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One Belt One Road and China-Pakistan Economic Corridor

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The editorial provides the details, risks, assessment and India's perspective on China's One Belt One Road initiative and the proposed China-Pakistan Economic Corridor.

One Belt One Road (OBOR): What, How, Why

- OBOR, as the name suggests, has two main components, One Belt - the land-based belt, 'Silk Road Economic Belt', and One Road refers to the ocean going 'Maritime Silk Road', which aim to connect the East Asian economic region with the European economic circle and runs across the continents of Asia, Europe and Africa. It is China's ambitious project announced in 2013. It covers about 65% of the world population, 60% of the world GDP and about 60 countries in six economic corridors.
- China has framed the ambitious policy keeping in mind a free-trade area in the Asia-Pacific (six economic belts of OBOR).
- China is reviving the ancient silk road trading routes in its effort to reshape its global profile. It is a bold and creative way to build an economic system with China at the epicenter. It is part of China's innovative strategy to secure long-term economic, foreign and security goals.
- China understands that 'strategic access' and the 'politics of routes' (through ports, road, railways) is important to further not just trade to the peripheries but also ideology and dominate culture. The control over the routes gives it strategic advantages and economic benefits over rival economic powers. Strategic alliances, security ties, regional integration is likely to follow in member states once the OBOR is in place (and non-members may be discriminated against in trade and security matters).
- China with the fruition of this initiative would gain the opportunity to transform Asia and amass to itself huge strategic space in the region.

- There are huge benefits for China (and member nations) including but not limited to internationalization of its currency, energy security (inter-national pipeline linkages), regional transport networks and logistical advantages, international capacity cooperation (relocation of manufacturing capacity to OBOR countries) and Chinese state-owned banks' lendings to member states for industry, infrastructure, trade, financial services.

Challenges with OBOR

- In 2017, the UN (UNESCAP) raised a red flag over economic, financial, social and environmental risks in the Belt and Road initiative. It is seen that investment values are highly disproportionate to the recipient nation's poor economy such as Uzbekistan or Pakistan. A country like Sri Lanka is already in China's debt trap.
- Total investments by China may exceed \$4 trillion by China's own estimate. Displacement and marginalization of communities, exploitation of labour, impact on environment, rising negative public perception of China are other costs and issues with OBOR.
- The project involves some of the most risky developing countries in the world led by China whose own economy was in shape after decades of 'quiet privatization'- led economic reforms.
- China has its own problem of 'overcapacity' at home; Chinese firms can now find new markets and investment opportunities in OBOR zones which in turn will get paid by Chinese banks' finances given as debt to the OBOR countries.
- An Economist Intelligence report had identified multiple risks with OBOR: security, political stability, government effectiveness, the legal and regulatory environment, macroeconomic risks, foreign trade and payments issues, labour markets, financial risks, tax policy, the standard of local infrastructure, social unrest, opposition, crime and hostility, financial crises, bureaucracy and corruption, legal and regulatory risks etc.

India's Concerns on OBOR

- India's concerns on OBOR are related to security, lack of transparency and non-inclusiveness; details of funding, countries, stakeholders have never been made clear by China.
- Some experts have expressed that being part of OBOR may help India get investments and infrastructure and it may provide India opportunities to aid finance, technology, expertise in infra development in OBOR belts. India, however, is not keen on OBOR.

China-Pakistan Economic Corridor (CPEC): India's Objections

- The China-Pakistan Economic Corridor (CPEC) is a part of OBOR, and consists of massive bilateral project to improve infrastructure within Pakistan for better trade with China and to further integrate the countries of the region.
- India has boycotted the high-profile Belt and Road Forum organised by China. China's insistence on establishing the CPEC project through PoK is seen by India as a deliberate disregard of its territorial claims.
- If CPEC gets operationalised and furthers a fully functional China-Pakistan axis, this would hamper India's larger interests in the South Asian region and force a strategic rethink. Its possible success may bring industrial development in the PoK region and can aid Pakistan's legitimacy in the Kashmir dispute.
- CPEC and OBOR viability is attracting questions. Already there are signs of the Chinese rethinking some of their investment plans in Pakistan which could find itself in Chinese debt trap. From the very beginning, the economics of CPEC didn't make much sense and how China will sustain the projects with a Pakistan used to living off debt money is a big question.

Conclusion

- From being just an idea in 2013, OBOR has come to see real execution and is accepted widely in policy circles as the unfolding Chinese reality on global consciousness which may be good for business even if fraught with geopolitical risks.
- India remains committed to its objections to OBOR in its national interest. India will have to reckon with CPEC and come up with a concrete plan on PoK as its protestations against the CPEC have not worked.