China’s High-Speed Rail System: Exciting, Headline Grabbing, and a Mistake

Beijing is still all in on the nation’s immense high-speed rail system despite China’s economic woes.

Workers walk past parked high-speed trains at a maintenance yard during a media tour ahead of the 2018 Forum on China-Africa Cooperation in Beijing on Aug. 30, 2018. Mark Schiefelbein/AP Photo

By Milton Ezrati
12/4/2024 Updated: 12/4/2024

Commentary

Beijing remains committed to developing the nation's extensive high-speed rail system, though there may be more effective uses for this funding and urgent economic priorities to consider.

China's much-vaunted ambition to extend high-speed rail links to all regions of the country announces three important things. First, the extent of the system and the sleekness of the trains will continue to offer bragging rights to China's leadership and elicit superlatives from media outlets both in China and overseas. Second, most of the proposed system is or will be a waste, especially burdensome in China's struggling economy. There are better ways to direct the nation's labor, capital, and natural resources. Third, the decision to build the system highlights the weakness of the nation's top-down, centrally planned way of making economic decisions.

China's high-speed rail project is, without a doubt, the biggest infrastructure project in the world today, perhaps ever in history. Existing and planned lines will link China's populous east from Haikou in the south to Manchuria in the north and extend to the far northwest and to Tibet and the Himalayas. The plans call for more than 30,000 miles of special track in a special roadbed.

The project is expensive. In just the last five years, it has cost the state-owned State Railway Group the equivalent of some $500 billion in construction, supply, new trains, and stations. The Group already carries a debt burden approaching the equivalent of $1 trillion, the servicing of which costs the equivalent of more than $25 billion a year. Despite the huge cost, the project is a favorite of Chinese Communist Party (CCP) leader Xi Jinping, who has enlarged the already ambitious plans he inherited from his predecessor, Hu Jintao.

Those who favor the project praise the "convenience" it will bring and how it will reduce pollution and carbon emissions by substituting for the use of gas-powered cars. These enthusiasts note how shortened travel times will improve economic efficiencies and better integrate otherwise disparate populations. The links, the plan proponents say, will also encourage urbanization, which, they argue, will help cure the backwardness of the nation's rural areas and give China a more sophisticated and better-educated population.

Without refuting any of these claims, others question the wisdom of going ahead with these plans. With Chinese finance and economics in precarious states, the question is whether more high-speed rail is the best use of the nation's financial, labor, and natural resources. There is no getting away from the fact that China's slowed economy needs a boost that only Beijing can provide. And though it is true that spending on rail infrastructure provides an economic lift of sorts, many still wonder if high speed is the best way to proceed.

Some have argued that the nation needs a better social safety net, not more luxury trains, especially now, with the economy faltering. The project also increases national debt at a time when local governments are heavily burdened with outsized debt and, in some cases, have needed support from Beijing just to meet the basic obligations they owe their populations.

There is more urgent need to concentrate on ways to address the festering property crisis, rejuvenate the Chinese consumer, and induce private businesses to hire and otherwise invest in new and improved facilities. Spending on high-speed rail competes with these needs. Even if Beijing wants to spend on rail, critics point out that it would be better to invest in conventional construction, as it can also move freight.

Even the system's harshest critics do not dispute the efficacy of high-speed rail in the country's densely populated east and southeast. The line connecting Shanghai and the technology hub in Hangzhou, for instance, is fully utilized and has proved to be a profitable success since its opening in 2010. The more far-flung (and expensive) parts of the system raise questions. Critics note that the line running out to Fushun has reported only 9,000 daily trips on average since its opening in 2021. No doubt that number will rise. The average includes the periods of lockdowns under the CCP's zero-COVID measures. But it would have to increase tremendously to justify the expense of the line, and that is unlikely for some time to come, if ever. The same is true of the line planned for Urumqi.

Behind all these particulars and the questions they raise, the nature of the high-speed rail project points to a more fundamental flaw in Chinese economics. China's centrally planned, top-down economic management system takes its cue from politics as much as probably more than economics. Accordingly, the CCP seems to prefer show-case projects, such as high-speed rail, over more prosaic but also more practical and profitable efforts, such as rail lines that do not look as sleek or move as fast but can also carry essential freight. A less centralized system would be more likely to seize on this point, build high-speed where it works, and make other arrangements elsewhere. But China under the CCP, if anything, is becoming more centralized by the day.

Views expressed in this article are opinions of the author and do not necessarily reflect the views of The Epoch Times.

Milton Ezrati
Author

Milton Ezrati is a contributing editor at The National Interest, an affiliate of the Center for the Study of Human Capital at the University at Buffalo (SUNY), and chief economist for Vested, a New York-based communications firm. Before joining Vested, he served as chief market strategist and economist for Lord, Abbett & Co. He also writes frequently for City Journal and blogs regularly for Forbes. His latest book is "Thirty Tomorrows: The Next Three Decades of Globalization, Demographics, and How We Will Live."

Author's Selected Articles

China Issues Dollar Bonds in Saudi Arabia—A Strange Move

Nov 29, 2024

Impact of Trump's Upcoming China Tariffs Will Depend on Currency Reaction

Nov 25, 2024

China: The Economic Stimulus That Wasn't

Nov 20, 2024

Chinese Fears Show in Heavy Purchases of Gold

Nov 11, 2024