



Vivekananda International Foundation

*The Impact of China's "One Belt, One Road"
Strategy on Political, Military and Economic
Situations in the Asia Pacific Region*

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**Occasional Paper
September 2017**

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The Impact of China's "One Belt, One Road" Strategy on Political, Military and Economic Situations in the Asia Pacific Region

Retrospect

When one talks about Silk Road it conjures up visions of traders and caravans travelling from Occident to the Orient and vice versa. There have been many versions of silk roads which have been used by both traders and invaders for ages. These silk roads connected many cultures and civilizations and these exchanges were largely mutually beneficial. For instance, along with the trade Buddhist religion spread from India to Afghanistan and then to Central Asia, and beyond to China along one of the many silk roads/routes. These routes have connected many corners of Asian and European land mass. Such silk routes/roads have also been a metaphor for gaining geopolitical influence. For example, because of the geographical location of Central Asian Region it has attracted many powers to play out their geopolitical games to gain control of the resources in the area as well as over the political orientation of the countries.

However, one can hardly find any fault with the principle of enhancing connectivity through multimodal transport corridors. This could be either over land or sea that lead to economic integration, free flow of goods and services and that enhance trade, commerce, economic activity including promotion of people to people exchanges. But then, it is also imperative that wherever there is economic interaction, there is bound to be some degree of geo-politics. This was also the case during the ancient times when the Silk Road came into existence that was used by the mankind for a variety of purposes. Even in the era of globalization and an integrated world, though the dominant theme is geo-economics, the geo-political/geo-strategic aspects of the evolving economic world order also come into play, and therefore, cannot be lost sight of.

In March 2015 National Development Reforms Commission (NDRC) of China had issued a White Paper titled "Vision and Actions on Jointly

Building Silk Road Economic Belt and 21st Century Maritime Silk Road”¹. During the author’s visit of June 2015 to NDRC Mr. Zhao Chenxin of that Commission had outlined the background of ‘One Belt One Road’ (OBOR) i.e. the ‘Silk Road Economic Belt’ (SREB) and the ‘Maritime Silk Road’ (MSR). He also highlighted its salient features that among other things included improved connectivity and infrastructure, greater trade and economic activity, enhanced cooperation in industrial investment, development of resources of energy, financial cooperation, people to people exchanges, environmental cooperation and cooperation in maritime affairs. He was of the view that there were complementarities in Chinese and Indian economies and potential existed for further progress on economic cooperation.

When questioned on China’s expectations from India on MSR proposal, he pointed out that mutual benefit was the principle. India is an important country at the junctions of the Silk Road and there was vast potential for cooperation. He suggested aligning India’s Look East Policy and OBOR for mutual benefit. Expressing not much familiarity with India’s Mausam project² based on the ancient spice route, he did agree that complementarities exist between the two projects. In essence, according to Chinese perspective, “The Belt and Road Initiative (BRI) is a systematic project, which should be jointly built through consultations to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the Belt and Road”. Utilizing China’s surplus capacities both in terms of capital, labour and skills that is expected to be beneficial to all involved; however some of the partner countries are bound to have different views and approaches.

On the other hand, it cannot be said that the SREB and MSR initiative put forward by the Chinese leadership in September and October 2013 is entirely a new idea. China had been engaging both the mainland and rest of the countries of the Association of Southeast Asian Nations (ASEAN) to improve connectivity to enhance trade, commerce and promote development in the region. China already had ‘one axis and two wings’ and ‘3M’ Cooperation strategies in place which included mainland cooperation, maritime cooperation and Mekong Sub-region cooperation. The areas of cooperation described as 3M above include marine economic cooperation in the Gulf Economic Zone by developing Pan-Beibu and the greater

Mekong Sub-region, referred to as 'two wings', while mainland economic cooperation through N-S (i.e. Nanning to Singapore) Economic Corridor was termed as 'one axis' wherein efforts were made to cover other ASEAN member nations like Indonesia³. The objectives of the OBOR initiative proposed by President Xi during his visit to Indonesia in October 2013 and Premier Li during the 16th China-ASEAN meeting in Brunei, and the earlier economic initiatives are somewhat similar. Similarly, China had ongoing 'Western Areas' development and 'Go West' plans for developing infrastructure, roads and multimodal corridors not only for the western provinces but the same network would also be linked to communication centers of Central Asian countries and beyond to connect Xinjiang through Central Asia to Europe long before the SREB is unveiled. Even though some of these projects, for instance, 'Western Europe - Western China' international transit corridor were undertaken under the Central Asian Regional Economic Cooperation (CAREC) before the commencement of SREB, their objectives were similar. China has also built oil and gas pipelines to Kazakhstan and Turkmenistan respectively much before the SREB initiative was announced. Thus current initiatives are only an expansion in scope and scale, in a sense, of the existing endeavours.

