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## IS CHINA BUILDING A ROAD TO RUIN?

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By ANDREW BROWNE

□□□□ the harshest critics of authoritarian rule generally concede that when it comes to building infrastructure China wins hands down over the rich democracies.

America has practically given up. Every four years, The American Society of Civil Engineers reviews the condition of the countrys crumbling schools, chronically congested major airports, potholed roads and decrepit transit systems and offers an overall grade. Its latest, in 2013: D+.

Meanwhile, China cant build fast enough. Having recently finished the sixth ring road around Beijing, construction crews are now working on a seventh □□□ miles out in some places □□□□ of plans to merge the capital with surrounding municipalities to create a supercity of 130 million people, slightly larger than the population of Japan. The national high-speed rail network, nonexistent a decade ago, is now more extensive than the European Unions □□□□ expanding rapidly. New dams, bridges, tunnels and subways are all in a days work for state planners.

But at what cost? A report by four academics at the University of Oxfords Saïd Business School has created a stir by arguing that what outside observers often hail as a towering strength of the Chinese system has instead led to colossal waste. All this construction, they say, has produced cost overruns equal to one-third of Chinas \$28.2 trillion debt pile in 2014, and unless China scales back it is headed for an infrastructure-led national financial and economic crisis with global ramifications.

Examining data on 95 road and rail projects, the authors say cost overruns are typically about the same as in democracies, and although China handily wins on speed it comes at the expense of quality, safety and the environment.

Most of the finished routes carry paltry traffic; a few are clogged. Either way, the outcome is grossly inefficient.

If these failures are representative across the board, they not only suggest a Chinese financial blowup but challenge a conventional belief that the more you build the more you lower costs for businesses and households and add to economic growth. In China's case, infrastructure may be the road to ruin.

Few dispute that debt has become the Achilles heel of the Chinese economy as the government builds frantically to boost growth at all costs, even as it seeks to rebalance the economy toward services and consumption. McKinsey calculates that between 2000 and 2014 China added \$26.1 trillion to its debt, a figure greater than the GDP of the U.S., Japan and Germany combined.

And debt is concentrated in state-owned enterprises, which build much of the infrastructure. China Railway Corp., the national railway operator, is groaning under almost twice as much debt as Greece. Still, China has budgeted \$120 billion for more railway construction this year.

Chinese leaders are well aware of the dangers. Trees cannot grow to the sky. High leverage inevitably will create high risks, the Peoples Daily earlier this year quoted an authoritative person—likely a proxy for President Xi Jinping—as saying.

Skeptics have argued with the findings of the Oxford study. Andrew Batson, the China research director of Gavekal Dragonomics, writes in a blog post that the paper makes grand macro claims about China based on rather equivocal micro data. To wit: It shows that China botches individual infrastructure projects like everybody else, but doesn't demonstrate that it does so on such a scale that it threatens a financial crisis.

Barry Naughton, a professor of China's economy at the University of California, San Diego, has argued in the past that an advantage of the Chinese model is that it builds infrastructure ahead of demand, rather than waiting for bottlenecks to emerge, like India. Asked about the Oxford paper, he responded: Building low-return infrastructure is not the most disastrous thing an economy can do.

The world's highest and longest glass-bottomed bridge in Zhangjiajie in China's Hunan province opened in August. ENLARGE

The world's highest and longest glass-bottomed bridge in Zhangjiajie in China's Hunan province opened in August. PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGES

Still, there's a widespread consensus that in recent years the Chinese infrastructure build-out has gotten out of hand. Local governments have run out of worthwhile projects and are getting downright frivolous in their spending habits, while companies are getting gimmicky. Hunan province strung a glass bridge between soaring cliffs to attract thrill-seeking tourists at a cost of \$3.4 million. A Changsha firm threw up a 57-storey building in 19 days.

Scott Kennedy, an expert on Chinese industrial policy at the Center for Strategic and International Studies in Washington, says China should keep spending on infrastructure, but in different ways. He says the country needs more investment in rural areas to narrow regional wealth disparities, along with well-designed hospitals and schools.

Of course, these are choices that America can only dream about. Both leading presidential candidates, Hillary Clinton and Donald Trump, have pledged to invest more in infrastructure to promote growth and generate jobs, although it's not clear how they would break through the political gridlock that prevents funds from being raised and spent.

What is indisputably clear is that in the realm of infrastructure, China has far too much of a good thing, while America and other Western democracies don't have nearly enough. Both extremes threaten long-term growth, human well-being and financial fragility.

Syrian aid convoy attack 'raises very serious questions' about Russia, senior official says

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NOW PLAYING

UN: Humanitarian aid deliveries being prevented in Syria

The attack on a Syrian aid convoy in Aleppo that left at least 14 dead "raises very serious questions" about Russia's ability to deliver its end of the ceasefire agreement, according to a senior administration official Monday who said the Obama administration ultimately holds Russia responsible for the incident.

The official called the incident an "outrageous attack on non-combatants," adding that it was a "difficult and trying day" in Syria, while raising doubts about the fragile ceasefire negotiated earlier this month between Russia and the United States.

"We don't know if it can be salvaged," said the official.

Syrian or Russian aircraft carried out the attack, according to the official but declined to be more specific.

At least 14 aid workers were killed, and 18 of the 31 aid trucks were struck in the airstrikes, according to officials with the United Nations. U.N. officials said the U.N. and Red Crescent convoy was delivering assistance for 78,000 people in the town of Uram al-Kubra, west of Aleppo city.

The Syrian government said the ceasefire agreement was effectively over Monday, while in New York, Secretary of State John Kerry expressed hope that it could be salvaged.

