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OBOR & North – South Corridor

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One Belt One Road (OBOR)

What Is One Belt One Road (OBOR)?

The One Belt One Road (OBOR), the brainchild of Chinese President Xi Jinping, is an ambitious project that focuses on improving connectivity and cooperation among multiple countries spread across the continents of Asia, Africa, and Europe. Dubbed as the “Project of the Century” by the Chinese authorities, OBOR spans about 78 countries.

How One Belt One Road (OBOR) Works

Initially announced in the year 2013 with a purpose of restoring the ancient [Silk Route](#) that connected Asia and Europe, the project's scope has been expanded over the years to include new territories and development initiatives. Also called the Belt and Road Initiative (BRI), the project involves building a big network of roadways, railways, maritime ports, power grids, oil and gas pipelines, and associated infrastructure projects.

The project covers two parts. The first is called the “Silk Road Economic Belt,” which is primarily land-based and is expected to connect China with Central Asia, Eastern Europe, and Western Europe. The second is called the “21st Century Maritime Silk Road,” which is sea-based and is expected to will China’s southern coast to the Mediterranean, Africa, South-East Asia, and Central Asia. The names are confusing as the ‘Belt’ is actually a network of roads, and the ‘Road’ is a sea route.

They contain following six economic corridors: New Eurasian Land Bridge that connects Western China to Western Russia, China – Mongolia – Russia Corridor that connects North China to Eastern Russia via Mongolia, China – Central Asia – West Asia Corridor that connects Western China to Turkey via Central and West Asia, China – Indochina Peninsula Corridor that connects Southern China to Singapore via Indo-China, China – Pakistan Corridor that connects South Western China through Pakistan to Arabia sea routes, and Bangladesh – China – India – Myanmar Corridor that connects Southern China to India via Bangladesh and Myanmar. Additionally, the maritime Silk Road connects coastal China to the Mediterranean via Singapore-Malaysia, the Indian Ocean, the Arabian Sea and the Strait of Hormuz.

One Belt, One Road (OBOR) is China’s much-touted new foreign and economic policy. It is a development strategy to connect China with Central Asia, Europe, and Indo-Pacific littoral countries. This policy has two components:

1. **Belt**– The “One Belt” refers to the land-based “**Silk Road Economic Belt**”. Here Beijing aims to connect the country’s underdeveloped hinterland to Europe through Central Asia.
2. **Road** – The “One Road” references the ocean-going “**Maritime Silk Road**”. It is to connect the fast-growing South East Asian region to China’s southern provinces through ports and railways.

The plan is to connect the Pacific Ocean and the Indian Ocean. This will connect Chinese coastline with SE Asia, South Asia, Gulf and East coast of Africa. China will build hard and soft maritime infrastructure. It will include custom co-ordination, the formation of SEZ, new ports, e-commerce, trade liberalisation and policy coordination.

OBOR covers countries throughout the Asian continent from China to the rest of Eurasia. The geographical stretch makes it comparable with Silk Road or Silk Route, an ancient network of trade routes connecting the

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East and West around 120 BCE to 1450s CE that is famous for the profitable silk (and horses) trade. That is why it is also called as “**New Silk Road**” initiative.

OBOR’s Importance to China

OBOR is of prime significance to [China](#) as it aims to boost its domestic growth, and is also a part of the country’s strategy for economic diplomacy. By connecting the less developed border regions like Xinjiang with neighboring nations, China expects to bump up economic activity. OBOR is expected to open up and create new markets for Chinese goods, and will also enable the manufacturing powerhouse to gain control of cost-effective routes to export materials easily. Any excess capacity in terms of production can be channelized effectively to regions along OBOR routes. China has announced investments over \$1 trillion in the various infrastructure projects and is funding them by offering low-cost loans to the participating countries.

Many participating countries, like Kyrgyzstan and Tajikistan, are positive about OBOR owing to massive investments by China in local transmission projects in these nations. Landlocked Nepal has recently joined OBOR by signing a deal that will help it improve cross-border connectivity with China, and Pakistan is set to benefit from the \$46 billion China Pakistan Economic Corridor (CPEC) that will connect South Western China to and through Pakistan, allowing access to Arabian Sea routes.

