

# PERSPECTIVE

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## **China's One Belt One Road Initiative – An Indian Perspective**

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### **EXECUTIVE SUMMARY**

- China's "One Belt One Road" (OBOR) initiative can significantly impact Asia and parts of Europe, economically and strategically.
- With India's strategic location in the Indian Ocean and its burgeoning economy, its active participation is a necessary condition for the success of the initiative.
- While recognising that a prosperous and assertive China will be more active internationally, India would expect China to be sensitive to the concerns of its neighbours. China must show accommodation and preparedness to play by international rules. An example would be coming to an agreement on India-China border disputes.
- The potential benefits for India by participating in OBOR are significant, especially in terms of infrastructure development, but its implementation will pose a challenge. India also remains concerned that OBOR could result in its isolation in the region.
- OBOR will allow China to overcome the "Malacca Dilemma" through access to maritime facilities in the Indian Ocean, granting it an important strategic advantage.
- While India has not officially taken a position on OBOR, it is not averse to the initiative as long as it involves the participation and input of all stakeholders.

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## INTRODUCTION

President Xi Jinping formally publicised China's "One Belt One Road" (OBOR) initiative while inaugurating the Boao Forum for Asia Annual Conference at Hainan on March 28, 2015. Simultaneously, the National Development and Reform Commission of China released the full document at Beijing, which lays out a comprehensive plan for OBOR's implementation in the years ahead.<sup>1</sup> The proposal consists of two distinct parts. One is the *Silk Road Economic Belt*, stretching across Asia to the Atlantic Ocean; and the other is the *21<sup>st</sup> Century Maritime Silk Road*, linking China's eastern sea board to the Indian Ocean and to the Persian Gulf and East Africa.

The importance of this initiative must not be underestimated. It is the centrepiece of the economic, political and strategic policy framework of the Fifth Generation Leadership of China under Xi Jinping. Some have suggested that OBOR is a version of China's Marshall Plan.<sup>2</sup> Others have argued that this is one way to expand China's economy and invest China's surplus foreign reserves for its greater economic and strategic advantage. It is likely to also give a boost to the PLA Navy's far sea activities and an expanded role in the Indian Ocean and beyond. Whatever it may end up being in practice, there is no doubt that it will impact in a significant way on Asia and on parts of Europe.

## AN OUTLINE OF OBOR

Billed as a network of regional infrastructure projects, OBOR is actually much more. Through collective and collaborative efforts, it aims to build a network of road and high-speed rail connectivity, pipelines, ports, fibre optic cables and state of the art telecom, which will link China to the rest of the world. On land it will replicate the original 'silk road'; and by sea it will connect the ports along routes traversed by Admiral Zheng He in the early 15<sup>th</sup> Century in Southeast and South Asia and go on to West Asia and East Africa.<sup>3</sup> Apart from leading to a network of infrastructure projects, this will promote cooperation in trade and investment and include cultural as well as people-to-people contacts. Both in scope and scale, OBOR goes well beyond the earlier 'routes' or 'roads'.

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<sup>1</sup> "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road", Beijing, March 28, 2015, Xinhua. accessed at <file:///Users/user/Desktop/Full%20Text:%20Vision%20and%20actions%20on%20jointly%20building%20Belt%20and%20Road%20-%20Xinhua%20%7C%20English.news.cn.webarchive>; on 19 May 2015

<sup>2</sup> For one set of views, see in the Diplomat, at <http://thediplomat.com/2015/06/the-trouble-with-the-chinese-marshall-plan-strategy/>, accessed on 18 Sep 2015, an article, "The Trouble With China's 'One Belt One Road' Strategy" by Jiayi Zhou, Karl Hallding, and Guoyi Han, Jun 26, 2015. A more balanced analysis is by CLSA "One Belt One Road – A Brilliant Plan". [https://www.clsa.com/special/onebeltoneroad/?utm\\_source=marketing&utm\\_medium=email&utm\\_campaign=onebeltoneroad](https://www.clsa.com/special/onebeltoneroad/?utm_source=marketing&utm_medium=email&utm_campaign=onebeltoneroad), accessed on 18 Sep 2015.

