OBOR Five Years Later: Some Results and New Alternatives

Five years have passed since October 2013, when China unveiled its large scale and comprehensive OBOR project, which held the promise of quite a few benefits to its numerous participants for mutual trade and economic ties, financial hubs, infrastructure (port construction, high speed auto and railways, pipelines), tourist centers, etc. It seems possible now to summarize at least intermediate results: what was successfully accomplished, and what obstacles arose during its implementation? Finally, what was the reaction of participants to those costs that are naturally part of such grandiose and, in today’s world, unprecedented, integrated projects, and also naturally give rise to (putting it mildly) dissatisfaction from their side.

We won’t dwell on successes; they’re trumpeted loudly in Beijing: by official bodies, the media, experts, and others. Yet quite a few criticisms and demands have accumulated for reassessment of some of the projects’ conditions along OBOR’s overland and sea routes. It’s become evident that, together with positive aspects, tons of risks and negative consequences have surfaced during the project’s implementation in a number of countries. These include insufficient analysis of future investment profitability, as well as the uncertainty and obscurity of numerous political, economic, and regulatory aspects of projects. Cheap Chinese credits often rebound as a debt pit, for example for Sri Lanka, Pakistan, the Maldives, etc. On one hand, credits cause millions of dollars in losses for their economies due to predatory credit rates. But on the other hand, there is the danger of Beijing’s refusal to write them off, as was done previously, especially in Africa, even though China has $3 trillion in financial reserves. Generosity is not infinite. The Chinese know how to count both Yuan and dollars.

A huge amount of equipment and materials (steel, concrete, and lumber, required for supply of the projects) provides
ample opportunities for theft and other abuses. A weaker regulatory and legal environment in some of OBOR’s participant countries creates fertile ground for corruption among Chinese companies, which seek out bribes as a means to support their activities. It is well known how long, and by far not always successfully, China itself has been combating this evil.

Criticism has been leveled toward the disregard of safety standards during erection of this or that site, usage of recycled or low-quality materials and equipment, and construction of environmentally hazardous projects (hydroelectric dams or power plants, fueled by coal, etc.). The authorities of Laos, Cambodia, and a number of other countries pointed out damage to their environments and the onset of drought because of Chinese hydroelectric projects along the Mekong River. People became upset in Indonesia by a coal powered electric plant exceeding its budget, and deficiencies in a high speed railway project. Myanmar’s authorities have expressed concern over complete deforestation of areas, and are attempting to change the terms of the $10 billion port construction project. In November of last year, Nepal suspended plans for China to erect two dams for a hydroelectric plant. In August 2018, Malaysia’s reelected Prime Minister, Mahathir bin Mohamad, announced his rejection of the $22 billion Chinese-funded construction of railway links and two pipelines in the country, unless the deal’s conditions were reevaluated. Pakistan owes China over $16 billion, and attempted to begin negotiations to alter a number of conditions for implementation of the China-Pakistan Economic Corridor (CPEC). Sri Lanka handed over to Chinese companies nearly 100% control over Hambantota port due to its huge indebtedness to Beijing from various projects, including those under Maritime Silk Road-21 (MSR-21).

Unsurprisingly, a protest movement is growing as a result of these negative circumstances. For example, in Pakistan’s restless Baluchistan attacks on Chinese construction workers have become more frequent, as have demonstrations by dock workers in Sri Lanka at Hambantota port, etc.

Obviously, these expenses and the justified fears of OBOR’s military and strategic component, plus other factors, have led India, the only large country, to openly boycott the project, although Delhi tried many times to find reasonable explanations for Beijing’s extended unwillingness to consent to requests to hold consultations to clarify issues.

But India is not alone in its aversion toward the obscurity and deceitfulness of China’s methods and open displays of underlying military and strategic goals of the project, especially in the zone of the Indian Ocean and South China Sea (SCS).

At the end of October 2017, Japan reached out to India, the USA, and Australia with an offer for joint construction of ports and a network of high speed roads across Asia and Africa. This project could become not only an alternative to OBOR, but a strong reinforcement to plans, initiated by India and Japan, for creation of the Asia-Africa Growth Corridor – 2016 (AAGC), which has been written about in NEO.

Japan’s Ministry of Foreign Affairs (MFA) provided information about its plan to Great Britain’s and France’s Ministers of Foreign Affairs in the hopes of attracting also their countries to its implementation. This promising offer sounded similar to the idea of the USA’s Secretary of State, Rex Tillerson, which he expressed a bit earlier in October 2017 during his visit to Delhi. There was talk about the possibility of joint construction of roads and ports across South Asia in the Asia-Pacific Region (APR) as an alternative to China’s initiatives.

In the meantime, in the interests of OBOR, China continues to strong-arm small, neighboring countries. The first line of BRI (basic rate interface) was launched in January 2018, financed by Beijing and providing two digital channels to Nepalese users. A similar project was offered to India, as had been done previously, but was declined once again. In April 2018 the Chinese mirrored the above mentioned alternatives by offering Nepal the creation of a corridor within the framework of OBOR which would connect this landlocked country with both China and India, if the latter were to agree. The project would be extremely beneficial to Katmandu which, until 2015, was more under India’s zone of influence, but was striving to preserve a balance between the two giants. Over the last one or two years, China has clearly outperformed India, intending to build a rail link from Katmandu to Lhasa in the Tibetan Autonomous Region, drilling through Mount Everest. And so the pendulum of Nepal’s interests has swung noticeably in China’s direction.

As far as the corridor is concerned, Beijing’s view is that it would be in Delhi’s interests to consider this project once more. India’s participation in one way or another could sustain its interests in Nepal. The corridor will not run through territory that would encroach on India’s sovereignty, as with the China-Pakistan Economic Corridor (CPEC). That means no politicization and greater acceptability.
China’s authorities have not limited themselves to these meager tokens of attention while “courting” India with that very goal – to draw it in as an OBOR participant. On that score, Beijing is well informed about India’s plans to build over 100 modern airports within the next 10 to 15 years, having allocated nearly $60 billion to double their current number (120), and creating several million jobs. On September 6, 2018 the Global Times published commentary that leading experts and analysts of China’s largest universities, when evaluating India’s plans, openly exaggerated India’s difficulties in search of the required additional funds for such a formidable project, chiefly through outside sources. Their verdict received attention within Beijing’s power structures. They formulated an unambiguous message to India – China can become such a source to solve the problems of India’s growing air traffic flow – up to 520 million passengers in the 2030s, meaning third place in the world (under OBOR, China has already built recently modern airports – in Togo and Pokhara in Nepal).

China’s message to India sounded straightforward, but blunt: if you join OBOR you’ll get the 100 airports!

But while in the capitals of the countries with initiatives for new alternative infrastructure projects, as a rebuff to OBOR, the risks and benefits are lazily evaluated and debated with a greater share of rhetoric, than real details, the Chinese caravan, loaded with “bundles and successes and expenses and problems,” moves forward on the Silk Road.

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