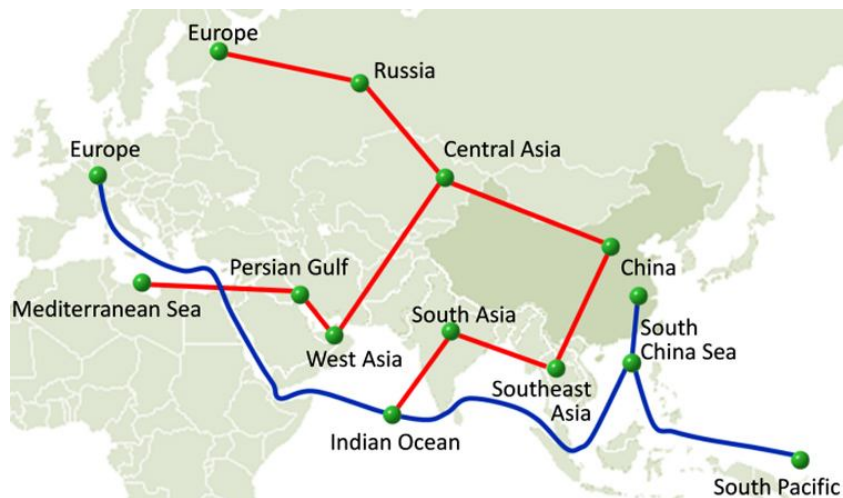


THEWEEK

China's OBOR: Project of the century or wannabe East India Company?



By Ashok Warriar October 29, 2018 15:10 IST



It was in September 2013 that President Xi Jinping announced what surely must rank as one of the most profound declarations by any Chinese leader in recent times: the rolling out of the 'One Belt, One Road' (OBOR) policy.

The OBOR policy was officially projected as one intended to promote economic growth and partnerships, benefiting not just China but all host nations who had signed up for OBOR. On a diplomatic level, the policy, it was felt, would deepen international cooperation and promote world peace. The external trappings of OBOR were, therefore, all correct and proper.

The concept of OBOR (also known as 'Belt and Road Initiative' or BRI) is an attempt at recreating the historical overland 'Silk Road' (or the 'Belt' in 'BRI') connecting China to Central and South Asia and onwards to Europe as well as the 'Maritime Silk Road' ('Road' in BRI) linking China to countries in Southeast Asia, the Gulf, North Africa and Europe.

The aforementioned historical routes prospered and blossomed from the 2nd century BC to 14th century AD and saw a rich exchange of ideas, commerce, culture, arts and people from China, through Eurasia, to South and Southeast Asia, Africa and to Europe. Silk, as the name of the Road suggests, was, of course, the primary product of trade. The decline of the silk trade and the pre-eminence of China as a commercial

powerhouse commenced after the end of the Tang Dynasty (618-907AD) and the disintegration of the Mongol Empire (13th-14th century).

On the domestic front, China experts have opined that the OBOR policy has several intended (although unstated) objectives, ranging from addressing issues of overproduction and overcapacity, spurring declining growth rates, countering disparity in the economic growth that exists in the different provinces of China, shoring up depleting foreign exchange reserves, finding new markets for goods and also alternate shipping routes (both from an economic as well as a geopolitical perspective) and making the yuan an internationally convertible currency.



On the international front, China wants to assume the mantle of leadership and project itself as a champion of multilateralism and globalisation following US President Donald Trump's clarion call of 'America First'.

If one studies the manner in which foreign countries have received the idea of OBOR, it has varied from initial reluctance to acceptance (e.g., Russia), to welcome acceptance (some Central Asian countries), to initial acceptance to distrust and cautious observation (several European countries), to distrust and suspicion (some of the ASEAN countries) and to consistent rejection (India).

The US has been critical of OBOR on the grounds that it will tend to compromise the sovereignty of the countries where projects are being undertaken. India has maintained that the China-Pakistan Economic Corridor (CPEC), part of the OBOR, is a violation of her territorial integrity and sovereignty as it includes land that New Delhi claims as its own. India has further voiced the lack of transparency and openness in OBOR.

Although OBOR has been touted by President Xi as the ‘project of the century’, because of its sheer scale, covering almost two-thirds of the world’s population and having within its fold countries accounting for one-third of the world’s GDP, the entire project is couched in vagueness.

One of India’s primary objections to OBOR—that it pushes countries with small economies into a China-driven debt trap—seems to be slowly gaining resonance. Very recently, Pakistan spurned the offer of a loan from China to build a dam and asked the Chinese to take this project out of CPEC because of the ‘exploitative nature’ of the Chinese loans under OBOR.

A Pakistani senator even went to the extent of comparing OBOR to the East India Company. Following warnings of falling into a debt trap, from both the IMF and the World Bank, Sierra Leone, a country in Africa, recently decided to cancel an OBOR project to build an airport in its capital. OBOR has been perceived by some as a subtle way for the Chinese dragon to flex its muscles and assert its might from the South China Sea to the Indian Ocean.

India and Japan are working within the ambit of an Asia-Africa Growth Corridor (AAGC), which itself is a part of the Indo-Pacific Economic Corridor, to achieve better and closer development cooperation in Africa. Incidentally, the AAGC would have figured in the bilateral discussions during Prime Minister Narendra Modi’s visit to Japan from October 27 to 29. Some believe this Indo-Japanese initiative could be a counter to OBOR.

The EU has been guarded in its assessment about OBOR. Germany has expressed concern over how state-run Chinese companies have been investing in strategic sectors while not allowing German companies or goods free access in most sectors. The EU has also raised objections and sensed mischief in China’s attempts at splitting the EU with formulae like 16+1.

China’s OBOR policy has also invited criticism from several experts for its lack of clarity on geopolitical considerations and financial diligence. Several countries, which would fall under the ambit of OBOR, are plagued by varying degrees of political and economic instability and it would be a challenge for China to carry out projects in such disturbed conditions.

Furthermore, it is not clear from where the funds that would be required for all the myriad projects under OBOR will come from. The Asian Infrastructure Investment Bank (AIIB), in which China holds a 31 per cent stake, along with two other banks, is expected to provide financial muscle for OBOR. As to how financing from AIIB (India is the second-largest shareholder) for an OBOR project could be undertaken, with New Delhi being opposed to the OBOR, would remain to be seen. However, funding by the financial institutions by itself would be insufficient as it is estimated that a sum of \$ 4-8 trillion would be required for executing the projects under OBOR.

To conclude, China would need more than just raw ambition to have its ‘project of the century’ succeed. A few countries cancelling projects under OBOR, India and Japan teaming up in projects like AAGC, fears and concerns of indebtedness and raising of funds for the projects under OBOR are all genuine concerns that China will need to answer and answer clearly.

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<https://www.theweek.in/news/world/2018/10/29/china-obor-project-century-wannabe-east-india-company.html>