Geopolitical Underpinnings

In a conference held by President Xi Jinping in end October 2013, he had outlined the major thrust of China's foreign policy as "to make peripheral countries kinder and more intimate to China and meanwhile more to recognize and support China, thereby increasing China's affinity and influence"⁴. He talked about the SREB, the 21st Century MSR, the need for "accurately introducing China's domestic and foreign policies", and "speaking well of China's story and propagating China's sounds". Such kind of 'periphery diplomacy' is expected to address China's need for a stable external environment which in turn would be conducive to domestic economic reforms. The goal of this policy is to enhance China's overall influence in its periphery and assuage concerns of some of China's neighbors. Integration of the development strategies of countries along the Belt and Road in Asian, European and African countries and absorbing them into China ordained financial and security architecture has been the driving force behind Chinese leadership's march towards realizing the 'Chinese Dream'.

Domestic Factors

Not only that the vast expanse of the OBOR but also a plethora of projects associated with it are also premised at addressing the surplus capacities (including the enormous amount of wealth) created during China's stupendous growth years. However, this growth could be better utilized outside China with the objective of meeting the challenges of internal disruptions. This economic capability is also expected to support a sustained growth of the Chinese economy which has been decelerating for some years now. The OBOR projects inside China also seek to overcome challenges in the existing economic disparities and inequalities between some of the provinces and between the coastal and interior regions in order to gain domestic support for the overall OBOR strategy. Implementation of such projects are expected to attenuate internal socio-economic turbulence and decrease the frequency of protests/demonstrations that have been witnessed in the recent years.

The erstwhile western area development plans to an extent have been subsumed under the rubric of OBOR. For instance, in Tibet and Xinjiang, the design is to stabilize the provinces on the periphery which have separatist or extremist tendencies due to either ethnic or religious differences. Such periphery states have also been given a role in connecting to the neighboring countries i.e., Xinjiang to Central Asian countries, and Pakistan and Tibet to Nepal. Connectivity and ensuing development leading to better socio-economic conditions are expected to be instrumental in stemming the hostility to the Central government in Beijing.

Articulation by Xi Jinping on China's Dream on November 29, 2012, that was connected to the "the great rejuvenation of the Chinese nation"⁵, was also designed to legitimize and consolidate the hold of the Chinese Communist Party on political power. While Hu Jintao during his tenure had been struggling to deal with socio-economic issues and likely questions on the continuity or otherwise of the existing political structure, Xi Jinping was quick to come out with new domestic and foreign policy formulations. These policies included redefining China's Dream, suggesting new type of major power relationship with the US and the OBOR strategy. Xi's China Dream has many elements and fields that encompass individuals right down to the entire nation and is linked to political, economic, social, and

military and many other such fields. The Belt and Road symbolizes one of the major paths for China achieving the status and recognition as a major or rather a pre-eminent power in the region and global levels.

Gaining Political Influence and International Prestige

Flush with economic power and a degree of harmonious internal environment the overall objective of OBOR is to build a China-centric land and maritime connectivity that will not only create economic dependencies on China but also will alter the strategic equations. China, in many ways, is already the driver of a number of multilateral platforms like Shanghai Cooperation Organization, Brazil, Russia, India, China and South Africa (BRICS) Group and has been acquiring leadership role in Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), Asia Cooperation Dialogue (ACD), Conference on Interaction and Confidence-Building Measures in Asia (CICA) (originally a Kazakhstan's initiative). Other than the ASEAN plus China it has Greater Mekong Sub-region (GMS) Economic Cooperation mechanisms to extend its political influence. OBOR, thus would be a grand initiative to expand its leverages and political influence, thereby serving China's hegemonic ambitions.

In October 2013 when the OBOR had been announced during Chinese leadership's visits to Central Asia and South East (SE) Asia, China was more concerned with the politico-strategic situation developing in SE Asia, especially regarding the South China Sea, rather than in Central Asia where it had already achieved a degree of ascendancy despite Russia being the resident power there. Implementation of Obama administration's 'Rebalance to Asia' strategy had been causing concern to China affecting China's sway over the SE Asian nations. This strategy had political, economic and military components. For instance, in case of trade groupings America had been promoting Trans Pacific Partnership (TPP) which included some of the ASEAN countries like Vietnam, Singapore, Malaysia, and Brunei while it excluded China. Beijing on the other hand has been promoting Regional Comprehensive Economic Cooperation (RCEP) which revolves around ASEAN plus 6 mechanism. The membership of some of the ASEAN countries in TPP, in a way, indicated the geo-political orientation of the countries involved. Therefore, China's OBOR strategy is being viewed in the above perspective as a counter to America's pivot to Asia idiom. While

