

# Davos: China's Belt and Road Stole the Show

by Mike Billington

Jan. 29—Events at the 48th annual World Economic Forum (WEF) in Davos, Switzerland this year, reflected the fact that the focus of world attention is now on China and its world-historic Belt and Road Initiative (BRI). Even the official theme of the Forum, “Creating a Shared Future in a Fractured World,” came directly from the speech presented by Chinese President Xi Jinping at the 2017 Davos Forum, where he said: “Today, mankind has become a close-knit community of shared future,” and declared his commitment to “the goal of building a community of shared future for mankind.”

Professor Klaus Schwab, who founded the Davos WEF in 1971, and still serves as its Executive Chairman today, introduced Liu He, the keynote speaker from China to this year's Forum, who is also the leading economist in the transformation taking place in China today. In that introduction, Prof. Schwab said:

“Our community will recall the historic speech of President Xi Jinping at last year's Forum, which many participants felt was a turning point in China's relationship with the world. During the year, other important meetings took place, like the Belt and Road Forum, the G-20, and APEC, in which President Xi continued to further develop many points that he raised in his Davos speech, leading to the 19th Party Congress speech, in which he outlined his great vision for China's new era.”

Professor Schwab also noted that China was “simultaneously shifting the current mix of industrial sectors, while at the same time investing in the development of



World Economic Forum/Sandra Blaser

*Liu He (left), member of ruling Central Committee and Director of the General Office for the Central Leading Group for Financial and Economic Affairs, and Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, speaking during the session “China's Economic Policy,” at the 2018 annual meeting of the forum in Davos, Switzerland, Jan. 24, 2018.*

new technologies, to become the *leader* in new technologies, and the creation of future industries in order to leapfrog ahead.”

The character of the entire Davos Forum this year was captured by the *New York Times* reporter attending the event, Keith Bradsher. In an article in the *Times* on Jan. 28 under the title, “At Davos, the Real Star May Have Been China, Not Trump,” Bradsher bemoaned the fact that, like it or not, it was China's New Silk Road that dominated the Forum, not the efforts by many to demean the Belt and Road Initiative as merely China's effort to “spread its influence” and to “bury the recipients in debt and cause considerable environmental damage,” as Bradsher also reported.

Under a picture of a smiling Liu He making his keynote presentation, Bradsher acknowledged that Liu



White House/Shealah Craighead

*President Donald Trump greeting British Prime Minister Theresa May upon her Jan. 27, 2017 arrival at the White House.*

He's presentation was "one of the best-attended speeches," and that throughout the Forum, the Belt and Road was the leading subject of discussion. "At one end of town, President Michel Temer of Brazil welcomed an unexpected offer from Beijing for Latin American nations to work closely with a Chinese initiative," writes Bradsher. "At the other end of town... Pakistan's Prime Minister Shahid Khaqan Abbasi used his talk to praise the rapidly expanding Chinese investments in his country, including to build power stations and a large port."

Bradsher concluded: "National leaders seemed to vie with one another in Davos in calling for closer cooperation with China." He quoted Joe Kaeser, the chief executive at Siemens: "The China One Belt, One Road is going to be the new WTO—like it or not."

Bradsher also noted that China was simultaneously mobilizing development projects around the world: "On Friday, the Chinese government used a policy document issued in Beijing to call for a Polar Silk Road that would link China to Europe and the Atlantic via a shipping route past the melting Arctic ice cap... at a summit meeting for Latin American and Caribbean foreign ministers in Santiago, Chile, Foreign Minister Wang Yi of China called for close cooperation and participation by the region's countries."

## **Liu He**

The keynote by Liu He focused primarily on the policies which have made possible the transformation

of China into a primary driving force—perhaps *the* primary driving force—in world growth and technological innovation, and the importance of the Belt and Road Initiative. But he also issued a warning about the risk of a global crisis: "At such a critical moment we must focus on the spillovers of the monetary policy of the world's major economies, and changes in the debt, equity, and commodity markets in the short term. In the medium term we need to pay attention to the question of labor productivity and to the changing savings rates in the large economies... Meanwhile, deep-seated problems in the world economy have yet to be fixed. Multiple risks and considerable uncertainties come in the form of high debt, asset bubbles, protectionism, and the escalation of global and regional hot-spots. To turn cyclical

recovery into sustainable growth, we need concerted global efforts."

We hope that President Trump has the opportunity to read the seminal work by Liu He in his study of the 1930s Great Depression and the more recent 2007-8 financial crash. In that study, completed in 2013, Liu noted the disastrous consequences of failing to distinguish between the "real economy" and the "fictitious economy." Liu He wrote:

"We should avoid moving to an over-indebted economy, and attach importance to regulating and controlling financial fluctuations. We must uphold the essential requirements of financial services for the real economy. The departure of the U.S. financial industry from its core service function has become the perpetrator of the global financial crisis. This is related to the abandonment of the traditional value of the industry by the U.S. financial industry and excessive pursuit of wealth and innovation [referring here to innovation in speculative instruments by the major banks and hedge funds—ed]. Various effective measures should be taken to both improve the business environment of the real economy, consolidate the foundation for the development of the real economy, and to curb capital from empty money-making-money schemes so as to prevent excess self-circulation and inflation in the fictitious economy."

The ballooning of the U.S. stock market is primarily due to such "schemes," rather than to actual economic growth.