<sup>3</sup> For a short biographical entry of Zheng He, see <http://www.britannica.com/bps/user-profile/1784/jung-pang-lo>. Accessed on 18 Sep 2015.

OBOR in reality is likely to be a flexible alignment and may be adjusted, curtailed or expanded as required based on agreements and understandings with partner countries. Silk Road commerce centuries ago was successful because traders enjoyed secure movement carrying their goods over hundreds of kilometres. At the end of their travels there would be a secure market for trade. A sense of order prevailed as none wished to disrupt this natural route to mutual prosperity.<sup>4</sup> OBOR provides the same opportunities and have similar characteristics, even though in these times, these are likely to be more complex. Today, it would require free access, efficient customs clearances, secure banking, instant money exchange facilities, comprehensive infrastructure development, security along the routes and other amenities. Challenging as these may sound, these are all possible to achieve with international cooperation and participation.

If implemented after careful consultation and discussion with stakeholders and developed in a spirit of cooperation, OBOR can create a win-win situation for all. Especially as China also proposes to fund these projects through its newly created *Asia Infrastructure Investment Bank (AIIB)*, the *Silk Road Fund* and the *New Development Bank*.<sup>5</sup> If instead it is entirely a Chinese initiative, it may then be seen as Beijing's national project and recall memories of the tributary system of old, connecting the periphery to China's capital. OBOR may then be seen as serving primarily Beijing's interests and not as a basis of "mutual prosperity"

The present comprehensive OBOR proposal was seriously articulated only from 2013. Li Keqiang is said to have raised this issue with Indian leaders during his first-ever visit to India and his first overseas trip as Prime Minister in May 2013. Yet, no formal or detailed discussion has yet taken place with New Delhi.

## THE INDIA CONNECTION

The OBOR initiative should also be seen in the context of the evolving geopolitics of Asia in the early 21<sup>st</sup> Century. The rise of Asia today, earlier led by Japan and now by China and other Asian countries, has created a new set of conditions in global geopolitics. India too is on the rise and in 2015 it emerged as the fastest growing major global economy.<sup>6</sup> With its strategic location in the southern part of Asia astride the Indian Ocean, Delhi has a crucial role to play in the overall fruition of OBOR. In the past, the South Western routes of the

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<sup>4</sup> For a brief description of the Historic Silk Road, see as an example, China's Silk Road at <http://www.china.org.cn/english/MATERIAL/139504.htm>, accessed on 23 May 15.

<sup>5</sup> For more details of funding see Francis Cheung and Alexious Lee, "One Belt One Road – A Brilliant Plan", a CLSA Report at [https://www.clsa.com/special/onebeltoneroad/?utm\\_source=marketing&utm\\_medium=email&utm\\_campaign=onebeltoneroad](https://www.clsa.com/special/onebeltoneroad/?utm_source=marketing&utm_medium=email&utm_campaign=onebeltoneroad), accessed on 18 Sep 2015.

<sup>6</sup> See for example a recent analysis in Forbes Journal "Economic Growth and India's Global Rise", at <http://www.forbes.com/sites/alyssaayres/2015/08/17/economic-growth-and-indias-global-rise/>, accessed on 18 Sep 2015.

Silk Road linked India to Chengdu (Sichuan) and Kunming (Yunnan) and from Kolkata and Kalinga on the coast of Orissa to the outside world.

India is connected to the Silk Road Economic Belt also through its trade links to Tibet under its Treaty with China in 1954.<sup>7</sup> Once the territorial issues regarding the province of Jammu & Kashmir are finally resolved and India-China border is peacefully settled, the historical trade route from Ladakh to Xinjiang and beyond can be resumed across the mountains.

Through civilizational connection, growing commercial integration and shared religious heritage, India's participation is likely to be a key element to the success of OBOR. Connectivity with the rest of Asia has been an important element of India's foreign policy in recent decades and India has made several proposals for these. Combining some of these proposals with the OBOR initiative may well be a possibility. In reality India can neither be excluded nor by-passed in any major connectivity initiative in Asia. Nor can it sit out and let others take the lead in its execution.

