. All cases (global)



Global North vs South

Figure 11.1. Dutch cases

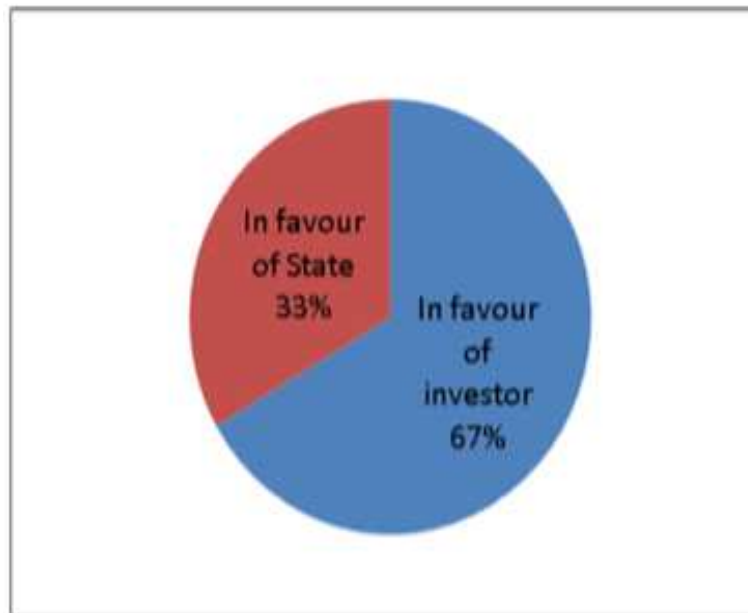
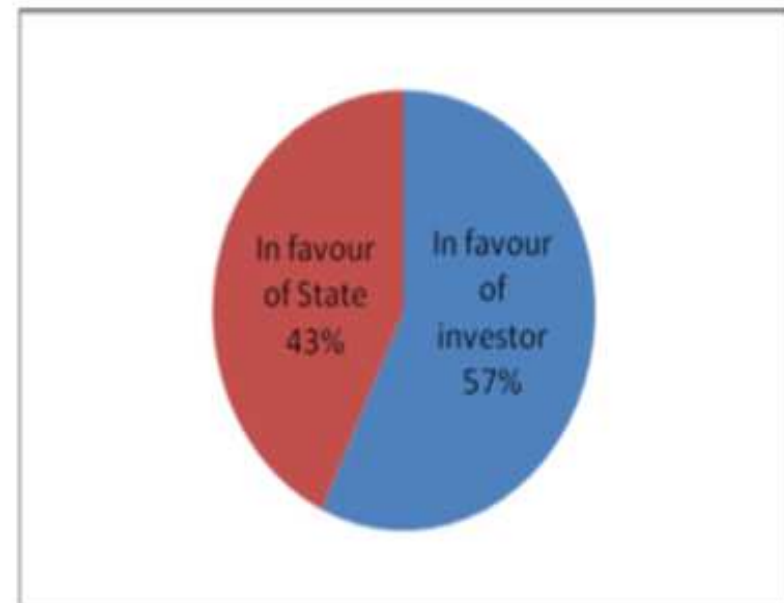


Figure 11.2. All cases (global)



