

One Belt One Road: the India perspective

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I. INTRODUCTION

The One Belt One Road (OBOR) is China's ambitious project to improve connectivity and cooperation among countries in Asia, Africa and Europe. This project has been very strongly pushed by the Chinese President Xi Jinping. The policy is significant as it aims to boost China's domestic growth. It is also the centrepiece of China's overall economic diplomacy.

The OBOR strategy envisions an overland Silk Road Economic Belt and the 21st Century Maritime Silk Road to foster trade and enter new markets. It aims to connect the East Asia Economic Circle on the one hand and the developed European regimes on the other.

The Belt refers to the Silk Road Economic Belt which comprises three overland routes, viz., (i) those connecting China, Central Asia, Russia and Europe, (ii) those linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and (iii) those connecting China with South East Asia, South Asia and the Indian Ocean.

The Road refers to the Twenty First Century Maritime Silk Road (MSR) designed to push trade from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through South China Sea and from China's coast through South China Sea to the South Pacific in the other.

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The Maritime Silk Road links China's ports with the African coast and then pushes up through the Suez Canal into the Mediterranean Sea. The MSR will extend from the Quanzhou province in China, heading south to the Malacca Strait, and then from Kuala Lumpur it would head straight to Kolkata, crossing the Indian Ocean to Nairobi, Kenya.

The purpose is to link the resource rich West and Central Asia to emerging South and South Asian countries along the MSR and this would have a huge potential in terms of expanding the consumer market.

In order to make OBOR successful China is prepared to offer economic and financial assistance to countries along the route by a connectivity programme, technological exchanges and help in the form of building infrastructure. China has already made some initial moves in this regard. It has allocated \$40 billion to this Silk Road Fund.

The chief purpose of OBOR is to mobilise huge funds for promoting transport and energy, which also means roads, bridges, gas pipelines, ports, railways and power plants. The programme is expected to spend over a longer term an estimated \$5 trillion on infrastructure that will benefit nearly 65 countries.

These 65 countries account for about 62% of the world's population and about 30% of its output. Rapid economic growth in these countries would be expected to help bring about convergence of income on a global scale.

On May 14-15, 2017, China had hosted the Belt and Road summit that was attended by 29 heads of state. Chinese leaders had expected that at least some major Western leaders would attend the summit. However, that did not happen. UK, France and Germany sent some lower ranking officials to the summit.

Significantly, India did not participate in the summit. From the strategic standpoint this has been regarded as a bold stand on the part of India, which we take up for discussion subsequently.

Interestingly, there is no comprehensive listing of OBOR related projects and initiatives. The programme is perhaps deliberately kept vague so as to bring in details which seem convenient at later points in time.

In the Boao Forum meeting held in Boao, China, in 2015, President Xi Jinping observed that from a geo-economic standpoint, the OBOR project would foster connectivity and a new kind of industrialisation in the Asia-Pacific area, which would enable the citizenry in these regions to enjoy the fruits of development.

According to an influential view in Europe, the OBOR project is an expression of Mr Xi's determination to break with Deng Xiaoping's dictum to 'hide our capabilities and bide our time; never try to take the lead'. The centre piece of the OBOR idea is to lay out China's claim to global leadership. The ultimate aim is to have Eurasia as a trading area dominated by China, which would counter the trans-Atlantic trade arrangement dominated by America.

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By investing in infrastructure in the neighbouring countries, Mr Xi hopes to find an outlet for China's vast foreign exchange reserves, most of which are in low interest bearing American securities. He also hopes to create new markets for China's companies, such as high speed rail enterprises, and to utilise and export China's vast excess capacity in cement, steel and other metals.

Mr Xi has invested a lot into the OBOR project. The idea might work because many of the participating countries are seriously lacking in infrastructure and this would offer them a great opportunity.

China's OBOR initiative is driven by the need to sustain investment, even as domestic consumption and world trade are unable to sustain growth. China's extraordinary growth performance for more than three decades seems to have tapered down, and it needs to find new investment outlets (Baru, 2017).