## A GEOSTRATEGIC BACKDROP

A geostrategic facet of this project also provides an interesting backdrop. These are built around two theoretical concepts; the two independent but interrelated theories of the "Heartland" and "Rimland" of global domination. The article "Geographic Pivot of History" by Halford Mackinder in 1905, theorized the concept of the Heartland, and prophesied that whoever, "rules East Europe (today's Eurasia) commands the Heartland" and "rules the world".<sup>8</sup>

On the other hand Nicholas John Spykman, a political science professor at Yale University in the US, critiqued this idea a few decades later. According to him Russia was an agrarian power in the early 20<sup>th</sup> Century and even though it occupied the "Heartland" it had no ability to control the world. Instead he said, the "Rimland", the strip of coastal land that encircles Eurasia, was more important than the Heartland and its domination allowed control of the Asian continent and hence was strategically more important.<sup>9</sup>

It is in the 21<sup>st</sup> Century concept of OBOR that the theories of Mackinder and Spykman have an opportunity to be tested. Both the Heartland and the Rimland concepts are incorporated

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<sup>7</sup> "Agreement Between the Republic Of India and the People's Republic of China on Trade and Intercourse between Tibet Region of China and India", signed on April 29, 1954.

Refer to the Ministry of External Affairs, Government of India web site at <http://www.mea.gov.in/bilateral-documents.htm?dtl/7807/Agreement+on+Trade+and+Intercourse+with+Tibet+Region>, accessed on 22 July 2015 for full details of the official agreement.

<sup>8</sup> Charles Kruszewski, "The Pivot of History", *Foreign Affairs*, April 1954 discussing Mackinder's theory. Harald Mackinder was an eminent British scholar and geostrategist and was the Director of the London School of Economics.

<sup>9</sup> See for example, Spykman, Nicholas J. (1938), *Geography and Foreign Policy I*, in *American Political Science Review*, Feb 1938, pp. 28-50 in which he articulates his ideas on geopolitics.

in the two principal arms of OBOR. Though this entire landmass cannot quite be dominated by one power, it is within the possibility of a single regional security entity. In this case, it could be the Shanghai Cooperation Organization (SCO), which is dominated by China and Russia.<sup>10</sup> The SCO is likely to be further expanded from mid-2016, with the inclusion of India and Pakistan and soon thereafter probably Iran.<sup>11</sup>

In this context, a key question is being raised: what is the SCO? Is it a security organization, therefore, part of a new global security architecture? Or is it a forum for addressing new areas of security concerns such as terrorism, the spread of ISIS and the challenges it poses to Eurasian security? Is it merely a trading bloc? Or is it all this and much more? Some of these questions will need to be simultaneously addressed.

## OBOR'S PRINCIPLES AND PRIORITIES

According to the OBOR document, the project is structured along the purposes and principles of the UN Charter. It upholds the Five Principles of Peaceful Coexistence or *Panchsheel* jointly propagated by Jawaharlal Nehru and Zhou Enlai in 1954. Based on these principles, the document goes on to enunciate clear guidelines that should shape future policies.<sup>12</sup>

Its cooperation priorities include:

- 1) *Policy Coordination*. Through intergovernmental cooperation, it would build on shared interests, enhance mutual political trust, and establish consensus. Development strategies, policies and plans will all have to be negotiated. This is the crucial first step before implementation.<sup>13</sup>
- 2) *Facilitating Connectivity*. Harmonizing infrastructure construction and clarifying technical standards will be necessary and trade regimes have to also be aligned. Cross-border optical cables and other communications trunk line networks will be created to facilitate seamless communication for a Silk Road Information Network.<sup>14</sup>
- 3) *Unrestricted and Free Trade across Borders*. This will call for enhanced customs cooperation including mutual recognition of regulations, standards and mutual assistance in

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<sup>10</sup> For one view please see, Shanon Tiezzi's, "Russia's 'Pivot to Asia' and the SCO" in the Diplomat, July 21, 2015, at <http://thediplomat.com/2015/07/russias-pivot-to-asia-and-the-sco/>, accessed on 19 Sep 2015.

<sup>11</sup> See, "SCO starts expansion, ratifies 10-year development strategy", at Xinhuanet; [http://news.xinhuanet.com/english/2015-07/11/c\\_134402104.htm](http://news.xinhuanet.com/english/2015-07/11/c_134402104.htm), 11 July 2015; accessed on 19 Sep 2015.

