

Traders And Borders

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China invokes the romanticism of the Silk Route in its Belt and Road Initiative (BRI), now better known as the One Belt One Road (OBOR) advantage. The Silk Route was a bustling trading track that had literally carried Chinese silk (and subsequently other goods and spices) to Europe through the rest of Asia between the 2nd Century B. C. and the 14th Century B. C. Should Chinese President Xi Jinping's dream come true, BRI or OBOR will go beyond the Silk Route to traverse three continents, 68 nations and 60 per cent of the world's population.

China is willing to spend more than \$1 trillion on the infrastructure involved in the project. Factoring in the fact that the Asian market is destined to prove the most vibrant and dynamic in the 21st Century, China will no doubt, set the rules for trade and commerce in the region. All trade roads will lead to China. If all goes well (for China), at the end of a decade its trade with the world could swell to a mind-boggling \$3 trillion.

That the world was not willing to stand and stare, became evident in Manila on November 11, 2017. On the sidelines of regional summits during United States President, Donald Trump's first visit to East Asia, the "Indo-Pacific" moniker was heard again. The term had been first coined a decade back. Japanese Prime Minister Shinzo Abe had conceived the grouping of the four "like-minded democracies" or the Quadrilateral Security Dialogue (QUAD) in 2007.

Addressing the Indian Parliament on August 22, 2007 Premier Abe had spoken of an "Arc of Freedom and Prosperity along the outer rim of the Eurasia continent" and a "broader Asia spanning the entirety of the Pacific Ocean, incorporating the United States of America and Australia." Abe said then that "open and transparent, this network will allow people, goods, capital and knowledge to flow freely".

The idea was dropped after China raised a shindig, saying that the defence partnership with India was intended to stifle China's growth. The Quadrilateral Security Dialogue resurfaced in 2013 bringing Japan, US, India and Australia together for a free and open Indo-Pacific region.

India has rebuffed the BRI, in what will now go down in history as the Doklam skirmish, when Indian and Chinese troops stared eyeball to eyeball on Bhutanese territory along the Indian border. India obviously does lean towards QUAD, but the Indo-Pacific alliance seems to be in a prolonged state of procrastination.

One Belt and One Road to China

China however, is marching ahead with purposeful steps with its OBOR initiative. The initiative now encompasses nearly 70 countries that have a combined population of over 4.8 billion people – which happens to comprise more than half the population of the planet.

The OBOR encompasses economies worth roughly \$21 trillion, accounting for 62 per cent of the world's GDP and about 65 per cent of global land and 30 per cent of maritime-based economic production.

The economic prowess and fury of the dragon is already evident. "OBOR or the BRI is a project aimed at realising China's geopolitical ambitions. Conceptualised unilaterally without consultations with others, it is a vehicle to realise President Xi's 'China dream'. It lacks transparency and has the potential to push other countries into a debt trap," says Arvind Gupta, Director at the Vivekananda International Foundation.

Gupta is obviously referring to the \$900 billion worth of projects estimated by the ratings agency Fitch that have already been planned for the OBOR initiative. While most of the road infrastructure in the countries along the route is likely to be funded from China - from the Asia Infrastructure Development Bank (AIIB) for instance - other multilateral agencies like the European Bank for Reconstruction and Development (EBRD) have also shown interest in the Belt and Road Initiative. "It also violates the sovereignty of other countries, the way the China-Pakistan Economic Corridor, an off-shoot of the BRI does, when it passes through Indian territory in the J&K," says Gupta.

The Quadrilateral Security Dialogue

The idea of the QUAD meanwhile, seems to be stuck in Manila, where the concept was last discussed. Says Kenko Sone, Minister (Economic & Development), Embassy of Japan in India, "The participants discussed the direction for cooperation, including with countries in the region, in upholding the rules-based order and respect for international law in the Indo-Pacific, tackling proliferation threats, including North Korea's nuclear and missile issues, against which maximised pressure needs to be applied, ensuring freedom of navigation and maritime security in the Indo-Pacific and countering terrorism..."

It should be kept in mind that the idea of the QUAD emerged in the first place because China did not heed The Hague Tribunal ruling and militarised the South China Sea. Harking back to Shinzo Abe's speech in the Indian Parliament, an "Arc of Freedom and Prosperity" was also a part of the agenda. The alliance does have the potential to balance the commercial potentials of the One Belt One Road initiative, if not upstage it.

India needs more than \$1 trillion in investment to sustain the current momentum of the economy. It needs big ticket investments in infrastructure and manufacturing and to create jobs for 10 million young aspirants. Should QUAD materialise, it could pave the way for the Indo-Japanese Africa Asia Growth Corridor (AAGC).

"QUAD traces its origin to the concept of a Free and Open Indo-Pacific - an idea," cautions Gupta, "its origin is in the fact that China, by asserting sovereignty over the South China Sea, has endangered the freedom of navigation and over flights in the region." He points out that QUAD was still in a "nascent stage" as the four member countries are yet to "agree on its scope". A proponent of QUAD though he is, Gupta does not see it rivaling the BRI.

The Quadrilateral Security Dialogue is also beset with challenges. It has been opposed by China from the start. The United States is a member of the alliance, but President Trump also champions the "America First" trade policy. Australia has a rising bilateral trade with China and exports more than 30 per cent of its products to China. Australian exports to

China were worth \$90 billion in 2015, rising from a mere \$7 billion in 2000. Japan, who pioneered the idea, is still recovering from the catastrophic earthquake and Tsunami of 2011.

Even so, Japan does have the potential to lead the alliance. The yen is getting stronger under Abenomics. It has expertise in designing, planning and delivering hardware infrastructure. It has a leading edge in research and development and is a potential partner for technology transfers.

Does BRI work for India?

Chinese leaders and writers talk of the BRI as a dream project. Does it have any takeaways for India? After all, China and India do see eye to eye on many issues. India is the largest contributor to the AIIB and had accepted the Bangladesh, China, India and Myanmar-Economic Corridor.

“If China really intends to promote trade in the OBOR, why did India lose \$0.5 trillion in trade deficits to China in the last decade? If OBOR means trillions of dollars of investment in infrastructure projects why are cumulative Chinese investments in all sectors so far only \$4.3 billion?” asks Srikanth Kondapalli, a leading expert on China at the School for International Studies at Jawaharlal Nehru University. “Why did President Xi not keep his September 2014 promise of \$20 billion investment in India?” he asks. Kondapalli leaves us with a frightening thought. “If the QUAD doesn’t stop this (the BRI trading hub),” says he, “then India will lose half its trade passing through the region.”