President Trump might have pulled out of the TPP, the major elements of 'Rebalance to Asia' by the US and its approach to Asia-Pacific politico-strategic have not undergone any major change. The bilateral equations with the countries of ASEAN and East Asia are still in place and are becoming robust because of China's assertive and irredentist policies on its periphery. Further, though, there was a considerable pause in conducting Freedom of Navigation Operations (FONOPS) in the South China Sea the first such patrol during Trump's era was carried out by the US Navy sailing within 12 nautical miles of a Chinese artificially built island in May 2017⁶.

As some of the SE Asian nations have tendencies to balance China by involving the US, the Chinese offers of economic aid and development of infrastructure projects as part of its Belt & Road Initiative to the SE Asian countries can also be seen as Beijing's attempts at weaning away such SE Asian countries from American influence. While the ASEAN talks about the centrality of the ASEAN in its regular annual summits and ministerial level meetings China has been able to divide the ASEAN with its economic inducements and developmental projects including building of infrastructure through the instrument of BRI. Cambodia and Laos remain firmly in China's camp and some other countries like Indonesia adopt relatively neutral stance on the contentious issues especially of the South China Sea. However, Cambodia could also have a debt crisis at its hand given the nature of Chinese loans extended to it by China⁷.

Even though Philippines won its arbitration case regarding its Scarborough Shoal dispute with China on the South China Sea (SCS) President Duterte chose to ignore the findings of the Permanent Court of Arbitration (PCA) and cozied up to China partly influenced by the fact that Beijing could offer hefty economic package⁸. Duterte after attending the Belt and Road Forum in mid-May 2017 also said that BRI complements ASEAN integration⁹. Indonesia has also been keen to derive benefits from the BRI but it also wants to offer such projects to Japan and the United States which have major interests in the growth of this region¹⁰. Similarly, Myanmar through which oil and gas pipelines linking Yunnan to Arakan coast in Bay of Bengal pass remains heavily influenced by China. Even though the new government led by Daw Aung San Suu Kyi has not revived suspended projects like Myitsone hydro power dam, China is keen to develop other alternative projects¹¹.

The political impact of the OBOR's flagship project of China-Pakistan Economic Corridor (CPEC) with likely Chinese investments of 62 billion USD has been far more severe especially from the Indian perspective. Pakistan has become completely dependent on China and has been integrated into China's world view. Some analysts describe the Sino-Pak relationship as a patron-client relationship. The CPEC passes through Indian territory illegally held by Pakistan and China that is so concerned about its sovereignty issues has ignored India's objections to the CPEC. This has added to the list of issues of discord between the two major countries in Asia. India refused to participate in the BRI Forum of mid May 2017 saying that "India cannot accept a project that ignores its core concern on sovereignty and territorial integrity".

A UN Economic & Social Commission for Asia Pacific (ESCAP) Report titled 'The Belt and Road Initiative and the Role of ESCAP' prepared at China's request and covering the six economic corridors spanning Asia, Europe and Africa under the umbrella of the BRI was released in May this year. The report stated that BRI might create geopolitical tensions between India and Pakistan and ignite political instability¹². The report also expressed apprehensions that Afghanistan's political instability could limit the potential benefits of transit corridors to population centers near Kabul or Kandahar (report also warns about financial and social risks).

China, with its massive investments in CPEC projects hopes not only to stabilize Pakistan but also address its security concerns in Xinjiang. Pakistan's establishment has been handing over Xinjiang radical Islamists who have been trained in Pakistan's border areas to China. However, unstable political and security situation in Pakistan for instance, turbulence in Baluchistan, dominance of radicalized Pashtoons in Karachi which control most of the road transportation and expanding signature of terrorist outfits are some of the factors which would have negative impact on development activities. There is also a domestic political debate and controversy over whether the Central, Western or Eastern routes should become part of the CEPC with different provinces staking their own claims leading to heated arguments between the political leaders in the Assembly as also outside.

In addition, there are other BRI projects in the South Asian countries which have created not so positive dynamics. Construction of Hambantota Port

project in Sri Lanka has landed the country into huge debt trap which China has exploited by asking for more land and equity in the project. The port in one year of its operations has received just about 15 ships. Similarly, the airport built in Hambantota (Mattala Rajapaksa Airport) receives just one flight in a day whereas the infrastructure built envisioned a huge influx of visitors¹³. One of the main issues in Sri Lanka's 2015 elections was corruption associated with China's infrastructure development projects. The opposition candidate for President won the elections but the negative political dynamics inside the country created by the Chinese projects still continue. Last year, during President Xi Jinping's visit to Bangladesh in October, 24 billion USD worth of projects and investments were promised. China has been looking for constructing ports like Chittagong in Bangladesh which have politico-strategic connotations. Similarly, China has leased an island near Male, capital of Maldives, for 50 years and there is a project for expansion of Male airport by a Chinese company which has strategic implications for India¹⁴.