While China continues to pitch OBOR as an all-inclusive project for regional development, other nations perceive it as a strategic move by the Asian powerhouse to attain significance and control at a regional level and to play a larger role at the global level by building and controlling a China-focused trading network. With US President Donald Trump posing challenges for Asian nations through measures like trade tariffs, China sees it as an opportunity to emerge as a regional leader. In the future, one may see a boost in [Chinese yuan](#) with increased usage in the OBOR region.

[China-Pakistan Economic Corridor \(CPEC\)](#) is expected to connect Kashgar in Xinjiang in China’s far west with the Port of Gwadar in the province of Baluchistan via a network of highways, railways, and pipelines. This project would allow China to transport energy resources such as petroleum from Middle Eastern countries to China via a land route through Pakistan. China signed 51 MoUs with Pakistan worth \$46 billion as part of this project in April 2015. This corridor is an extension of China’s Silk Road initiative. This project will provide economic growth to Pakistan and will help in boosting infrastructure development with the help of China.

Geostrategic aspect in CPEC

- Energy security is a key concern for China and oil pipelines through Pakistan would cut about 16,000 kilometers from the distance traveled by goods traded between China and the Middle East. China plans to build oil storage facilities and a refinery at Gwadar Port, with oil transported to its Xinjiang Uighur Autonomous Region via road and pipeline. This will let it move energy and goods to inland China without going through the Strait of Malacca, which could be blocked by US or India should hostilities break out in the region.
- This project will lead to development in Western China where tensions are simmering from activities by radical separatists due to closeness with Pakistan and Afghanistan. Ideally, this project would promote growth in Pakistan, weaken the extremists and encourage Pakistan army to support peace efforts in Afghanistan.

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- **Implications for India:** CPEC will provide China **strategic access to the Arabian Sea** and enhance its presence in the region. It would enable China to wield much more powerful influence in the Indian Ocean. Once completed, CPEC project would mean that the Chinese presence in entire Pakistan including Pakistan Occupied Kashmir becomes all pervasive and powerful. **The route of CPEC passes through POK and makes China an indirect stakeholder in Kashmir conflict between India and Pakistan.**

India's position regarding One Belt One Road

India is opposed to Chinese One Belt One Road (OBOR) initiative since the China-Pakistan Economic Corridor (CPEC) passes through the Indian territory. Indian government stated that the connectivity cannot undermine the sovereignty of other nations. India has also refused to attend the 1st Belt and Road Summit which is going to happen in China in May 2017.

Advantages of joining OBOR

- India will not be able to stop China in carrying on this initiative nor can it stop its neighbours from joining this initiative. So whether India joins this initiative or not, the project will take place and not join may harm India's interests.
- India may become isolated in this region since all of its neighbours (except Bhutan) have joined One Belt One Road. Leaving any regional platform may hamper India's credentials and may hasten the end of its regional hegemony.
- Some analysts say that this initiative will be a win-win situation for India since it will increase the connectivity of the region. There may emerge mutually beneficial swap where India protecting Chinese interests in the Indian Ocean and China securing India's essential undertakings in their part of the waters.
- Regional transport, energy security, and blue economy are key to OBOR initiative which will be helpful for India.
- China has the financial capital, technology to accelerate the development of other countries and India also need resources and funds for its own development.
- Trade: The OBOR project will open more links of trade between India and other countries. Further, India does not enjoy much leverage to guide ocean trade markets despite having proximity to the sea and a strong navy. Through OBOR project India will get access to more business in an environment which promote friendly reforms.
- Some analysts feel that countries like Russia and others in SCO would want Indian participation in OBOR as a counterweight to Chinese influence.
- Regardless of economic interests, India cannot ignore the symbolic significance as it was along the Silk Route that Indian trade and philosophy (Buddhism) traveled to the rest of Asia. Thus China may gain cultural hegemony in the region which may prove counter-productive to India.

Disadvantages of joining OBOR

- OBOR is a unilateral ideational of China and there is a lack of transparency in its working. The process is not participatory and collaborative in nature.
- Under Maritime Silk Route (MSR) China is developing ports in Bangladesh, Sri Lanka, and Pakistan and is trying to enlarge its influence using its economic might in the Bay of Bengal and the Arabian Sea. Thus MSR is nothing but an economic disguise to the "Strings of Pearls" Theory. China is investing a huge

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amount of money in India's immediate neighbourhood and these countries tend to use the China card against India.