It is possible to hold the view that in addition to the purely economic purpose, the real purpose of OBOR may be thought of as geo political ambitions on the part of China.

II. THE POSSIBLE GAINS

In the theoretical literature on the pure theory of international trade countries that get together for purposes of trade and investment can expect benefits for all concerned. The essential insight of David Ricardo was to establish quite conclusively that as long as comparative costs of producing goods are different, two trading countries would always find it advantageous to trade, and both countries will in fact reap higher welfare.

This will enable resources to be allocated within countries into the most productive uses, and the gains may be shared by all parties. Connectivity via rail, road and by sea would bring down transport costs and greater integration of markets.

Development of infrastructural ties with neighbouring countries would eliminate physical and regulatory barriers to trade by aligning standards. It would also address the problem of the prevalence of excess capacity in certain industries, which would now have the advantage of catering to a larger market, thereby eliminating excess capacity, and therefore, more efficient allocation of resources.

OBOR provides a substantial platform for increased trade and investment activity along the entire route. This can only be beneficial to all the countries who come forward as willing participants in this initiative.

More than 2000 years ago China had helped establish the Silk Road, a network of trade routes that linked China to Central Asia and the Arab World. The name came from possibly China's most important export, viz., silk. The road influenced the development of the entire region for nearly two millennia.

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The present OBOR initiative is supposed to be looked at as more than physical connectivity. It aims to create a large platform for economic cooperation, including policy, trade and financial cooperation. In addition it also aims to encourage cultural and social cooperation. The purpose of OBOR is clearly to benefit everyone. Up till now, 65 countries with a combined GDP of more than \$21 trillion, have expressed interest in participating in the OBOR plan.

A number of projects seem to have taken shape already. China has already signed bilateral agreements with Hungary, Russia, Mongolia, Tajikistan and Turkey, among others. There is a train connection between China and Iran that may in due course be extended to Europe. There are some new rail links between Laos and Thailand that figure prominently in the OBOR programme. More than 200 enterprises have shown interest in supporting projects along OBOR routes.

There are six specific corridors being talked of: New Eurasian Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia, Indo-China Peninsula, China-Pakistan and Bangladesh-China-India-Myanmar. Connectivity in these corridors will be via roads, rail, airways, waterways and information highways. These corridors will help create commercial, industrial and energy clusters. Such expanded connectivity is expected to generate beneficial productivity gains.

A key concern will centre on how the issue of environmental and ecological degradation would be addressed. It would be important to ensure that those who are seen to pollute the environment be subject to an appropriate measure of taxation.

Possibly the most important function of the Belt and Road Initiative would be to bridge the infrastructure gap and accelerate growth across Asia Pacific, Central and Eastern Europe. These areas are known to be short of investible funds for large scale capital investment.

In terms of practical instrumentality the OBOR plan envisions support from a number of institutions from the banking and investment sector. One of them is the Asia Infrastructure Investment Bank (AIIB) which is especially geared to lending for infrastructure. One of the additional goals of AIIB is also to improve public access to social services. There is, in addition, the Silk Road Fund, the purpose of which is to help invest in business.

After President Xi's active promotion of the OBOR initiative, local Chinese governments as well as state and private firms have rushed to offer support by investing overseas and making loans. However, a number of critics argue that China is exporting excess industrial capacity to spread its influence, and the initiative, which encourages developing countries to take on heavy debt, lacks adequate standards of governance and transparency.

It is also important to underline that the Belt and Road Initiative (BRI) faces many security challenges at present. Instability in the Central and West Asian

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regions, arising from civil and political unrest, as well as the rise of extremism, implies that there are serious threats that need to be addressed. The rise of ISIS and terror financing mean that it is vital to maintain security to protect the BRI region.

III. THE INDIA PERSPECTIVE

It would not be inaccurate to say that there are two broad perspectives in India on the OBOR scheme.