<sup>12</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road, Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization on 28 Mar 2015 at Beijing.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

law enforcement.<sup>15</sup>

4) *Financial Integration*. Financial cooperation will require a stable currency system and seamless investment and financing arrangements leading to integration.<sup>16</sup>

5) *Strengthening People-to-People Contacts*. What is expected to build and sustain this process will be the strength of people-to-people bonds. This is expected to receive the highest priority. Public interest activities concerning education, health care, poverty reduction, biodiversity and ecological protection for the benefit of the general public would be encouraged.<sup>17</sup>

## WHAT OBOR IS NOT

From a discussion of the above it may appear that OBOR is all things to all nations. Or that it has been designed to appeal as such to all the countries that have agreed to be a part of it. That may well be the case but the devil lies in the details. If high expectations are not fulfilled it may lead to collective hostility. If there is delay in implementing infrastructure projects, high interest rates on loans and high charges for their use later, then the projects may not be economically viable. OBOR is still an idea in development, allowing changes in implementation to be made as required. It is necessary therefore to define what OBOR is not.

1) *Not a Free Trade Regime*. OBOR in itself does not visualize a treaty-based fixed trade regime, though it may eventually emerge as such. What it visualizes for the present is creating seamless and low-cost possibilities of movement of peoples and goods.

2) *Not a Security Alliance*. OBOR is definitely not a NATO nor the erstwhile WTO nor even the SCO or the OSCE. Indeed, it is not a grouping at all, which is linked through a formal treaty or a set of regulations. Yet, it will be important to bear in mind that only a secure environment, particularly free from terrorism and religious radicalism, will promote commerce.

3) *Not a Treaty-Based System*. Even though bilateral agreements may be necessary for the operation of major trans-border infrastructure facilities, formal membership arrangements may not be required except for financial institutions.

4) China has been keen to emphasize that OBOR will not be an arrangement to extend Chinese hegemony. This has been necessary since OBOR will tend to align regional countries to Beijing. Currently China's economic and strategic capability makes it a formidable power in the region, and other states may have different ideas regarding their own security needs.

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<sup>15</sup> Ibid.

<sup>16</sup> The President of the BRICS New Development Bank at Shanghai, who has assumed office in June 2015 is an Indian, Shri MV Kamath.

<sup>17</sup> n.26.

## INDIAN PERSPECTIVES

Given its own historical conditions, India would understand the context in which the OBOR initiative has developed. It would also accept that for China, developing its western region over land, ensuring safe navigation over sea and improving relations with neighbouring and far countries are both strategic and economic imperatives. It would also understand that this policy strengthens China's presence in the Eurasian region and puts it in a commanding position over Asia's heartland.

China's image as a rising nation that is ready to undertake greater international responsibilities should be welcomed. That it may need to adopt certain proactive measures to protect and enhance its security interests, even in distant lands, is also a natural evolution of China's growing power and influence. Yet, the question remains as to how much of this is to be welcomed and to what extent it should be of concern. It will help enormously if China demonstrates its willingness to play by international rules and by emerging concerns of global cooperation among its neighbours. There is no doubt that resolving the border dispute between India and China amicably will help to demonstrate Beijing's desire for mutual accommodation.

India has so far not taken a position on OBOR. No further details have been available officially and no meaningful delegation-level dialogue has taken place between India and China as yet. The Indian position, however, remains positive in principle as its membership of the BCIM and it being a founding member of the AIIB testifies. Yet, without doubt, OBOR is a major project with international ramifications and therefore requires greater participatory dialogue among all stakeholders. There are many issues that need to be discussed on connectivity, commercial arrangements, trade requirements and financial allocations, apart from coordinated planning of infrastructure development. These cannot be done in a hurry and can also not be left unaddressed.

