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## Examining the Strategy behind China's OBOR

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By Bhaskar Roy

On May 14, representatives of 110 countries would be gathered in Beijing in one of the biggest international summits, to listen and discuss China's "One Belt, One Road" (OBOR) initiative. Around 28 national leaders from Russia, Vietnam, Indonesia, Malaysia, Pakistan, the Philippines and Turkey, and several from the West and Africa would be in attendance.

India, which is being pursued by China to join the CPEC, will have a low level representation, if any. India's neighbour, Nepal which is sandwiched between the two countries, was finally pressured to send a high level delegation, while Sri Lanka appears resigned to its fate. All the benefits of connectivity with positive economic results is being held out to Myanmar.

OBOR is not an entirely new concept. Reaching out to Europe by an overland railway route, through Central Asia to Amsterdam, started in the 1990s. Next came re-enacting Admiral Zheng He's sea voyage through the Indian Ocean to Africa, touching briefly India's southern ocean tip, according to some reports. This gave the concept of the New or 21<sup>st</sup> century Maritime silk Route. The Chinese Communist Party, which formulates policies, does years of research, collecting reactions of concerned foreign governments, China's growing economic and military capabilities, winning over new friends and allies, to come to a definite conclusion.

Chinese President Xi Jinping packaged the entire input together to unveil the OBOR project in 2013. He put them in an enigmatic package backed by massive official media and contact diplomacy at all levels. Even then, the international community is generally skeptical and would hear out Xi Jinping on May 14 in Beijing. They may even ask some quiet questions, because the OBOR is still a work in progress in Beijing's Zhongnanhai.

The full scope of OBOR initiative has not been revealed yet. There is a lack of transparency. The only aspect being projected is that economically it is a win-win opportunity for all. China says that it is ready to invest one trillion dollars. The plan is to connect the East and the West through Central Asia. One catch is that partner countries will have to pay up and provide security. Will the economically weaker countries be able to do that and pay back the Chinese investments in 25 to 30 years at interest rates of 3-4 percent, with annual pay back packets? If some of them fail what will be the penalty and whether in cash or kind? Open ended questions, indeed – a perfect example of debt trap.

China would be extending profile and influence in regions that till today were under US influence. The message: If Washington digs in more firmly in the Asia-Pacific region Beijing will show its flag in Europe. In the area of trade and economic relations China stands very high in the priority of all these countries. The Chinese have understood US President Donald Trump well, especially after the Xi Jinping – Trump meeting in Trump, Mar-a-Lago resort. OBOR is part of promise to his party and his people. The drive to be the second super power after the US, though the gap between the two will take several decades to bridge. They are on track to 2050, when the Party celebrates 100 years of the People's Republic in 2049.

China's threat perception from Islamic terrorism and separation in its Xinjiang – Uighur Autonomous Region (XUAR), bordering Central Asian Countries, Pakistan and Afghanistan, has risen several folds in recent years. The Uighur Muslims, who are of Turkish origin, are at the centre of this concern. Beijing has managed to close support for them from Pakistan using diplomacy and working with some of Pakistan's Islamic parties and groups, as well as Pakistan's Inter-Services Intelligence (ISI) which is the real enabler of Islamic militants. One sop given by China to the ISI appears to be standing with them against international (and Indian) moves to declare well known ISI supported terrorists like Jaish-e-Mohammad Chief Masood Azhar or terror groups like the Laskar-e-Toiba (LET). This has paid dividends and Pakistan as clamped down on Uighur militants in Pakistan. China has also pressured Central Asian countries like Kazakhstan which have Uighur population.

But with draconian laws for Uighurs in XUAR (such as those which prohibit them for fasting during Ramadan, men not allowed to keep beards, punishing them for not smoking in front of clerics, outlawing the hijab for women among other things), the worry now is that a sizeable number of Uighurs are fighting for Daesh or ISIS, who are yet to attack China or Chinese interests abroad. But China remains one of Daesh's targets. The Belt with its financial and other support to the Central Asian countries is intended to create a "Crescent" of countries to block infiltration of Daesh. The Belt is planned to create a Chinese extension of Mackinder's Theory of the importance of Central Asia as a large and critical land island.