Politico-military Aspects and their Impact

The scope and scale of the OBOR both along the land and maritime routes is very vast involving billions of dollars' worth of investments and infrastructure development projects the security of which would have to be ensured. Undoubtedly, the People's Liberation Army (PLA) has a role to play in being a 'security guarantor' for a project that was initially conceived as an economic initiative but that would also extend political and strategic influence very significantly. Ashley Tellis, an American strategic analyst in a testimony to Congress cautions that "the US must take more seriously the strategic challenges posed by China's OBOR initiative". He also refers to China's ability to expand the reach of its military operations, and China's capacity to deepen its foreign policy and strategic ties in critical areas of the Indo-Pacific¹⁵.

Building connectivity by China to the Bay of Bengal and the Arabian Sea through its various legs of OBOR including 21st Century MSR is also geared towards resolving its Malacca dilemma in some measure. Further, security of Sea Lanes of Communications (SLOC) remains fundamental to China's trade which largely passes through the Indian and Pacific Oceans. In July 2014, Liu Cigui, Director of the State Oceanic Administration, in an article

had observed that “sea lane security is critical to sustaining the stable development of the 21st Century MSR, while port facilities are the foundation of sea lane security”. He recommended that China must therefore help to establish “sea posts”¹⁶ that can support and resupply the ships operating along the sea lanes for security. He talked about China helping maritime countries on the MSR establish/construct such ‘sea posts’ or they could do it on their own and the posts could be leased out which in itself has some strategic implications. Acquiring logistic base at Djibouti by China for its naval and other maritime platforms could be viewed as a ‘sea post’ or a naval base in the making depending upon the evolving strategic environment (which is always in a state of flux) and other considerations. China has justified it stating that it needs logistic support for anti-piracy operations in Gulf of Aden as also for support of its UN missions¹⁷. But the moot question is whether Djibouti will be just a logistics base rather than a military base like the American and French military bases in Djibouti.

Gen Zhu Wenquan, former Commander of Nanjing Military Area Command, in an interview has highlighted that “actually the BRI proposed by China, which is not only an economic issue, but also a political and military issue. It is a successful breakthrough achieved by China after more than ten years of strategic deployments.”¹⁸ Even before the OBOR initiative was unveiled, Chinese scholars and naval officers have been arguing for the need to establish overseas bases for protecting their growing economic and other interests. According to Shen Dingli (2010), “setting up overseas military bases is not an idea we have to shun; on the contrary, it is our right”. Bases established by other countries appear to be used to protect their overseas rights and interests. As long as the bases are set up in line with international laws and regulations, they are legal ones.¹⁹ Earlier in 2009 Senior Colonel Dai Xu of PLA Air Force (PLAAF) had argued for acquiring of overseas bases to safeguard commercial interests and world peace in an article²⁰. But now with OBOR acquiring momentum the need for military bases has not only grown but also anodyne justifications for the same can also be found.

It should also be noted that China’s Defence White Paper of 2015²¹ has laid emphasis on expanding the PLA Navy’s (PLAN) missions from “offshore waters defense” to the combination of “offshore waters defense” with “open seas protection”. Protection of the strategic SLOCs, overseas

interests and building of maritime power for such a task have been highlighted in the paper. It is axiomatic that wherever China builds up its economic presence or assets, it conveniently justifies the need to protect the same. Further, in the rearrangements of China's military regions and their conversion into Theatre Commands, the Southern Theatre Command would then be commanded by an Admiral. This will highlight the significance of not only the South China Sea (SCS) but also the MSR which originates from the areas under its command. While China has planned to downsize the PLA Army, however, its power projection forces - PLAN, PLAAF, PLA Strategic Support Force - are being further expanded²². One of the major motivations for such a reform is to protect its expanding economic and security interests abroad in consonance with enlarging the envelope of BRI, especially in the maritime domain.

