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A road to smarter infrastructure in Asia

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Citation

CHIN, Curtis S. and DONALDSON, John A., "A road to smarter infrastructure in Asia" (2011). *Research Collection School of Social Sciences*. Paper 2111.

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A Road to Smarter Infrastructure in Asia

BY CURTIS S. CHIN
AND JOHN A. DONALDSON

China's infrastructure building program used to be the envy of the world, and in some respects it still is. Yet economists, investors and now China's own citizens are worried about diminishing returns, while incidents such as last month's Wenzhou high-speed rail crash raise questions about the durability of China's investments.

It's a dilemma that is familiar to policy makers around Asia: How much infrastructure, and what kind, is "enough"? How should developing economies prioritize when the needs are so great? China's experience offers an answer: Smaller is often better.

"Small" would not characterize China's infrastructure ambitions in recent years. The Three Gorges Dam, the Beijing Olympics, the Shanghai Expo and the high-speed rail system serve as striking symbols of the country's rise. Yet bigger has not paid higher dividends.

Grand-scale projects are particularly susceptible to corruption, cronyism and other forms of excess. Even before the crash, corruption allegations plagued China's high-speed rail, taking down the former Railways Minister Liu Zhijun and other top officials. Dozens of cases of corruption were linked to the Three Gorges Dam and the large-scale

projects related to it.

These kinds of image projects also contribute far less to stable, long-term growth than many claim. Beijing is still trying to figure out what to do with its Olympic facilities now that the Games are over. The sustainability of high-speed rail without massive ongoing subsidies is doubtful.

No one can deny that China and the rest of Asia still need infrastructure, and a lot of it. The problem is that large and impressive projects too often dominate the thinking of policy makers. White elephants attract a lot of attention, much of it admiring, at least in the beginning. Just think back to all the glowing news reports about the Bird's Nest Stadium or the Water Cube before the Olympics.

Too often this point gets lost in the shuffle. While the benefits of rural electricity, clean water supply and sanitation systems are evident in people's lives and well-being, such projects too often lose out in favor of more grandiose ventures. Praise and promotion are too often driven by the notion that bigger is better.

The contrasts can be striking. Honghe Prefecture in southwest China's Yunnan Province bragged of spending between 700-800 million yuan, or more than \$100 million, on a gleaming government campus, featuring an impressive

central building that observers compare to the grandeur of China's Great Hall of the People on Tiananmen Square. Yet just a few miles down a bumpy dirty road, farmers live much like their forefathers. Lacking sufficient irrigation systems and other local development projects, these farmers struggle to raise enough food for their own subsistence.

Elsewhere in the prefecture, the government of Pingbian

The region needs more farm-to-market roads, fewer superhighways, more irrigation, fewer megadams.

County reportedly spent more than 200 million yuan, or some \$31 million, on a public square and an impressive though infrequently used football stadium. Improving education and livelihoods and seeking to attract investment might have better served the county's residents.

The grinding poverty of Zhao-tong Prefecture in another corner of Yunnan reportedly moved then Premier Zhu Rongji to tears. Yet the highway subsequently constructed there brings few benefits to further flung rural residents lacking the infrastructure linking

their villages with it.

China is not alone. Throughout the region, too often the smaller, more effective, project may well be pushed aside for a bigger, more visible infrastructure project—especially if by couching it in poverty-fighting terminology, governments can get others to provide concessional financing or outright grants. In Nepal, Bangladesh and elsewhere in South Asia, tens of millions of dollars in development assistance has gone to a range of less than successful "big picture" tourism infrastructure initiatives with the hope that if we build it, they will come. This even as millions go without basic water supply and sanitation, and existing roads and infrastructure deteriorate due to a lack of maintenance.

In the Greater Mekong Subregion, millions of dollars in loans and grants have helped Vietnam, Laos and Cambodia build road connections and "one stop" customs checkpoints, with an eye toward a grand East-West highway system connecting the region. The near-term beneficiaries of this infrastructure touted as the basis of an "economic growth corridor"? Not necessarily the poorest of the poor who might never leave their home country, but gamblers crossing the border to take advantage of newly built casinos.

Leaders in China and through-

out Asia need a new attitude toward infrastructure. Instead of choosing projects that are direct providers of employment—or prestige—they should focus on projects that will have more meaningful economic and human results.

That means more farm-to-market roads, fewer super highways. More basic irrigation, fewer megadams. These kinds of projects often make more of a difference for the poor and can help funnel the fruits of growth to more people.

Such a rethink in approach to infrastructure would do much more than lay a foundation of accountability in building the next set of shiny new trains. It would also help create the jobs and build the businesses that will be the true drivers in ultimately improving the lives of the poorest and most in need. Such a path may be less impressive than showcase cities of construction projects. But it will have a more dramatic long-term impact.

Mr. Chin was U.S. ambassador to the Asian Development Bank from 2007-2010. Mr. Donaldson is an assistant professor of political science at Singapore Management University and author of "Small Works: Poverty and Economic Development in Southwestern China" (Cornell University Press, 2011).