Having said that, the belt connections will include a large number of Islamic countries. Given the wide range of radical Islamist groups and anti-China sentiment, the project is not risk averse. China will, of course, expect these countries to provide security as is being done in Pakistan.

The OBOR is mainly designed for its own economic protection. China's export driven economy is beginning to falter as new centres of low and intermediate range goods production are growing. Its low labour cost advantage is beginning to fade, while idle production capacity is growing, along with unemployment. This initiative together with China's investment may allow them to locate their companies in the crescent countries and arm twist their governments to give extended tax rebates and high interest rates for the investments.

Chinese security forces are likely to follow and set up centres and port holdings where opportunity allows. Export of Chinese labour and blue and white collar jobs are written in the script. In several countries it can be a virtual Chinese take over.

### **The Pakistan Case**

Whether the China-Pakistan Economic corridor (CPEC) will be a game-changer for Pakistan or an extended disaster is being hotly debated in Pakistan. On the one side is the government arguing in favour but without facts to support it. On the other in a conglomeration of experts, journalists, local politicians and even some industrialists who are asking sharp questions which the government is ducking. Pakistani freelance journalist Salman Rafi wrote in Asia Times (March 10, 2017) "The CPEC continues to look like a mystery, wrapped in an enigma". Rafi goes on to say the CPEC "appears to become a China only project, stripping it of its game-changing elements for Pakistan and giving China a disproportionate presence in the country and the region".

Last year (July 2016), Pakistan's planning and Development Minister Ahsan Iqbal informed the senate that, "Agreement of the economic corridor with China is sensitive and it cannot be disclosed". He, however, handed a copy of the agreement in a sealed cover to senate chairman Raza Rabbani asking the members to examine the agreement in the chamber of the chairman, if they wished to do so. The initial agreement is not a complete one, according to a number of sources. It is still a work in progress.

The Pakistani government has failed to explain if this is an economic agreement. Why hide it from the people because the money of the tax payers is involved. Or is it a Faustian bargain the Pakistani government has been forced to enter into by China and the Pakistani military? The Chinese investment in the project has increased from 46 billion dollars to 56 billion dollars, according to Pakistani media reports. But how does this play out?

A brief summary of the costs involved for Pakistan is as follows. Pakistan is raising a security force of 15,000, (roughly two divisions) for protection of Chinese personnel and CPEC installations from Gwadar to Kunjerab Pass. The entire cost will be borne by Pakistan. The

Chinese refused to share the cost, saying security was not their business.

Islamabad has decided to levy a one percent surcharge on domestic power consumers to help defray security costs.

The special economic zones to be set up along the corridor will be only for Chinese companies, not for Pakistani. Most of the labour, it is feared, will come from China.

Chinese power companies to be set up will charge much more than the domestic producers. The amount has not been disclosed.

Machinery will be procured from China. Chinese companies involved including railways and the Gwadar Port handling Chinese companies, will enjoy a tax holiday for at least 23 years. There are many other hidden elements, people suspect. Interest on Chinese loans is expected to be higher than international financiers like the IMF and World Bank.

According to Pakistani calculations, there will be little or no foreign exchange in flow back into the country, while it pays 90 billion dollars back to China over 30 years against loans and investments of 56 billion dollars. The average annual repayment will be 3.7 billion dollars, according to a Pakistani analyst. What will happen to Pakistan which is already heavily indebted in foreign exchange?

The end scenario looks like this. China will have full control of Gwadar port turning it into a base for the Chinese navy. The corridor will be used for strategic exports and imports for China.

In the process, it is believed that Beijing is preparing to try and enter into the India-Pakistan dispute over Kashmir, Breaking its own principles China is building the corridor through Pakistan occupied Kashmir which is a disputed territory claimed by India. This is a provocation which India will not accept.

China is pressing hard on Myanmar for such a corridor. Nay Pyi Daw may like to examine the Pakistan case.

The CPEC is very important for President Xi Jinping. OBOR is his flagship project, and CPEC is its crown jewels. He will do anything and everything for its success. Failure would harm him severely.

*(The writer is a New Delhi based strategic analyst. He can be reached at e-mail [grouchohart@yahoo.com](mailto:grouchohart@yahoo.com) [1])*

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