False claims won't derail BRI

West's concerns over China's production capacity ties unlikely to dampen enthusiasm along the routes

The huge production capacity formed in China during its rapid economic development over recent decades has been closely watched since the 2008 global financial crisis, and especially since China launched the Belt and Road Initiative in 2013, with some Western media and scholars trying to establish a connection between them.

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In February 2015, an article published in *The Diplomat* magazine claimed that through the BRI, China not only aims to revitalize its economy by providing an outlet for its domestic excess capacity, but also aims to create a material guarantee for its effort to be a world power center through expanding its influence in major emerging markets or developing countries.

Likewise, an opinion piece in the *Financial Times* on Oct 12, 2015, proposed that the BRI is China's road to a new empire and its return to the center of Asia, while calling it a means for China to export its excess capacity. Many Western observers still view the BRI as Beijing's means of shifting its excess capacity and influence outward.

But is there any truth in such arguments?

Chinese companies' outbound investment is unnecessarily linked to the country's excess capacity. Some domestic enterprises started to set up processing and manufacturing industries in other countries through outbound investment far earlier than 2013 when the Belt and Road concept was presented.

As early as 1999, the Chinese household appliance manufacturer Haier invested in a factory in Camden, South Carolina, in the United States. Since then, a number of industrial parks or economic cooperation demonstration areas have been successively set up by Chinese enterprises in Thailand, Pakistan, Cambodia, Indonesia, Egypt and Ethiopia.

Excess production capacity varies during different times and across different regions. According to the World Bank, more than 1 billion people were without access to electricity worldwide in 2014, about one-third of whom were in rural areas of South Asia.

Due to a lack of roads, ports, airports, electric power, telecommunications and other infrastructure, countries in Central Asia, South Asia and Southeast Asia find it difficult to attract outside capital, technology and talent, making them unable to turn their local resource advantages into industrial advantages.

In this context, many countries have made infrastructure construction a priority in their national development strategies, which has created a huge demand for steel, cement, glass, electrolytic aluminum and other products. The oversupply of such products in China does not necessarily mean there is an excess in other countries.

And the overseas investment of Chinese enterprises is not only in traditional industries but also in new industries and products.

The more than 80 economic and trade cooperation areas jointly set up by China and the countries along the Belt and Road routes have created more than 244,000 jobs for local people.

There is no essential difference between Chinese enterprises' outbound investment and the industrial distributions of European and US countries around the world. Since the 1980s, multinationals have laid out their production and sales networks on a global scale, becoming an important driving force for economic globalization.

Despite being a latecomer, China has increasingly integrated itself into the global industrial system and its enterprises have made ever-growing investment inroads, but these are completely based on market rules and are a result of globalization.

Capacity cooperation is an effective way to reduce overproduction. But the sluggish world economic recovery after the global financial crisis has served to cause excess capacity.

In response to this, China has made great efforts to cut its overcapacity in steel, coal, glass and electrolytic aluminum on a large scale, and increased its effective supplies to host countries through investment in factories based on their needs on the other hand.

In a speech delivered to a forum hosted by the club of Chinese entrepreneurs in Beijing on Aug 19, Malaysian Prime Minister Mahathir Mohamad spoke highly of the BRI, saying Malaysia hopes more Chinese entrepreneurs will invest and set up factories in his country, as it can enhance Malaysia's independent production and export capability through knowledge and technology sharing.

Over the five years since the BRI was launched, production capacity cooperation has been one of the areas witnessing the fastest cooperation between China and countries along the BRI routes, and the model of cooperation dominated by infrastructure construction and processing and manufacturing sectors has been widely welcomed by host countries.

Now, more and more countries and international organizations are extending their endorsement to the initiative's role in promoting diversified economic development of the host countries while advancing their infrastructure construction.

This shows that no matter how worried European and US media might be about the production capacity cooperation between China and BRI participants, it is unlikely to dampen the enthusiasm of the initiative for such cooperation.

Only the wearer knows whether the shoes fit, and in the words of former Tanzanian president Jakaya Kikwete: "African people are very aware of their needs and very satisfied with the current situation of China-Africa relations."

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Steel tariffs seek to milk a bull

Making China a scapegoat for the US industry's problems is nothing but an ostrich policy

By XU JIANWEI

It is irresponsible and groundless for some people in the United States to attribute the difficulty the US steel industry faces to China's overcapacity and dumping.

Turning China into a scapegoat without looking into the problems intrinsic to the US steel industry is nothing but an ostrich policy. To impose punitive tariffs on China's steel exports will be to no avail in revitalizing the steel industry in the US.

The decline of the US steel industry's competitiveness is an undeniable fact. But it is because of the shrinking of domestic demand, the rise of production costs in the US, and the slow technological and equipment upgrading.

That the steel industry is no longer a pillar industry is a result of the evolution of its economic structure.

Likewise, China's steel output has risen fast since 2000, which should primarily be attributed to the huge demand stemming from China's industrialization and urbanization, just as the US experienced after World War II.

China has a complete steel industrial system and strong competitive edge in production costs, technology, equipment and product development, which constitute the foundation for Chinese steel exports' comparative advantages in the global market.

As the largest steel consumer, China now pays more attention to improving the quality of its steel products and its production technology and efficiency, and reducing the industry's emissions and pollution.

China does not encourage the export of large amounts of steel products. The government even levies additional export tariffs in some cases to control steel exports, which fell 34.3 percent year-on-year in 2017.

China exports 9 percent of the steel it produces, while about 40 percent of steel output in some developed countries is exported. And China's steel exports mainly find their way to Southeast Asia, East Asia, the Middle East and South America, not the US. It is wrong, perhaps intentionally so, to blame China for the US steel industry's business distress.

The three largest steel exporters to the US are Canada, Brazil and the Republic of Korea, which contributed 41.85 percent of the US steel imports in 2016, followed by Mexico and Turkey (both above 2 million tons), and Japan, Russia and Germany (all above 1 million tons), and China's exports (789,100 tons) accounted for only 2.63 percent of the total steel imports of the US in 2016.

Although the US increased its steel output last year, its steel imports still increased by 15.4 percent, reaching 38.12 million tons. And China's steel products are largely fended away from the US market because of the US government's high tariff and protectionist actions. Last year, only 1.57 percent of China's steel exports went to the US.

It is convenient for the US government to attribute the difficulties its steel industry faces to external factors, and to use anti-dumping policies to crack down on normal trade, which, as the case of China indicates, is more for political purposes than economic ones.

The US initiated a total of 20 anti-dumping and anti-subsidy investigations against Chinese products in 2016, among which four investigations were about steel products. The US should realize that protectionist measures will not change the status quo of its steel industry. Let alone the fact that these measures are imposed on a small exporter to it.

Also, imposing punitive tariffs on imported steel products has raised the production costs of all downstream industries, pushing up commodity prices. For instance, the heads of the auto industry and oil industry in the US have both aired their concerns about the effects the high tariffs will have on their products.

The US decision-makers are clearheaded that it is natural that the steel industry's share in its national economy will become smaller as the service industry accounts for about 80 percent of the US economy.

Despite this fact, it does not hinder the US steel industry from accelerating its industrial upgrading and technological innovation, so as to enhance its competitiveness in some subdivisions and differentiated market sectors.

It is more rational for the US to make better use of its rich human capital, financial capital and innovation resources to boost advanced manufacturing and innovative industries. To try and revitalize the steel industry through protectionist measures is like trying to milk a bull.

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