- OBOR seems to be primarily driven by broad geostrategic and geopolitical aim. For Example, China-Pakistan Economic Corridor gives de facto legitimization to Pakistan's rights in Pakistan Occupied Kashmir which is against India's interests. Since this port is closer to the Persian Gulf, it could be used as a transshipment point for China's energy supplies obviating the needs to go through the Strait of Malacca in South East Asia. Apart from serving as a commercial port, Gwadar is also deep enough to accommodate submarines and aircraft carriers. Thus it may be used as a military port by People Liberation Army Navy in future.
- Through OBOR, China is countering the strategies of India in North East region and is promoting its greater presence in North East India, part of which China claims as its own territory. This may have a security impact on India.

What's next?

Not all of the most ambitious Belt and Road projects are about hard infrastructure. China plans to set up international courts, in Shenzhen and Xi'an, the former hub of the original Silk Road, to resolve commercial disputes related to Belt and Road.

"It's a reminder BRI is about more than roads, railways, and other hard infrastructure," said Jonathan Hillman, director of the Reconnecting Asia project at the Center for Strategic and International Studies in Washington. "It's also a vehicle for China to write new rules, establish institutions that reflect Chinese interests, and reshape 'soft' infrastructure."

Officials have said the courts, to be based on the judiciary, arbitration and mediation agencies of China's Supreme People's Court in Beijing, will follow international rules and will invite legal experts from outside China to participate.

Legal experts say the courts will likely be modelled on the Dubai International Financial Centre Courts and the International Commercial Court in Singapore, which has already struck an agreement with China to resolve Belt and Road-related disputes.

But critics of the independence of the country's judicial system, which traditionally answers to China's ruling communist party, worry the courts will favour Chinese parties over foreign firms.

BRI FORUM 2019

There are at least five reasons why India should have sent an observer to the Belt and Road Initiative (BRI) Forum:

First, the defining feature of the **21st century is that Asia**, not China, is at the centre of the world.

- Of the estimated **\$30 trillion increase in middle-class consumption growth** estimated by 2030, **only \$1 trillion** is expected to come from Western economies and most of the rest from Asia.

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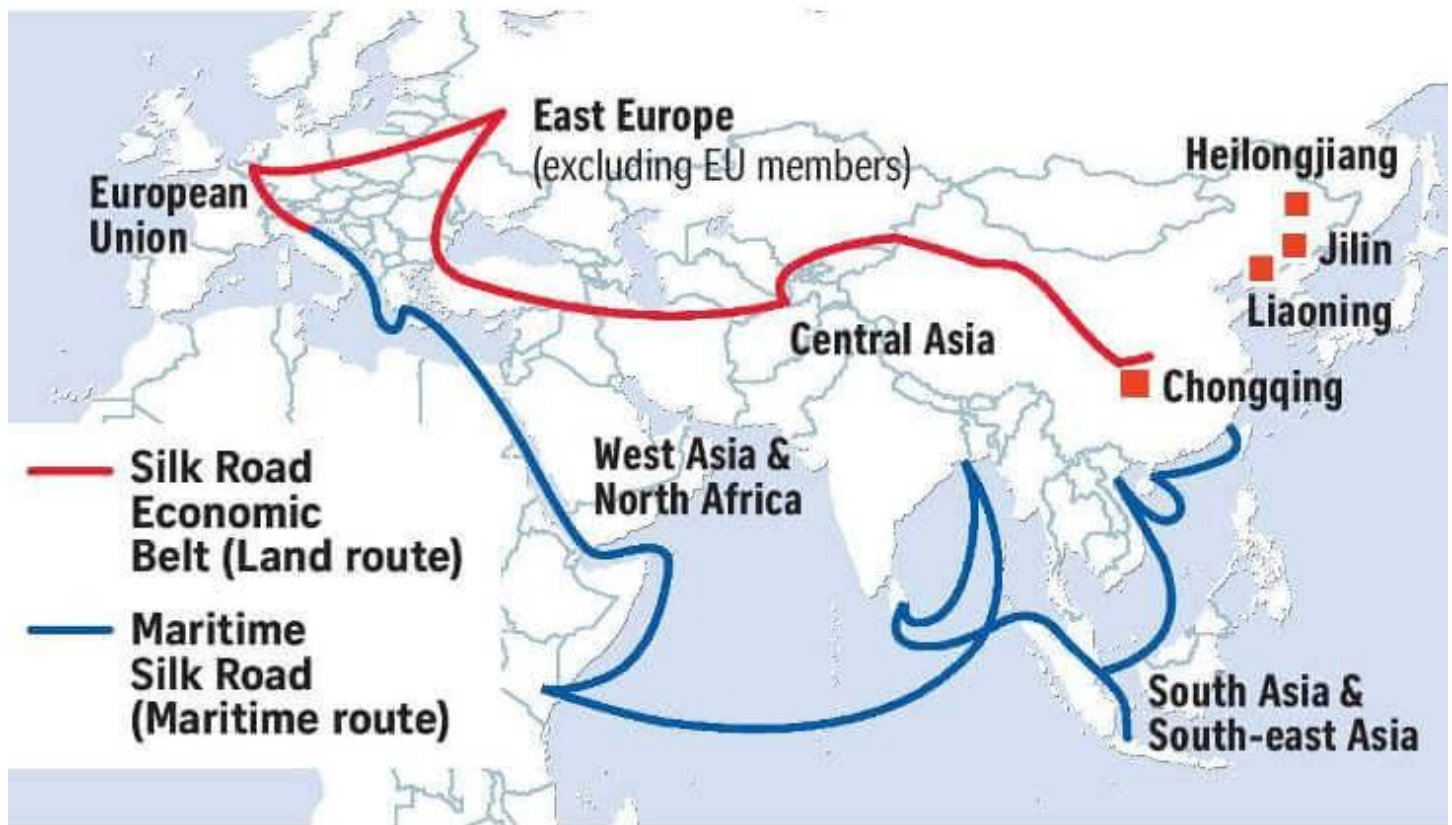
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- China's population is **nearly one-third** of the total population of Asia but **by 2050** its population of working age will **shrink by 200 million** people while in India the working-age population will **increase by 200 million**.

Second, the global spread of the BRI signals the **political end of the old order** where the **G7 shaped the economic agenda**:

- Italy**, a member of the G7, is joining the BRI, despite the publicly voiced objection of the U.S., just as **Britain** joined the Asia Infrastructure Investment Bank in 2015.
- Asians are gravitating to the new as **it better meets their needs**, not because the old is crumbling.

China's One Belt, One Road initiative



Source: BLOOMBERG STRAITS TIMES GRAPHICS

Third, the **Asian Development Bank**, not China:

- Asian Development Bank** drew global attention to **infrastructure** as the key driver of economic growth in Asia and **the financing gap of \$26 trillion**.

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- The most visible feature of the BRI is the **network of physical and digital infrastructure** for transport, energy transmission and communications, harmonised with markets for advanced manufacturing and innovation-based companies.
- **Two-thirds of the countries** funded by the initiative have sovereign debt ratings **below investment grade**, and their being part of supply chains is a catalyst for growth.

Fourth, the BRI, faced with criticism **over lack of transparency and insensitivity** to national concerns,

- For this, China has been in mode of evolving towards **standards of multilateralism**, including through **linkages with the United Nations Sustainable Development Goals**.
- The **International Monetary Fund** describes it as a ***“very important contribution”*** to the global economy and is “in very close collaboration with the Chinese authorities on sharing the **best international practices**, especially regarding **fiscal sustainability and capacity building**”.
- China is now also seeking **co-financing** with multilateral institutions as well as **private capital** for a Silk Road Bond.

Fifth, for the BRI to have **strategic objectives** is not unusual.

The Marshall Plan in the 1950s also required recipients to accept certain rules for **deepening trade and investment ties** with the U.S.

Chinese control over **supply-chain assets like ports** provides the ability to project naval power, which will however **remain minuscule** compared to that of the U.S. comprising **800 overseas bases**.

China’s Promising Reforms in Second Belt and Road Forum for International Cooperation:

Xi also made **five pledges** on China’s behalf, **promising reforms** to:

- **Expand market access for foreign investment,**
- **Strengthen international cooperation on intellectual property protection,**
- **Increase imports of goods and services,**
- **Boost international macro-economic policy coordination, and**
- **Generally, ensure that bilateral and multilateral deals are implemented in good faith and the rule of law is obeyed.**

With the Belt and Road Initiative aiming to **bridge distances** between countries and **create a more interconnected world**.