Thus the PLAN has also planned for expanding its Marine Corps strength from 20,000 to 100, 000 which by any standards would be a very large expansion. One of the obvious missions of such a large force would to protect China's growing interests along the MSR routes and their littorals. The marines could also be deployed for security of the OBOR initiative. This force is likely to be billeted at Djibouti, Gwadar and some other ports along the MSR. Such a force is not a defensive force in any sense of the term; comprising of highly trained and well equipped troops they would be employed for offensive missions. The deployment of such a force would expand the military reach and capabilities of the PLAN. According to some analysts the reorganization of the marine force is one of the major aspects of building up the traditional tools of global power²³. In fact, in second week of July the first batch of military personnel sailed from South China's Guangdong province for operationalizing the military base at Djibouti. While the base is supposed to be conducive for 'overseas tasks including military cooperation, joint exercises, evacuating and protecting overseas Chinese and emergency rescue, as well as jointly maintaining security of international strategic seaways'²⁴ it is also evident that such bases could be used for power projection.

PLAN has also been sending submarines to the Indian Ocean region quite frequently since 2013, ostensibly for counter piracy missions. Obviously, such an explanation is difficult to be accepted by anyone with even a limited knowledge of naval operations. However, lately Chinese military

writers have started defending submarine deployments in the Indian Ocean Region (IOR) as necessary for protecting its interests²⁵. The Chinese submarines have also been docking at Gwadar. According to Pentagon's Report on China's Military Security Developments (2017), China most likely will seek to establish additional military bases in countries with which it has longstanding friendly relationship, similar strategic interests, such as Pakistan, and in which there is a precedent for hosting foreign militaries²⁶.

Interestingly, in April 2017, PLAN dispatched three naval destroyers supported by a logistics ship on an OBOR group tour. The plan was to visit a number of countries on the OBOR tour. Such a visit by the naval ships signaled the intent of China not only in promoting its OBOR strategy but also indicates to the participating countries its willingness to use force to protect its overseas interests²⁷. Admiral Scott Swift, commander of the US Pacific Fleet, has questioned the intent of OBOR and has stated that the maritime implications of China's OBOR project are causing a "sense of anxiety" in the region. He also noted that Chinese warships were making an OBOR tour and he was very keen to observe the actions of the naval task force which might give some insights.²⁸

China's Maritime Cooperation Vision under the BRI

Recently, China also came out with a white paper on "Vision for Maritime Cooperation" under the BRI²⁹. The scope and scale of MSR has been hugely expanded with the addition of two more routes -- China-Oceania-South Pacific Blue Economic Passage and another one leading up to Europe via the Arctic Ocean. Thus, only Atlantic Ocean seems to have been left out³⁰. While the whole paper is peppered with blue economy, cooperation and benefits to be derived from sustainable development, yet the central locus of the paper revolves around promoting 'the concept of common maritime security'. Though the paper talks about enhancing maritime cooperation on non-traditional security issues, it is also clear and apparent from earlier arguments presented in this paper that under the cloak of non-traditional security China will expand its hard power projection capabilities.

The new maritime vision calls for upholding the existing international ocean order, however, China's own behavior in rejecting the Permanent Court of Arbitration award of July 2016 on dispute with Philippines does

not inspire much confidence that it would follow international norms. Militarization of islands and reefs in South China Sea leading to destruction of diverse marine biodiversity and negatively impacting the environmental balance does not create a positive climate for accepting the intentions articulated in this latest Chinese paper on BRI. Additionally, China has been gradually and very subtly changing its position on the questions and principles of territorial sovereignty and following international norms. While in its paper on “China’s Policies on Asia Pacific Security” of January 2017, it declares its adherence to “the purposes and principles of the Charter of the United Nations (UN), the fundamental principles and legal system defined by universally recognized international laws and modern maritime laws, including the United Nations Convention on the Law of the Sea (UNCLOS) and the Five Principles of Peaceful Coexistence”, the mention of UNCLOS is altogether absent in Joint Communique of BRI of May 2017 or for that matter “Vision for Maritime Cooperation” of June 2017.

Economic Aspects

The major thrust areas of OBOR have been connectivity, infrastructure development, trade and finance. China has also propagated that the initiative will lead to a better world with better economic growth prospects. According to President Xi, “through the initiative, we hope we can find new driving forces for growth, create a new platform for global development, and re-balance economic globalization”. He was speaking on the sidelines of the BRI Forum held in mid-May 2017 in Beijing. The forum is said to have been attended by leaders and representatives from 130 countries including attendees from the US, Japan and some European countries, who were not necessarily in agreement with a number of premises and precepts of the BRI. There has been a mixed response to this initiative which has been termed as grand vision for connectivity, trade and infrastructure development.