Global South - an easy target

Figure 5.1. Dutch cases

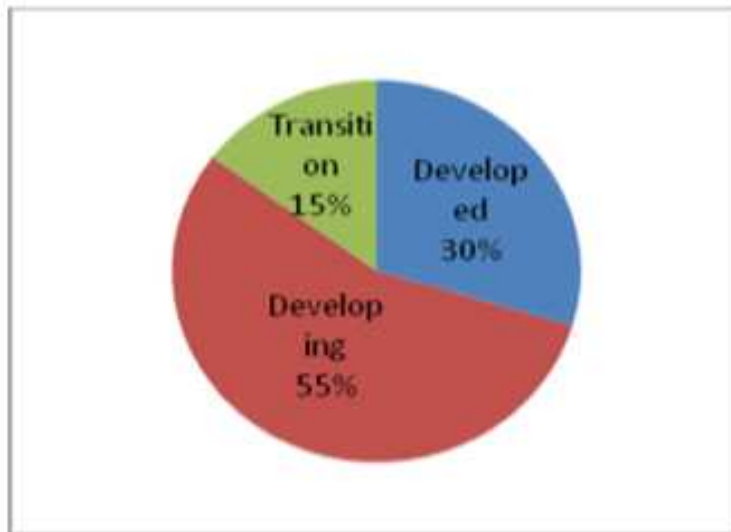
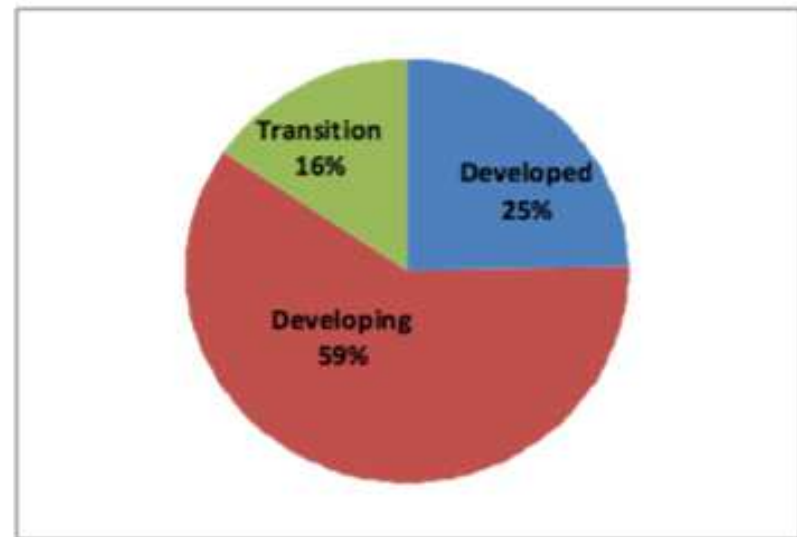
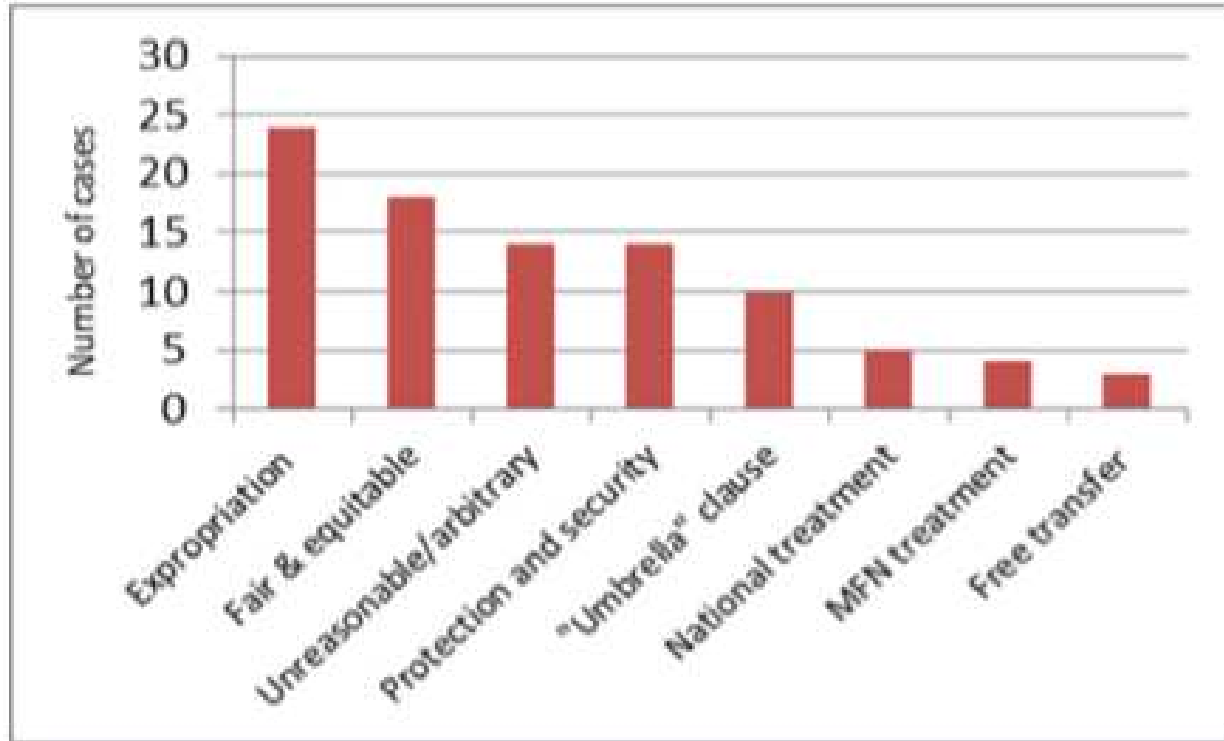