Cooperation should not only happen in the science sector but **in all areas**, including education, culture, sports and archaeology, as well as between parliamentarians, NGOs and other civil society groups.

Way Forward for India:

Amongst the first countries to oppose the project, **India had signalled its strong displeasure** ahead of the first BRF over the **inclusion of the China-Pakistan Economic Corridor (CPEC)** as a BRI project.

The CPEC passes through **Pakistan-Occupied Kashmir**, and is the main reason for India not participating in the BRI.

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No country can accept a project that ignores its core concerns on sovereignty and territorial integrity. Connectivity projects must be pursued in a manner that respects sovereignty and territorial integrity. India's position has not changed since then.

While China has painted CPEC as a **commercial project**, it has also deployed security personnel over the years to protect the corridor. This makes it an active participant in domestic politics in the subcontinent.

The best way forward is India and China should move ahead by respecting each other's sovereignty issues by leveraging their strengths. To make things move, India should take the lead.

Conclusion:

The BRI is part of a **transformation** triggered by colonialism and industrial capitalism from the 1840s and influenced by the UN institutions and global rules from the 1950s.

There are cases of excess debt, political corruption and policy shifts following change in governments but overall the BRI remains popular. For example, Nepal has just chosen the Chinese gauge over the Indian one for its rail network.

Asians are not subscribing to a “**China-led Asia**”, which would imply returning to the colonial order.

The **BRI's commercial advantage** has certainly increased China's international weight and India needs to shape the new standards to benefit **Indian technology companies**.

International North–South Transport Corridor (INSTC)

The International North–South Transport Corridor (INSTC) is the ship, rail, and road route for moving freight between India, Russia, Iran, Europe and Central Asia. It is a not a new concept.

India's ‘extended neighborhood’ and INSTC

- With the coming of the new millennium, we are seeing a protracted effort from the Central government to connect with our ‘extended neighbourhood’.
- This is obvious from the Look-East-turned-Act-East policy, Link West policy etc.
- One of the significant corner in our extended neighbourhood is the Central Asia, with which we aim to re-connect, with our **Connect Central Asia policy**, pronounced in 2012.
- Central Asia as a podium has received renewed interests after the swearing-in of the new Government. India attaining full membership in the Shanghai Co-operation Organisation (SCO), PM Modi's historic visit to the five Central Asian countries etc. stand testimony to this.
- INSTC, or International North-South Transport Corridor, receives special mention in India-Central Asia relations.
- The International North–South Transport Corridor (INSTC) is a multi-modal connectivity project establish transport networks (ship, rail, and road route) for moving freight between India, Russia, Iran, Europe and Central Asia.
- INSTC would enhance accessibility to the land locked central Asian nations.
- It is a not a new concept. This ancient route was used by European, Indian and many other foreign traders to reach out to the Central Asian markets. During the time of the Safavid dynasty, it is estimated that around 10,000 Indian traders were spread across the empire. (*Safavids were one of the most significant ruling dynasties of Persia (modern Iran) from 1501 to 1736.*)
- The current INSTC project was initiated by Russia, India and Iran in September 2000 in St. Petersburg.

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- The modern day INSTC is a multi-modal transportation route linking **Indian Ocean and Persian Gulf** to the **Caspian Sea** via Iran, and then onwards to **northern Europe** via St. Petersburg in Russia.
- The route primarily involves moving freight from India, Iran, Azerbaijan and Russia via ship, rail and road. The objective of the corridor is to increase trade connectivity between major cities such as Mumbai, Moscow, Tehran, Baku, Bandar Abbas, Astrakhan, Bandar Anzali and etc.

Objectives of North–South Transport Corridor

As per the agreement of 2002, the main objective of this route are:

- increasing effectiveness of transport ties in order to organise goods and passenger transport along the International ‘North–South’ transport corridor;
- the promotion of access to the international market through rail, road, sea, river and air transport of the state Parties to this agreement; and
- providing security of travel and safety of goods
- harmonization of transport policies as well as law and legislative basis in the field of transport for the purpose of implementing this Agreement.

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