Officially India has been against the OBOR initiative. The chief reason is the China-Pakistan Economic Corridor (CPEC) which is part of OBOR. Following the launch of CPEC, Pakistan has received investments worth \$46 billion.

India's opposition is based on the fact that the CPEC passes through Indian territory. This was stated by India's External Affairs Ministry spokesperson. India has raised objections over CPEC projects in Pakistan occupied Kashmir (PoK). It seems reasonably clear that China has not paid adequate regard to India's concerns. Therefore, in the May 14-15, 2017 Belt and Road summit hosted by Beijing, India significantly did not participate.

India also has reservations over the financing model of OBOR that is likely to increase the debt burden of recipient countries and thereby defeat the end goal of OBOR.

The Trump administration in the US has thrown its weight behind India's opposition to the CPEC corridor, saying that it passes through a disputed territory and that no country should put itself into the position of dictating the Belt and Road Initiative. It has argued that in a globalised world there are many belts and many roads and no one nation should put itself into the position of determining a single belt and a single road.

The US Secretary of State Rex Tillerson, comparing the rise of China and India, has observed that Beijing is undermining international law, by using predatory financial tactics and burying smaller countries in debt, while India is on the side of rules-based order. He went on to add that the US would never have the same relationship with China, a non-democratic society, that it can have with a major democracy like India.

On 12 December 2017 the Russian Foreign Minister Sergey Lavrov stated that India has 'enough very smart diplomats and politicians to find a way which will allow it to benefit from OBOR process without sacrificing its position'. Regarding the desirability of OBOR for Russia, Minister Lavrov opined that 'Russia has its own corridors and has large territory for such corridors and connectivity initiatives'.

In October 2017 the Indian Ministry of External Affairs spokesperson said that India was open to working with countries 'on issues that advance our interests

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and promote our viewpoint'. In this context it was stated that India is open to a Japanese push for a 'Quadrilateral' with US and Australia as a counter to OBOR.

There however is also a second view in India which is at variance from the official position. India's political democracy allows for a climate of open debate. A number of independent thinkers and scholars have opined that India ought to have participated in the May 2017 summit.

Manish Tewari (2017), a former Union Minister under the United Progressive Alliance (UPA) government headed by Dr Manmohan Singh has observed: 'The OBOR conference convened by the People's Republic of China to unveil and showcase the most ambitious connectivity project of modern times represents the grandest failure of Indian foreign policy and its quarantine into splendid isolation'.

Sudheendra Kulkarni, a former strategist of the ruling Bhartiya Janta Party (BJP), was critical of India's boycott of the summit and called it a 'self-goal'. According to Kulkarni, India was the proverbial 'elephant in the room': conspicuous by its absence.

The second view holds that when all the strategic and economic implications are judiciously analysed, India would, on balance, stand to gain from participating in the belt and road initiative (BRI). By participating in the BRI project India would be in a position to take advantage of trade and investment possibilities. Participation in this initiative would bring forth a climate of mutual trust, stability and prosperity among the member countries.

In particular, India would be in a position to make progress on the Chabahar port on the Iranian coast which will give access to Afghanistan and Central Asia. This would also improve the trading position of India on the silk route.

Subscribing to the second view, (see Bhardwaj (2017), Nataraj and Sekhani (2015)), some scholars argue that India's opposition to the China-Pakistan economic corridor is flawed. It is argued that connectivity with Central Asia and Europe through its northern frontiers would be economically more beneficial for India than continued reliance on shipping routes. The point being made is that if India is interested in having free sea lanes of communication, then land based trade should also be allowed to move with relative ease. Border disputes ought not to be allowed to interfere with land lanes of communication.

In conclusion, it may be said that even though there are some potential advantages in the OBOR scheme, India has some genuine territorial concerns concerning the Pakistan occupied Kashmir (PoK). It is this which has kept India out of the OBOR project. Internationally, the initial enthusiasm regarding the OBOR project also seems to be giving way to some emerging concerns regarding governance issues and the possibility of indebtedness among the participating countries. All these issues need to be assessed and evaluated with great care.

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