The BRI Forum Joint Communique stressed on the “shared commitment to build open economy, ensure free and inclusive trade, oppose all forms of protectionism”. It further goes on to state that “we endeavor to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system with WTO at its core.” As part of Economic Belt, China has been looking to develop more industrial parks, economic corridors and

capacity cooperation projects. China has also undertaken to support low-carbon businesses, e-commerce, big data and smart cities projects. The financial package to fund the projects was also announced as follows:-

1. 100 billion yuan (about 14.5 billion U.S. dollars) to augment the Silk Road Fund;
2. 380-billion-yuan equivalent in loans for infrastructure and development projects from Chinese policy banks;
3. 300 billion yuan to conduct overseas yuan fund businesses;
4. 60 billion yuan in aid to developing countries and international organizations.

China's Silk Road Infrastructure Fund launched in February 2014 with a capital of 40 billion USD. China Development Bank and Export-Import Bank of China are the institutions and banks involved in the financing of BRI projects. In addition, Asian Infrastructure Investment Bank (AIIB) with a capital of 100 billion USD with over 21 Asian member countries also has the objective of funding development projects that could be part of BRI or otherwise. BRICS have also gone in for New Development Bank (NDB) set up in July 2014 with capital of 100 billion USD. According to some estimates the plans envisaged include a financing requirement of around 890 billion the major portion of which will come from bilateral lending by the Chinese policy banks i.e. China Development Bank and Export-Import Bank of China. For instance, Export-Import Bank of China in 2015 had advanced loans of over USD 80 billion and by comparison the Asia Development Bank loan figures for development purposes were just about USD 27 billion.

All these figures are overwhelming and many countries get attracted by the promised investments in sectors that are likely to lead to development and possible economic growth. Even some of the institutional lenders in the western countries are inclined to fund the OBOR projects given the attractive returns of 6 to 7 percent that they seem to have been promised. On the other hand, there are many problems and risks that are associated with the BRI projects as has been witnessed in the recent past. Not all the projects have purely commercial considerations. There are geo-political and geo-strategic imperatives that come into play.

According to some reports Chinese officials have accepted that they expect to lose 80 per cent of their investment in Pakistan, 50 per cent in Myanmar and 30 per cent in Central Asia³¹. For instance, the BRI flagship project with investments now ranging from 46 to 62 billion USD is premised more on strategic imperatives rather than economic. The Chinese investment model has also been termed by some analysts as a comprador investment model where sovereign guarantees are obtained for advancing funds with not necessarily low rates of interest. The labour, skill and capital for the projects are all provided by the Chinese without creating many opportunities for local jobs to be created. There is also the question of absorption capacity of the foreign funds; for instance assessments made by the IMF, World Bank and the ADB reveal that Pakistan's economy cannot absorb foreign direct investment (FDI) much above USD 2 billion per year without giving rise to stresses in its economy. In fact, the CPEC Master Plan recommends that China's maximum annual direct investment in Pakistan should be around USD 1 billion. The same document also concludes that Pakistan's ceiling for preferential loans should be USD 1 billion, and for non-preferential loans no more than USD 1.5 billion per year.³² There are also indications that development of Pakistan's textile spinning sector will be geared to serve the raw material needs of Xinjiang, and the development of garment and value-added sector will be undertaken to absorb Chinese technology³³. It is also quite evident that Pakistan would be unable to pay back debt and instead might have to part with real estate to China as has happened in case of Sri Lanka.

The development of the Chinese built Hambantota Port remains largely questionable as it is not being used by shipping lines or companies. Instead Sri Lanka has gone under debt trap and China has now asked for additional land for developing Special Economic Zone. Sri Lanka's estimated national debt is USD 65 billion, of which USD 8 billion is owed to China. This can be attributed to the high interest rate on Chinese loans³⁴. The Sri Lankan government has agreed to convert its debt into equity to resolve the debt crisis. There is public outcry against Sri Lankan government's decision to convert debt into 80 percent of equity. Such loans have had impact on the internal politics of Sri Lanka as ruling elites are known to be corruptible and vulnerable to inducements.

Maldives' predicament could be equally worse according to a warning by World Bank and International Monetary Fund (IMF). They have reported that Maldives is going into debt crisis; the debt burden could exceed 120 percent of the Gross Domestic Product (GDP) in three years. Former President of Maldives Mohamed Nasheed has said that 75 percent of debt is owed to China and interest on loans amounts to 20 percent of the annual budget³⁵. He insisted that the country's government continued to give India the first look-in for all infrastructure projects. Similarly, an IMF report of 2016 shows that Cambodia's external multilateral public debt is now at USD 1.6 billion, while its bilateral public debt with China is USD 3.9 billion – 80 percent of this is owned by China. Obviously, it affects Cambodian government's ability to pursue its political and diplomatic interests free of influence from China especially in case of regional disputes like the one of South China Sea³⁶.