Kerry will meet with members of the International Syria Support Group, known as the ISSG, headed by the United States and Russia to find a diplomatic solution to the five-year Syria civil war which has claimed over 400,000 lives. After blaming the Russians for the attack on the aid convoy, the meeting is expected to be contentious.

France's foreign minister once again Monday called for the full text of the ceasefire agreement between Russia and the United States to be released.

"Documents have been shared with our partners," said the official, but acknowledged there were "operational details" that could not be shared.

"There was never any secret about it," the official added.

Jan Egeland, humanitarian aid coordinator in the office of the U.N. envoy for Syria, told The Associated Press in a text message that the convoy was "bombarded."

Egeland added, "It is outrageous that it was hit while offloading at warehouses."

U. N. Humanitarian Chief Stephen O'Brien called on "all parties to the conflict, once again, to take all necessary measures to protect humanitarian actors, civilians, and civilian infrastructure as required by international humanitarian law."

The convoy, part of a routine interagency dispatch operated by the Syrian Red Crescent, was hit in rural western Aleppo province. The White Helmets first responder group posted images of a number of vehicles on fire in the dead of the night. A video of the attack showed huge balls of fire in a pitch black area, as ambulances arrive on the scene.

A Red Crescent official in Syria confirmed the attack, but said no further information was available.

Elsewhere at least 20 civilians were killed in fresh airstrikes on rebel-held Aleppo city and the surrounding areas, according to the Observatory. And Russia said government positions in southwestern Aleppo came under attack from militant groups, including a massive barrage of rockets.

With the week old cease-fire in danger of unraveling, both Moscow and Washington have indicated a desire to try and salvage the agreement □ which had brought a brief respite to at least some parts the war-torn country.

The State Department said that it was ready to work with Russia to strengthen the terms of the agreement and expand deliveries of humanitarian aid. Spokesman John Kirby said Russia, which is responsible for ensuring Syria's compliance, should clarify the Syrian position.

A Russian Foreign Ministry statement late Monday night appeared to signal that the deal could still be salvaged, saying that the failure by the rebels in Syria to respect the cease-fire threatens to thwart the agreement.

The cease-fire came into effect on Sept. 12. Under terms of the agreement, the successful

completion of seven days of calm and humanitarian aid deliveries would be followed by an ambitious second-stage plan to set up a joint U.S.-Russian coordination center to plan military strikes against the Islamic State group and a powerful Al Qaeda-linked militant faction.

But from the start, the truce has been beset by difficulties and mutual accusations of violations.

Aid deliveries to the besieged eastern districts of Aleppo have not reached their destination. The U.N. accused the government of obstructing the delivery while Russian officials said rebels opened fire at the delivery roads.

Rebel forces and activists say government planes have bombed areas that are under the truce agreement, including rebel-held parts of Aleppo. At least 22 civilians were killed in government bombings over the last week, according to the Britain-based Syrian Observatory for Human Rights, an opposition monitoring group. The group said four civilians were killed in government-held areas. There were no independent reports of deaths of civilians on the government-side since the cease-fire came into effect.

By Monday, both the Syrian government and prominent opposition activists were speaking of the truce as if it had already failed.

George Sabra, of the opposition High Negotiations Committee, told The Associated Press on Monday that the truce has been repeatedly violated and did not succeed in its main objective of opening roads for aid.

"Hundreds of thousands of people in Aleppo are waiting for this truce to allow aid to enter the city," he said, adding that there are aid trucks still waiting on the Turkey-Syria border. "I believe that the truce is clinically dead."

The Syrian military statement placed the blame on the rebel groups. Damascus refers to all armed opposition groups as terrorists.

"This step (cease-fire) was to constitute a real chance to stop the bloodshed. But the armed terrorist groups didn't take it seriously and didn't commit to any of its articles," the military command statement said. "The armed terrorist groups took advantage of the declared truce system and mobilized terrorists and weapons and regrouped to continue its attacks on civilian and military areas."

One of the major rebel groups in Syria, Nour el-Din el-Zinki, said soon after the Syrian military declaration that the government, Russia and Iran, another major ally of President Bashar Assad, are responsible for the truce's failure.

"The regime of Bashar Assad had no real intention to commit to the truce. Instead it worked to undermine it with organized violations during the week as well as preventing aid from reaching Aleppo," the group said in a statement sent to reporters.

Earlier Monday, Lt. Gen. Sergei Rudskoi of the Russian military's General Staff said in a briefing that Damascus had fulfilled its obligations.

"With the rebels failing to fulfill conditions the cease-fire agreement, we consider its unilateral observance by the Syrian government forces meaningless," Rudskoi said.

Rudskoi said the rebels violated the truce 302 times since it took effect a week ago, killing 63 civilians and 153 Syrian soldiers. The opposition reported on Monday 254 violations by government forces and their allies since the truce started.

The current tensions come on the heels of the weekend air strike by the U.S.-led coalition on Syrian army positions near Deir el-Zour. Syria and Russia blasted Washington over the attack.

The Saturday airstrikes involved Australian, British and Danish warplanes on Syrian army positions. The U.S. military said it would not intentionally hit Syrian troops, and that it came as it was conducting a raid on ISIS positions.

Russia's military has said that it was told by the Syrian army that at least 62 Syrian soldiers were killed in the Deir el-Zour air raid and more than 100 wounded. The Observatory gave a different death toll, saying 90 troops were killed in the strikes.

Assad said Monday the airstrikes of the U.S.-led coalition against his troops was meant to support the Islamic State group, calling the attack a "blatant American aggression."

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Kaynak/Source: