

China's Belt and Road Initiative: Implications, Prospects and Consequences

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Abstract

On October 2013, during his visit to Kazakhstan and Indonesia, Chinese president Mr Xi Jinping unveiled his ambitious project titled One Belt, One Road, which is a step ahead in moving towards China's long lost ambition of attaining global dominance. This initiative not only will serve as a catalyst in stagnating Chinese economy, but also aims to serve as a policy to establish Chinese credibility in Asia, Europe and rest of the world. Many countries have shown keen interest in joining this initiative. Those who were sceptical of whether such an initiative will be sustainable in long run or not, have realised its potential and are jumping on the ship before it sails. However, India, another major economy in Asia, has its own inhibitions about joining this initiative. Such inhibitions are fuelled not only with economic concerns, but also raise some serious doubts on territorial sovereignty of India. At a time when OBOR has garnered the attention of whole world, it would be interesting to see how long India can restrict itself from becoming the part of it. Also, it would be interesting to know, what happens when India does not become a part of it and counters with a different initiative.

Keywords: OBOR, CPEC, Belt, Road, Economic Integration, Trade Diversion, Trade Creation.

Introduction and Background of the Study

One Belt One Road (OBOR) or Belt and Road Initiative (BRI), an ambitious project of China, is a proposed network of rail, road, telecommunications and pipelines which aims to link China with Europe through Central Asia. This initiative marks the revival of the Silk Route which was prevalent in Ancient and medieval period through which Silk and spices were traded from China and India respectively to parts of Europe. OBOR initiative is similar to a Regional Economic Integration. South & South East Asia, (consisting of Indian Sub-continent and other Asian countries) a very large market, is one of the least economically integrated regions in the world. There is huge potential for trade gains in this region. But there is a lack of economic integration basically because of low connectivity between countries and under-developed infrastructure in various developing countries. This initiative by china aims to reduce these two shortcomings

and enable the south Asian markets to become a single market. This could possibly have two impacts-

- Trade creation- start of new trade routes will lead to beginning of trade between countries, of products which were not trading before because of unavailability of possible trade route or because of high transportation cost associated with trade.
- Trade diversion- instead of trading with a country who is efficient in producing a good, countries in OBOR might start trading with countries for a product only because it is easier to trade or because it falls in integration zone. Such type of situation is harmful to the world as whole, because gains of trade reduce substantially for two countries.

While first impact is positive and does not causes harm to anyone, second impact is harmful for two countries, first the country which was originally trading, second,

the importing country. But trade diversion will also act as an incentive for countries to join OBOR. If a country can, then it will be highly likely to join this initiative so as to avoid any loss of trading partners.

This initiative aims to resolve the connectivity issue between the different Asian countries and linking them with the parts of Europe. For this purpose, a network of rail routes, roads are being constructed. Also there has been linking of provinces of China with different parts of Central Asia through pipelines through which oil and other resources are transported. Also to develop the infrastructure in different under developed nations of Asia, a new strategy known as "International Capacity Cooperation" is being used. Under this scheme, China is either establishing its production units in under developed nations, or under an agreement, using factories in under developed countries for production of its goods. Gautam Sen talks about the history of silk route, the motives behind reviving the route, its economic and political implications, and recommends that a close and continuous monitoring of OBOR will give us the idea about the feasibility of such initiative in long run. (Sen, 2016) Mukul Sanwal debates about how OBOR will solve the problem of fragmented South Asian Economies and will prove not only beneficial to China but also to India and it's a new model of global governance. (sanwal, 2016)

Literature Review

(Winter T, 2016) Enabling countries to react on the shift of geopolitics of the region is the main story behind Silk Road erstwhile and One Belt and One Road Initiative. With such initiatives country will find cultural connections through the language and dialect of shared heritage to gain regional loyalty and influence. Both the land and sea will force the energy to heritage diplomacy which encourage valuable interpersonal and institutional connections. The alignment, trust and trade must be created by shared ideas of shared and connected past

(Rahman N, Rahman N M 2019) One Road One Belt Initiative (OROB) has been in consistent talk with the global Diaspora therefore it is crucial to identify the global linkages between the participants of OROB. It was drawn from the research that the project will a rope to connect China and Eurasia. The convergence of such connection will be strengthen with the OROB.

(Pursothman U, 2015) Quest of OBOR is china's domestic go west policy. It is a testimony to growing economic capacity in global Diasporas. Therefore, if China succeed in its action centre of gravity will shift from Moscow to Beijing and also trying to be close with NATO boundary.

(Rahul A, 2018) To increase the economic influence of China, It wants to integrate with world economy through OBOR. China also wants to build relationship with the neighbouring country of India to make unstable countries to react positively for OBOR. India due to strategic reason and china centric policy has certain apprehensions with the linkage.

(Baruah M D, 2018) As BRI augment and connect China with outside world, policy maker have to delve more into new innovative ideas. China and India need to ponder deeply and restore its diplomatic relation which will shape the security and strategic interest.

(Sarkar K, Yin X, Hossin A, Sarker N 2018) argued that OBOR has a great potential for global development. There are some challenges like size and scale, infrastructure development and topography. Strong association and coordination among OROB partners are required.

(Joshi M, 2018) OROB is blend of economic growth, development, export of excess output. For India, restricting Belt Road Initiative is viable in Indian context. If India ignores it seems to be defeating. The only option left with India is to initiate a dialogue amongst countries to compel china to make its benefit and interest inclusive for all.

Objectives of Study

The present study is focused to know about the One Belt One Road, analysis of its structure, member nations, funding and its benefits to the other members and to examine the major issues and concerns of Asian, European, and African countries. The progress in this regard (OBOR) has also been pondered, the various reasons for India avoiding to be member nation and possible counter measures in this regard has been analysed.

The Structure of OBOR

The BRI initiative has two parts-the belt and the road.



- The Belt consisting of a network of rail routes, over-land highways, oil and gas pipelines and other infra-structural projects, stretching from Xian in Central China, through Central Asia and Russia, one passing through Kazakhstan and the other through Mongolia but both linking up with the trans Siberian railway and connecting Moscow, Rotterdam and Venice.
- The Road consisting of a network of ports and other coastal infrastructure from China's eastern seaboard stretching across South East Asia, South Asia, the Gulf, East Africa and the Mediterranean, forming a loop terminating at Venice (Italy) and Rotterdam (Netherlands) in Europe and Mombasa (Kenya) in Africa.

It includes a total of six corridors-

- New Eurasian Land Bridge, from Western China to Western Russia
- China-Mongolia-Russia Corridor, from Northern China to Eastern Russia
- China-Central Asia-West Asia Corridor, from west china to turkey
- China-Indochina Peninsula Corridor, from Southern China to Singapore
- Bangladesh-China-India-Myanmar Corridor, from Southern China to India
- China-Pakistan Corridor, from western china to Pakistan



The route and belt together will provide a link to the sixty five nations.

Funding of the OBOR

In the initial phase, the initiative was supposed to be funded solely by the Chinese government. It also set up a special fund of USD 40 billion (Silk Road Fund) for purpose of developing infrastructure for the initiative. China has incorporated OBOR in its economic planning and plans are this revised keeping in mind the need for funds for this project. China has been successful in obtaining funds from international agencies like Asia Investment Infrastructure Bank and New Development Bank. The

Asian Infrastructure Investment Bank (AIIB) will begin with authorized capital of \$50 billion, eventually to be raised to \$100 billion. The AIIB has approved \$1.7 billion in loans to nine development projects along the Belt and Road. (Huang, 2017) The projected investment for OBOR will be \$1.4 trillion. In April 2016, the European Union agreed to an infusion of €10 billion into the European Fund for Strategic Investments (EFSI) from the Chinese Silk Road Fund. An interesting development with regard to OBOR is that projects have attracted overseas capital. In October 2014, Oman's State General Reserve Fund signed an agreement to take an equity stake in a port being constructed in Tanzania by the China Merchant Group (CMG) as well as the railway network leading to it. The agreement specified that USD 500 million would be designated for port financing for 2013, for interest-free or low-interest loans to get the project started. (sanwal, 2016)

Issues, Concerns, Strategies and Benefits to the Member Nations

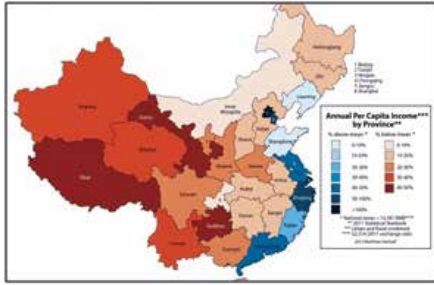
The major participants in this initiative are-

1. China
2. Pakistan
3. Other Asian countries
4. Europe
5. India

Though an overview of this initiative suggest overall economic gains for all the member countries, we shall now observe what possible advantages does it offer to each one of them.