China's policies of infrastructure development in Central Asia have also been largely exploitative with many negative concomitant impacts on the economy and even strategic interests of the Central Asian Republics (CARs), especially so that of Tajikistan and Kyrgyzstan.³⁷ China's investment model for Africa, the eastern littoral of which forms part of China's MSR, is supposed to be based on 'concessional loans' but very tough conditions are attached to such loans. The pay back of loans is in term of natural resources, mostly the Chinese labour (70 percent or so) is employed who do not mix with locals, and corporate social responsibility is largely absent. The Chinese products are dumped in African countries and some analysts compared such practices to those employed by the European colonialists. Chinese have been known with ruling elites to influence African countries' foreign policy and diplomatic choices. Many unpopular African leaders seem to have been propped up by the Chinese in order to protect their interests in such countries³⁸.

India's Approach to OBOR/BRJ

Indian government has been articulating its stance over the OBOR/BRJ for last few years. During the Minister for External Affairs Minister, Ms. Sushma Swaraj's visit to China in February 2015, she told her counterpart, Wang Yi, that there could not be a blanket endorsement of OBOR but India is willing to explore synergy-based cooperation. India's position is that

OBOR is a Chinese initiative rather than a multilateral one and no blanket support can be given to it. Recently, before the BRI Forum in May 2017 while refusing the invitation to attend the Forum the Indian Ministry of External Affairs' spokesman said: "We are of firm belief that connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality. Connectivity initiatives must follow principles of financial responsibility to avoid projects that would create an unsustainable debt burden for communities; balanced ecological and environmental protection and preservation standards; transparent assessment of project costs; and skill and technology transfer to help long term running and maintenance of the assets created by local communities. Connectivity projects must be pursued in a manner that respects the sovereignty and territorial integrity."³⁹ The spokesman also went on to underline India's belief that connectivity does bring economic benefits. He also stated that India is working with many countries and international institutions in support of physical and digital connectivity in our own immediate and near the neighbourhood.

The US has also supported India's view when President Donald Trump and PM Modi during the latter's visit to the US in their Joint Statement specifically mentioned that both sides "support bolstering regional economic connectivity through the transparent development of infrastructure and the use of responsible debt financing practices, while ensuring respect for sovereignty and territorial integrity, the rule of law, and the environment; and call on other nations in the region to adhere to these principles"⁴⁰. Further, the European Union (EU) also has some reservations on the BRI as its members refused to endorse part of the multibillion-dollar plan because it did not include commitments to social and environmental sustainability and transparency⁴¹. EU stressed that the BRI can only be a success if it's based on transparency and co-ownership; the unity of EU on the issue seems to have surprised the Chinese. The EU members wanted guarantees that projects would be economically and environmentally sustainable and subject to fair tendering processes.⁴²

Coming back to India's reservations, these stem mainly from the fact that CPEC passes through Indian territory illegally occupied by Pakistan for many years. There are questions of sovereignty over POK which Indian leaders feel will be compromised if India endorses the concept wherein

CPEC has been termed as a flagship project of OBOR. Even though China may have some noble intentions, Pakistan certainly has nasty intentions towards India. China's entry into Pakistan Occupied Kashmir (POK) changes the very nature of the bilateral dispute. Further, development of Gwadar Port and its operation by China is being viewed in India as a part of its broader Chinese grand maritime strategy. Over the long term it provides the potential for China to exercise its ever expanding military influence. It would also provide an important linkage between China's Belt (continental connectivity) with Road (i.e. MSR) initiatives. Though there is an economic dimension to OBOR there is also a strategic dimension that has implications for South Asia and India's extended neighborhood.

From Indian perspective, China is aware that investments in CPEC may not give the expected economic returns thus these investments are being seen as more strategic in nature rather than based on economic viability. There is a general understanding that India cannot endorse a plan which undermines its salience in both land and maritime Asia. In short, India is not willing to be a junior partner or perform a subordinate role to that of China in Asia. Therefore, the challenge for the Indian decision makers is how does India take advantage of opportunities offered by OBOR without compromising India's core interests and retaining its options in the longer term? Some Indian strategic analysts favour a synergy-based cooperation with China, especially in projects or initiatives where Indian interests are convergent with those of China. There are such possibilities, for example, in Iran, Central Asia or even within India. This would involve identifying specific elements of OBOR we can utilize to our mutual advantage. There is also a view that India is being seen as a major player whose support is necessary for OBOR and therefore, this should be utilized in tweaking of our position which can be leveraged to secure Chinese concurrence for terms of engagement on specific projects and initiatives we can live with. India had joined the Asian Infrastructure Investment Bank (AIIB) as one of the major investors (second largest stakeholder) and as such that position has been used to discourage any investment schemes by the Bank which is not in consonance with India's views.