Figure 5.2. All cases (global)⁸



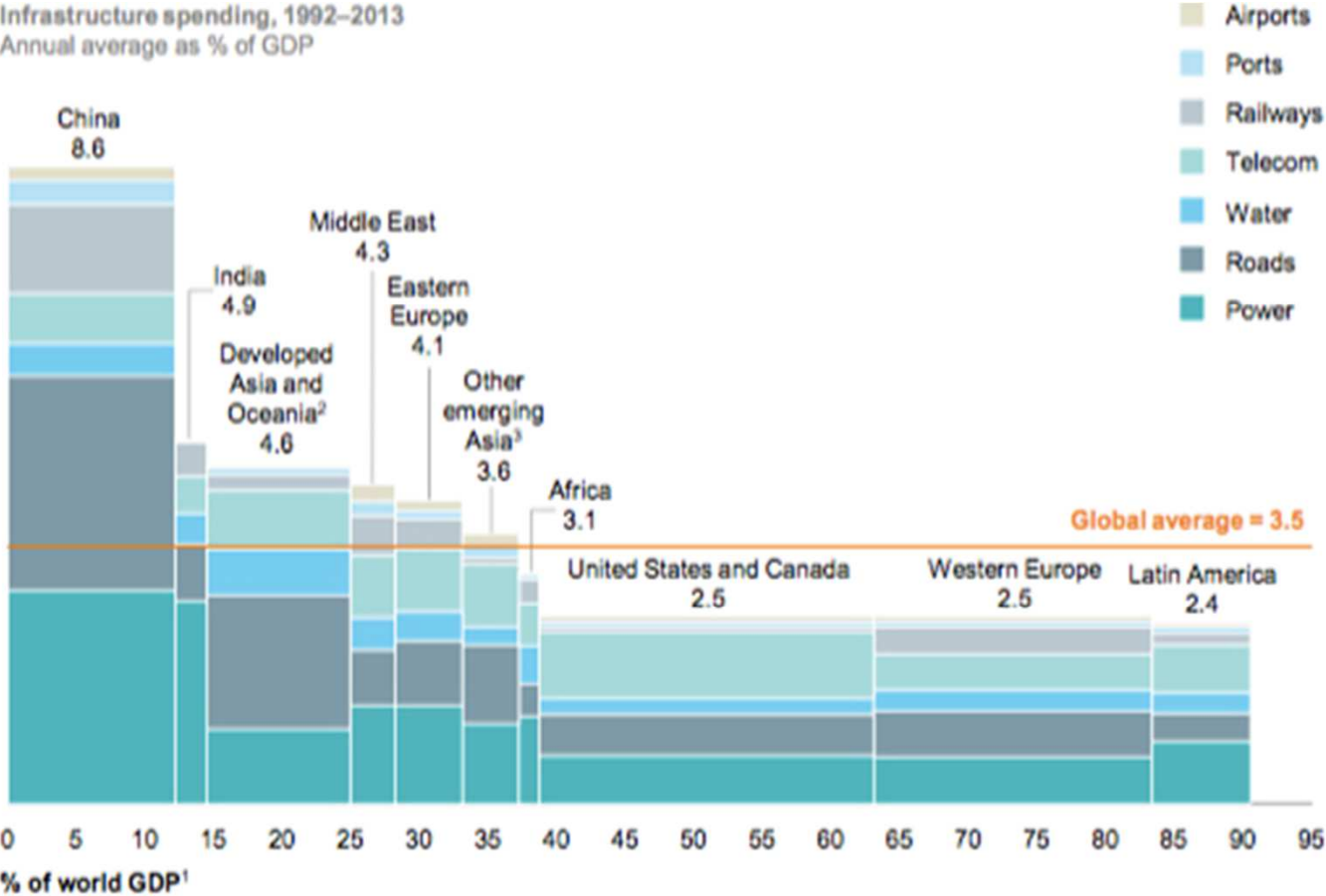
No Common Ground

Figure 12.1. Provisions invoked: Dutch cases



Global Infrastructure Spenders

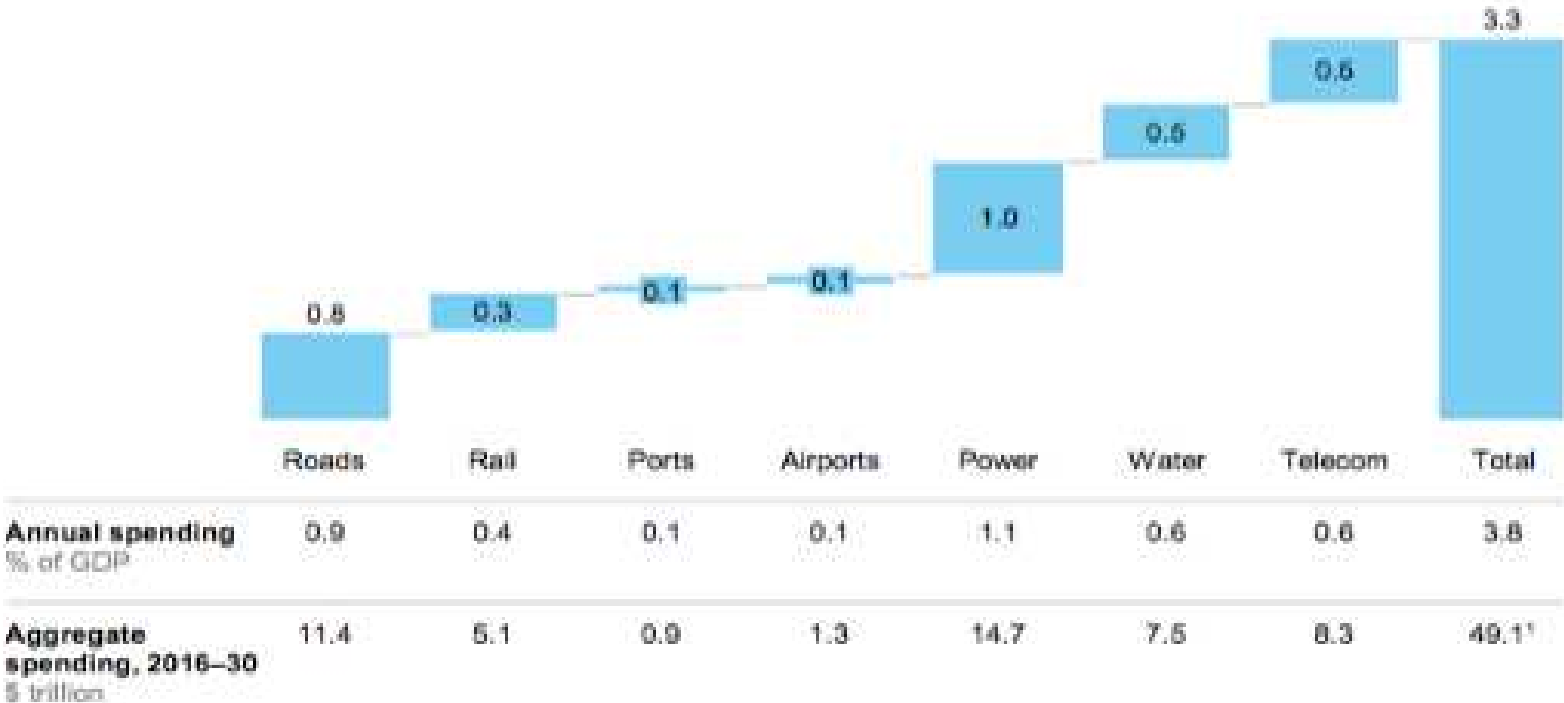
China spends more on economic infrastructure annually than North America and Western Europe Combined



The Global Infrastructure Deficit

A \$49 Trillion Price Tag

Average annual need, 2016–30
\$ trillion, constant 2015 dollars



The New World Order

But can a blind development model succeed?