China

As the proponent of this initiative, China aims to benefit immensely from it. Not only it will offer an increased market for Chinese products, but at the same time it serves the political ambitions of China by offering it an opportunity to become more dominant not only in South Asia, but expanding its influence over half of the world. A major problem for China has been the growing disparity in development among its different provinces. It is found that the provinces which are connected with sea routes are much more developed then the provinces in the western side of china. Thus it is important for China to develop an infrastructure to assist trade through these underdeveloped regions so as to reduce the economic inequality gap. The following image depicts the economic disparity among Chinese provinces. Where the provinces on eastern coastal regions like Guangdong, Shandong has a higher income (average income in the range of $\mu+10\%$ to $\mu+50\%$), whereas the provinces like Gansu have very low level of income ($\mu-40-50\%$).



As these provinces are far away from coastal regions, it is very costly for businesses to transport products from these provinces to coastal areas. So it is important to establish a route through which trade can happen for these provinces. Also, widespread poverty in such areas has led to rise in crime, terrorism activities and resentment among the residents towards Chinese government. By ensuring the development of such regions, the government aims to eliminate the cause of resentment, poverty and all other negative factors.

The route links province of Xinjiang with the Port of Gwadar. This drastically reduces the distance between the province and the nearest coastal region and thus saves a lot of time. Pakistan has started exporting seafood to the Xinjiang region using a land route which was used to ship oil and natural gas from Middle East. This has reduced time taken from 30 days (when transported through sea route to Guangdong province and then to Xinjiang) to just 10 days. (WEIHUA, 2017) Now China is proposing to construct a rail route which will join Kashgar to port of Gwadar. This route will be the shortest possible route between the two ports. Another problem for China has been the saturation in its market for its product. Due to increased competition and the presence of excess capacity (because of policy measures in 2008-09), there is a high level of surplus production which can not be absorbed in saturated Chinese market or even in the neighbouring countries. So China desperately needs to find a market for its souring manufacturing sector. By taking this initiative China wants to provide a new market to its manufacturers.

One way for China is to export its surplus product to the emerging markets. But it solves only a partial problem. So, to reduce the excess capacity in China, it is being decided that the industries which have an excess capacity, and which manufacture products that can be produced at any place, should relocate themselves to the neighbouring South Asian countries. The most important benefit for China being that it simultaneously reduces its liabilities by shifting unproductive units to other countries, and thereby increasing its foreign economic assets in form of foreign direct investment. As per reports, the Hebei province, China's largest producer of steel, wants to relocate 20 million tonnes

of production capacity abroad by 2023. The province promotes the migration of factories producing steel, peat glass and cement to parts of Africa and Asian countries. China has always been an over ambitious nation with an aim of dominating not only its neighbours but also keen on making its presence felt worldwide. In the present era, China has always tried to match the dominance of The United States of America. China has been on dispute with many countries because of its territorial ambitions. Issues with Japan on disputed island, movement in South Sea are such issues. China wants to safeguard its interest by keeping away other countries military base from such places.

If china is able to establish a sea route under this initiative, it can therefore monitor the activities regularly without catching an eye of international regulators. It can keep away USA and japan from the disputed areas through establishing a route for trading purpose and this will act as strategic defence against them. By developing these islands as military base, china could use effectively control the trade route to Japan and South Korea and ASIAN nations, with which India has major economic interest. The "String of Pearls" theory- according to this theory, China is trying to outplay India in Indian Ocean Region (IOR). China is trying to gain control over the area in the Indian Ocean, which was always controlled by India. China is turning commercial ports into naval bases in Sri Lanka (Colombo and Hambantota), Pakistan (Gwadar and Karachi), Bangladesh (Chittagong), Myanmar (Kyaukphyu and Sittwe) and Maldives.

Pakistan

Second major participant, who is highly amused by this initiative and has whole heartedly thrown all weights behind making OBOR successful, is Pakistan. It has troubled by terrorism and internal conflict, and always been in territorial dispute with India. Now by joining hands with China "Economically", Pakistan aims to have a "reliable" friend who can help it in times of need when global pressure has reduced aids from different countries to Pakistan. The main aim of this initiative is to connect port of Gwadar in Pakistan to the western provinces of China under China-Pakistan Economic Corridor (CPEC) scheme. Also, there will be development of high speed rail network connecting various cities in Pakistan. The infrastructural development by Chinese construction firms is also under consideration and these routes will be given protection by soldiers of Pakistani army. Pakistan will have enormous gains by becoming a part of OBOR. It will not only increase its worth in the subcontinent, but will also give it a means to grow and compete with other Asian economies. The major benefits to Pakistan are as under:

- Huge employment opportunities- this project has led to massive scale production of goods, development of infrastructure such as roads, highways, canals and improvement in structural changes in economy. Due to all of this, a growth is expected in employment opportunities for unemployed youth. These opportunities will also make countries like Saudi Arabia and Dubai less attractive for job seekers in Pakistan.
- Benefits to agriculture sector - there is a high demand for agriculture produce of Pakistan in China and other world. Increase in trade with neighbours will also boost its agriculture sector. It will also increase productivity of agriculture sector as new technology from china can be used for irrigation purpose.
- Benefits at industry level - Pakistan lacks behind India when it comes to IT sector. The reason is not enough advancement in technology due to less Research and Development. With the help of China, Pakistan can easily overcome the hurdles and can present itself as a suitable candidate for outsourcing in near future. With the help of technological innovation from China, increased investment in manufacturing sector through FDI, there would be a vast increase in productivity of manufacturing sector. Products unheard in the Pakistan would be produced which would benefit the sector as a whole. 27 special economic zones are proposed to be set up in different cities of Pakistan. Khyber Pakhtunkhwa will have 8 economic zones, Sindh will have 3 zones, Baluchistan and Punjab each will have 7 zones. The removal of restriction on FDI in service sector, new participants will enter the country as service provider and increase in competition will make the industry more efficient. Also, industries like tourism will become more attractive because of improvement in economy as a whole.
- Improvement in Public Image- a global perception about Pakistan is of a terrorist paradise. It is acknowledged as a poor country with highly unstable legal, political and economic turmoil. By becoming an important member of initiative, it can also give itself a makeover and re brand itself as an attractive South Asian country.

Risks Associated with China-Pakistan Economic Corridor (CPEC) for Pakistan

Though borrowing from China is available easily, Pakistan has to remain cautious, as it is already indebted with loan from various multinational agencies and foreign nations, it can not afford to further increase its debt. It would be extremely difficult to repay loan if this project fails to meet the desired result. China being a dominant partner in their relation and due to heavy

borrowings, there is future risk of loss of sovereignty to China. China has always been an aggressive player when it comes to territorial conflicts. It would be impossible for Pakistan to protect itself from China in such case. Pakistan is corrupted to its core and there is high internal conflict between political parties, military and government as well. To provide enough resources to protect foreign property including people would therefore be a challenge for Pakistan. Also, due to corruption, it wouldn't be easier to get the desired results from the projects. The more import of capital flows in country would also hamper the balance of payment of Pakistan. Payment of interest of loan obtained at regular intervals will also have an impact on its balance sheet.

Other Asian Countries

This initiative aims to link 43 Asian countries, out of which 34 have currently agreed to join initiatives. These countries are mostly East Asian countries having troubles in developing infrastructure and wanting to gain from technological advancement of the developed nations. Such countries include Bangladesh, Myanmar, Nepal and Malaysia. These countries are highly indebted countries. By joining this initiative, they wish to develop their infrastructure without any additional borrowing. They also wish to develop a market for their products without having any difficulties of investing huge money to open up a trade route. Basically, they want to piggyback on resources of China. There is only a win-win situation for such countries. However, it is to be seen whether China will make any attempt to reduce the debt burden on such countries because without adequate funds, these countries wont be able to maintain the quality of infrastructure that China expects under the initiative. The latest development in OBOR, Bangladesh has signed two deals with China. Under the couple of deals, China will enhance industrial investment, trade connectivity and finance power-grid upgrading, thermal power, coalmine modernisation, and tyre-factory projects in Bangladesh.

Bangladesh is a low cost manufacturing nation and countries in this trade bloc will therefore get attracted towards manufacturing in Bangladesh. This will increase employment in Bangladesh as well as lead to increase in foreign direct investment. It has already joined the AIIB as a founding member. It is expected that Bangladesh will get multidimensional cooperation and assistance from this newly formed bank for participation of its entrepreneurs in projects along the belt and road. There is a possibility of development of Sonadia Deep sea port or a port in Matar Bari. Such a port, of which Bangladesh has a desperate need, has prospect of becoming a gateway for connecting to countries like Myanmar, Thailand, Sri

Lanka, Nepal, Bhutan and parts of North East Asia. The "Padma Bridge" which is a part of OBOR is expected to increase GDP of Bangladesh by 1.2% alone. This bridge is an integral part of Asian highway 1 connecting Seoul in South Korea to Istanbul. (OBOR Watch, 2016)



Another East Asian country Myanmar which is part of B-M-I-C corridor has not yet clarified its status on OBOR, but is soon expected to join it. The gains from joining for a small country like it are immense. Myanmar offers strategic locational advantage as it is an alternative entry to Bangladesh and also in Bay of Bengal. Recently, news emerged that China was willing to abandon the suspended and controversial USD 3.6 billion Myitsone Dam project (IRRAWADDY, 2017), but would be looking for concessions in return on other strategic opportunities in Burma, including Kyaukphyu. Also, Myanmar desperately needs support of China in its fight against the armed groups along the countries border. Thus, its need is not only limited to economic benefits but also towards political and military benefits.

OBOR has lots to offer to Kazakhstan. The land mass which was not used effectively is of primary interest in OBOR. This area has been developed into an industrial zone and logistic centre called Khorgos Gateway. It's equipped with customs and immigration facilities, cranes for switching containers between different railroad gauges, and dormitories for thousands of workers. Some have said this spot could become a "New Dubai" if rail transport between Asia and Europe takes off in the coming years. By 2020, they estimate economic activity here will have increased 20-fold, supporting 50,000 jobs. For context, that's roughly 40 percent of the surrounding district's current population. (OBOR Watch, 2016)



Another Asian country Cambodia, a low per capita and low technology economy, has been a main beneficiary of monetary and technical investments of China. Cambodia lacked infrastructure for generation and transmission of electricity to its villages. With the help of China, it has not only developed 6 hydro power plants, but under OBOR is building another plant to meet its objective of electrifying every village till 2020. As it is a founding member of AIIB, Cambodia will have an easier access to funds for developing its infrastructure.



The Lower Sesan 2, the seventh hydro power plant project is built up as a joint venture of Chinese investors, Cambodian government and Vietnamese investors. (WATCH, 2016) The Chinese investors hold 51% of the venture. It is built under B-O-T mechanism i.e. Build-Operate-Transfer. Once the plant will be operated, it will be transferred wholly under ownership of Cambodian government. In nutshell Cambodia is excited to be a part of OBOR.

European & African Countries

This initiative aims to connect Asia to Europe via Africa. The route is likely to link countries like Italy, Netherlands, Germany, Poland, and Greece in Europe and Kenya and Egypt in Africa. Europe has shown a totally mixed response towards the OBOR. The European Union has decided not to endorse the initiative, but the Eastern Europe has started tilting towards the project. Countries such as Greece, Spain, Italy, and Czech Republic have shown interest in participating in the initiative. The major reason why China is keen on reaching Europe is because of availability of a unified large market for its products. China has secured the participation of major European nations including United Kingdom in AIIB. Through its "16+1" group, where Chinese prime minister meets the authorities of 16 European nations, China has been able to persuade them to join the initiative. (Engdahl, 2017)

Reasons for Cautious Approach by Europe

- Europe is very strict when it comes to standards and laws full adherence in trade. Whereas, Asian countries are very lenient in making laws for protection of

intellectual property rights. Europe is thus not very keen in joining project till such a mechanism is developed.

- Vary of excess production capacity of Asian countries and non adherence to market ethics and principles. China has regularly been accused of adopting dumping measures in neighbouring countries. This if followed under OBOR will harm the participant nations to a large extent.
- Europe has very little to gain from the project. Europe has always focused on achieving growth by maintaining social stability and securing its industries. One Belt, One Road initiative does little in this aspect. Jobs created if any in Europe will be occupied by Chinese and with lot of Chinese migrating to Europe for jobs, it will disturb the social stability of European countries.

Current Status of OBOR in Europe

Although the Western Europe including Belgium, Germany has dismissed the project completely, there is an altogether opposite view on Eastern side. Countries like Hungary, Greece, Italy and Spain have been in talks with China to better understand if they could gain something out of the project. The main reason for this is the negligence with which European Union has treated these nations. Due to unrest developing within these nations, they are looking for some assistance beyond the European Union. An agreement has been signed for modernising the high speed railway line between Budapest, Belgrade and Serbia. China will not only provide technical assistance, it will also be main financier for the same. Greece, a country which has experienced a need for funds and investment like never before in recent times, is also a keen member to join OBOR. China has various projects for building up infrastructure, energy and telecommunications in Greece. Chinese Shenhua Group has signed an agreement with Greek infrastructure development group Copelouzou to promote and develop green energy projects and improve power plants. Chinese company COSCO has brought majority stake in Piraeus Port Authority to transform Greece into a hub for its trade with Europe. (Corre, 2017) At a time when international agencies like IMF or European Union bank have agreed to lend money to Greece after imposing harsh measures, Chinese investment in Greece has increased. China has also started promoting tourism to Greece by starting a direct flight between Beijing and Athens. Such a cooperative behaviour from China is attracting the Eastern Europe to align with China and Russia rather than being with Western Europe.

Reasons for African Nations to Join OBOR

China has heavy trade relations with many African nations including Angola, South Africa, Republic of Congo and many others. So these countries would want to join OBOR to strengthen their relations with China. African nations have become more dependants on China in recent years. Countries have started adopting Yuan as their official trading currency as well. This economic presence of China makes it even more necessary for African nations to join OBOR. Africa was also colonised by British who looted their resources and also did not work on developing institutions to uplift the poor countries. Because of this many countries like Somalia, Congo, and Kenya have been severely affected by severe poverty and unemployment. These countries desperately need resources in form of either capital or technology to develop their economy and China is willing to provide investment to these nations through OBOR. It is a matter of fact that China is developing infrastructure in several African nations. These nations will get access to wide variety of products from Asian countries as well as European nations. Due to the heavy supply from foreign countries, prices of domestic products will fall. This will benefit the consumers in these underdeveloped nations. It is also a fact that if routes for exports are developed or opened, then the indigenous industries in Africa can easily export their products worldwide. This would benefit them as they can fetch good prices for their products. This would also lead to economic development of the country.

Issues and Concerns of African Nations

Though China is supporting African nations in their development, there is continuous threat of sovereignty. China, like it has done with several countries, might use commercial ports developed in these nations for its military or naval purpose. Also, through foreign direct investment, China can occupy land in these nations. There is also a possibility that the domestic industry will not be able to compete with multinational corporations due to primitive technology and less capital. This will destroy the domestic industries in Africa and would lead to massive unemployment and widespread poverty. African nations by joining OBOR want to feed on its success. They will try to maximise their gains but China has other intentions as this project is not a social service from China, it has its hidden economic motive as well. Thus, African nations will find it extremely difficult to bring their goals in convergence with those of China.

OBOR and India

India is the only country in Asia which has made its intention clear in boycotting OBOR. This initiative has

a lot to offer to India in terms of increase in market, easy accessibility to African and European nations, and increase in investment in infrastructure etc. But, the major issue for India is CPEC which passes through Pak Occupied Kashmir (PoK) and parts of Baluchistan. If India supports this initiative today, it will dilute its claim on PoK. Also, China has been reluctant to support India in its mission of attaining membership of nuclear supplier group (NSG) and also is acting as an obstacle in declaring Masood as an international terrorist. This has led to a clear rejection of this initiative by India. But the major concern for India is that it has been isolated by other countries. Fear is that the rejection could worsen India-China bilateral relations. Also, there are chances that India might lose more by not becoming a part of this mega project. Nevertheless, we must look into every possible scenario and possible benefits and losses in each of them.

Possible Benefits and Losses if India Becomes a Member of OBOR

As the initiative is spread around three continents, it would be highly beneficial for a country like India with high production to export its products worldwide. This would also open some new trade routes for which India need not to make any investment. India can draw benefits from use of superior Chinese technology like in developing a network of high-speed trains. Loans could be obtained at a cheaper rate from AIIB with a limited spending on research and development. If India agrees to be a part of the project, it could improve its relations with China, Pakistan and other neighbouring countries. On the contrary it is clear from the document that there will always be Chinese dominance in OBOR. If India agrees to be a part of project, then it would also become dependent on China for technology and other resources gradually. This would be harmful for India's mission of achieving status of super power by becoming self-reliant. Once India opens up its borders for China, Pakistan and Bangladesh; it would allow the cross border movement of capital as well as labour between nations. Thus, India would be in no position to keep a check on terrorism activities spreading through these nations. The membership of OBOR comes up with some tempting borrowing options. Many countries that have already joined have piled up excessive debt from China. This in turn affects a country's profitability and liquidity.

Possible Benefits and Losses if India Does Not Become a Member of OBOR

There are countries like Japan; USA that has disputes with China but India on the other hand has friendly relationship with these nations. Thus if it so required, then can launch an alternative project which could

help it in achieving dominance in Asia. China follows a policy of dumping its excess production in neighbouring countries. If trade reduces between India and China, then it would also save India from very low cost Chinese products, thus saving its indigenous industries. India has been full vocal about CPEC which passes through the disputed PoK. This has been a major issue for India's non participation in OBOR. Through its stand, India can give a strong reply to China that it does not compromise on national sovereignty and will not fear to raise voice against any injustice. But on the other side China through OBOR will strengthen its position in Indian Ocean. China wants to dominate the sea routes which are controlled by India since a long time. India has for long enjoyed an advantage in terms of its strategic location. Trade from India is possible through sea, air and land route. Such an advantage is not available to neighbouring countries like Sri Lanka, Bangladesh and Pakistan. They are therefore dependent on India for trade. If routes are developed within these nations, then their dependence on India would reduce and so this might also affect bilateral relationship. When new routes will be opened, there will be huge potential for country like India to gain from trade. By opting out of the project, India could lose a major chunk of profits that it could achieve by joining OBOR.

What Happens if India Counters Attack?

India and Japan, the big economies of Asia have acknowledged the threat of BRI and have planned an initiative of their own. The Asia-Africa Growth Corridor (AAGC) is an initiative which aims to promote free trade in Indo-Pacific region. Japan has heavily supported development of infrastructure in India. Be it providing loans at discounted rate for development of bullet trains and Lucknow metro, sharing of technology and providing guidance for development and maintenance of railway tracks, development of Chabahar port in Iran by Japanese, Japan has shown keen interest in removing barriers and improving accessibility in central and west Asia. Afghanistan, India and Iran have also signed an agreement for establishing routes for easier access to the port. In comparison to China, Japan has been a very cooperative nation for its allies. It does not charge heavily for its superior technology. Poor Asian countries might find it attractive to import technology from Japan rather than China. Not only technology, Japan can provide low cost financial assistance to these nations and also do not impose many conditions for same. India enjoys good reputation among many African countries which is visible from participation of representatives of 54 nations in India-Africa summit in 2015. (IANS, 2017) This goodwill is mainly due to shared colonial history and relationship between eminent personalities like Nelson Mandela and

Mahatma Gandhi. Lot of students from African nations frequently visit India for pursuing higher studies. India and Japan have been working in many African nations since 2010 for development of infrastructure and expanding capacity building programme. Thus it would be easier for African nations to trust these nations easily.

Major Concerns for OBOR

If this initiative offers lots of potential on papers, there are issues which raise serious concerns over its profitability in future-

- This initiative has such a complex structure that it is very difficult to determine its benefits. A suitable method of econometrics has to be developed in order to determine the profitability of the project as a whole. Normal capital budgeting techniques like IRR or NPV or EIRR will have to be developed. Projects would not yield enough return in some countries, therefore a rule should be developed for accepting or rejecting a project in such countries.
- China has made an enormous amount of investment for this project. Although it has been able to draw funds internally as well as from international agencies, exact amount of funds requirement can not be easily assessed. There is a possibility of OBOR becoming "Too Big Too Fail" initiative. If it fails, then it will not only harm China, but will pull whole world into recession, far more badly than global financial crisis of 2008-09.
- If China is making investment in a country, then it will surely expect some favours in return. Such favours could be extended support in international affairs, taking advantage of countries location or natural resources. If a country in future feels exploited, then it might want to get out of initiative. This would hamper the prospects of OBOR. For example, in Myanmar, the locals are against development of port and special economic zone as it would lead to displacement and unemployment of around 20000 people. If such things continue and leads to public protest, Myanmar would have to altogether abandon the project. Similarly, in Pakistan, officials are concerned due to the fact that their imports have risen drastically but exports to China have not been increasing because of various import restriction there. Thus, if similar situation occur for a long term in many countries, they might want to get out before it gets too late.
- The major economies of Asia are China, Japan and India. Though Japan has not officially declared its acceptance of project, India has boycotted this initiative. Therefore, there is a possibility that India and Japan, together with Russia plan an initiative of their

own. In such a case, it would be interesting to see how long China could hold together the countries in OBOR.

- There are some countries which are part of this initiative are highly instable for example, Pakistan recently sacked its Prime Minister, Mr Nawaz Sharif, who is an ardent supporter of OBOR, on charges of corruption. Now it would be interesting to see how his successor views China-Pakistan partnership. Such political instability in parts of Asia is therefore a hindrance to the initiative.
- It is being observed that not much of progress has been made in building up of projects outside China. This is because of lack of attractiveness to invest in those projects. This project needs private investors to succeed in long run. It can not just survive on investment by few countries. Chinese investors are reluctant to invest in project in poor countries because of lack of good return. Also, since these countries have low credit rating, risk-averse Chinese investors find no reason to invest.

China is aware of risks that it is going to undertake whether financial or political. It has also acknowledged the sceptical behaviour of certain countries and has itself made a foot forward in assuring them of safety of this initiative.

- China has been continuously organising summits and conferences for belt and road initiative. It is very keen to invite delegations from different countries including United States of America, Japan, and India to participate in the summit. This way it has tried to ensure their cooperation by providing them the opportunity to address issues with the initiative and seek a common understanding.
- China is now partnering with multilateral institutions to provide technical knowledge to the member countries. It has started organising technical workshops to depict its commitment towards the initiative, as well as providing the less advanced countries benefits of Chinese technology in developing their infrastructure. It is taking care of issues which have long haunted developed and innovation driven countries like intellectual property theft. China with the world intellectual property rights organisation, conducted a workshop to harmonise intellectual property rights in various countries. Such a move boosts confidence of countries and increases credibility of China globally.
- China is also using its money power to gain support of countries like Bangladesh and Pakistan and they have been on receiving end of funds for developing infrastructure and military so as to provide protec-

tion to the ports developed. China has also agreed to write down the loans to various countries including some of Africa, if they agree to join the initiative. Similarly, it has provided concessional loans to countries like Indonesia for building its high speed train network and is negotiating with Chinese investors to attract further capital. Thus, we see that China is leaving no stone unturned in ensuring the success of BRI.

Conclusion of the Study

The future of OBOR depends upon how well China manages its international affairs and till the time participating nations draw some benefits from it. Though, it is just a start, but as it is said that if you start well then 50% of the work is done, so China has to remain cautious and work accordingly. It should not engage in any project or work which might displease India or USA which is evident from recent Doklam issue as well. China has agreed to revert back from its plan from building road in Doklam, a territory in Bhutan, so as to not further displease India and also paving a way for BRICS summit in which it promoted its belt & road initiative. This would also ensure that no counter mechanism is taken by such countries which would restrict the profitability of the project.

China could ensure itself from political risk from Asian countries by either transferring the risk on the host nation or by eliminating the risk through its intervention. Like in Pakistan, it has deployed its military personnel to protect the sea ports developed. Similarly, Myanmar takes help from China to protect itself from refugees and civil war. Such a way though causes serious sovereign risk to host country, so many countries might not agree to it. Any comment on success or failure of the initiative at this moment is not possible. Everything looks planned on behalf of China and it seems to be a well studied project in detail. China is also taking a note of the issues and actively solving them, thus eliminating the risk further.

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