One of the basic tenets of India's current policy towards China has been to utilize Chinese capabilities to advance India's developmental agenda. India needs massive amount of funds for its infrastructure projects. There have

been indications that the Silk Road Fund, apart from Chinese policy banks (China Development Bank and Export-Import Bank of China) and AIIB, would be willing to fund projects outside framework of OBOR provided the projects are viable. India is quite keen to utilize such opportunities.

India is also resisting multilateral initiatives getting clubbed under the overarching ambit of OBOR idiom. For instance, Indian view is that Bangladesh, China, India and Myanmar (BCIM) Group is a regional initiative, with ownership of all four countries involved, rather than a subset or a branch of OBOR as China has termed it as a BCIM Economic Corridor as part of OBOR. BCIM had existed before China announced its OBOR initiative. Recently, a Joint Study Group meeting was held in Kolkata to discuss the progress of BCIM. At present juncture, despite many such meetings India remains unenthusiastic about BCIM as it does not see much benefits from this grouping and favours other regional and sub-regional initiatives like Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC), Bangladesh, Bhutan, India and Nepal (BBIN) platform and other trilateral and multilateral connectivity initiatives in this sub region where funding is also being given by Japan besides Asian Development Bank (ADB) and World Bank. India also visualizes Tibet being positioned to play active role in OBOR as an "important passageway to South Asia" through instruments like "China-Nepal-India Economic Corridor". India remains wary of China's attempts to entrench their presence in Nepal through such initiatives. India sees hardly any economic benefits being derived from such benefits, in the bargain India is concerned about geostrategic implications of such projects.

It is also well recognized that India does not have resources or requisite political and economic clout at present to put in place an overarching strategy that can counter the narrative and influence of OBOR. Ideas like the Project Mausam or Spice Route are hardly comparable or valid as alternative narratives. They also realize that there is a need to develop elements of India's own connectivity agenda with its neighbours and in the extended neighbourhood, based on pragmatic considerations and leveraging India's strengths. This will include identifying and pursuing strategically key projects, rather than spreading India's resources too thin. India is also looking to partner countries like Japan in advancing its connectivity projects.

Indian analysts believe that these are still early days for OBOR and there have been some problems with Chinese projects in Sri Lanka and for that matter in Pakistan also besides in some other countries, therefore, its success is far from assured. Further, most of the countries that have joined the bandwagon are not clear about the nature of this enterprise or their own role. There are also reservations about its China-centricity. While the countries joining the OBOR are attracted by the promise of heavy investments there is not much clarity in the rules of engagement.

Concluding Observations

Whatever may be the underpinnings of BRI, it is being recognized as an extremely important, imaginative and ambitious initiative fully backed by the Chinese establishment. However, Indian establishment remains wary largely because of the CPEC issue and the geo-strategic aspects of the same. BRI/OBOR is a Chinese initiative and not arrived at by consulting other countries that were expected to be part of it or affected by it. Some of the Indian ports on its Eastern coast are expected to be touched by the MSR according to some of the Chinese maps and writings in circulation but India has not been consulted. With the BRI China is positioning itself both as a leader in the Asia-Pacific as also at the global level. And this has come at a time when the US is seen as heading towards an isolationist mode abandoning its leading role in world affairs. Whether it is US withdrawal from Trans-Pacific Partnership (TPP) or pulling back from its climate change commitments these are being viewed as lack of American willingness to play a dominant role at the global stage.

In so far as India is concerned, it needs finances and expertise for its ports and infrastructure and China's propositions look too attractive to be ignored. Without doubt India can benefit from China's economic dynamism and is keen to evolve mutually beneficial arrangements on long term basis. India is ready to seek investments from China outside the rubric of BRI/OBOR on mutually beneficial terms and conditions. However, it is also clear and apparent that there are many problems associated with the nature of investments undertaken by the Chinese in South Asia, Central Asia and Africa. Further, some of the strategic connotations of the BRI resulting into political and strategic competition also inhibits India and

some other countries to be more enthusiastic about projects under the overall umbrella of the BRI.

Despite the lure of benefits, it is critical for China to ensure that the projects that it is floating are not seen as primarily serving China's strategic, security and economic interests. While China will remain the lead player and the driving force behind these projects, these projects will never achieve their potential until the vision guiding them doesn't incorporate the interests of all the participating countries. If this happens then this vision of 'Belt and Road' will be transformative and not exploitative exporting some of the worst aspects of the Chinese economy. It may not still solve all the problems bedeviling relations between countries participating in this vision, but it will certainly make these problems extremely manageable.

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