India's Vice President, Hamid Ansari, during his official visit to China in June 2014 said in regard to OBOR that; "In the discussions in the last two days the subject has been mentioned. We have asked for more details to be able to study the proposal in all its fullness."<sup>18</sup>

A more carefully articulated position was enunciated by India's Foreign Secretary, S Jaishankar, at his Fullerton Lecture on 1 July 2015 in Singapore when in response to a question he said that, "If there's a national initiative and a country is going ahead with implementing a national initiative, it's not incumbent on other countries to necessarily buy it. Where we stand is that if this is something [for which] they want a larger buy in, there

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<sup>18</sup> 'India Okay with BCIM, wants Details on China Maritime Silk Road', *The Economic Times*, 30 June 2014, available at [http://articles.economictimes.indiatimes.com/2014-06-30/news/50974672\\_1\\_maritime-silk-road-msr-bcim](http://articles.economictimes.indiatimes.com/2014-06-30/news/50974672_1_maritime-silk-road-msr-bcim), accessed on 10 July 2014.

would be a need for a large discussion; and that hasn't happened.”<sup>19</sup>

At the same time India has concerns that if OBOR were to have overwhelming support among other affected states, then that would leave it isolated. Furthermore, this may allow an encirclement of India, encouraging it to seek actively even more external partnerships, thus dividing Asia.

The advantages for India's active participation in OBOR are significant. It will help India's border and outlying areas to develop infrastructure that it presently is unable to provide in full. Funds from relevant financial institutions may be more easily forthcoming and support from China and its infrastructure construction companies may also then be readily available. Finally, improved connectivity with India's neighbours, a long cherished dream of its leaders, will also be more likely to be fulfilled.

## CONCERNS AND CRITICISMS

Implementation of this project will take many years to complete, and be a challenge to all participating countries. It also carries with it risks of failure. In a project of this scale and magnitude many issues will arise that will challenge the region's collective determination to make this ambitious project work. It may also be that some part of the project may succeed while others fail or encounter severe implementation problems.

Some concerns and criticisms have been raised against OBOR from quarters mainly outside the region. For example, it has been said by non-members in the West that, “this is an attempt to thoroughly reshape the geopolitical fundamentals of global power... in favour of China. If China succeeds in linking its rising industries to the vast natural resources of the Eurasian heartland, then quite possibly... “the empire of the world would be in sight.”<sup>20</sup>

China does not claim any strategic advantage from this project or seem to consider it as a means to expand its interests and influence in Eurasia and the Indian Ocean region. It has consistently spoken only about mutual economic advantage for all participating states. Yet it may well be that many projects may turn out not to be economically viable, incurring loss for both the funding institutions and the companies involved. Should these be frequent then it may challenge the viability of OBOR itself.

Beijing's investment in OBOR will nevertheless have many consequences. The physical networks developed would link other countries to the Chinese mainland. This need not, in principle impede the autonomous choices of participating nations, but what actually comes

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<sup>19</sup> The address can be accessed at <https://www.youtube.com/watch?v=et2ihw8jHaY>

<sup>20</sup> Alfred McCoy, [The Geopolitics of American Global Decline](#), *The Unz Review*, accessed on 22 May 2015.

about in practice may be another matter.

It is true that the maritime Silk Road, by linking ports and maritime facilities with China will allow it to overcome the so-called “Malacca Dilemma”, allowing China access to maritime facilities in the Indian Ocean area.<sup>21</sup> In terms of harbour facilities, marine logistics, security of transportation at sea, access to marine resources and related issues, it will assure China access and control over the type of naval support facilities that it lacks today. This would be an important strategic advantage to China.

Some views in the West also attribute the OBOR initiative to an attempt to counteract two US initiatives in the Asia Pacific. One is the Trans-Pacific Partnership (TPP) that was initially formulated by the US in 2011, as a regional free trade agreement between eleven countries in the Asia-Pacific. It was signed in 2015 and excludes China, Russia and some other Southeast Asian countries as well as India.<sup>22</sup> The other is the US “Pivot to Asia” policy adopted by the Obama Administration mainly to counteract China’s growing military capability.<sup>23</sup>

Hence the concept of OBOR fits neatly into what Edward Luttwak, a US military historian and geo-economics expert describes in a 1990 *Financial Times* article as “the logic of war in the grammar of commerce”.<sup>24</sup>

## CONCLUSION

India-China relations are undergoing a fundamental change under two dynamic leaders in both countries. Within a year, they have both met twice on bilateral official visits and have met on other occasions on the side-lines of international conferences. There is greater understanding and cooperation between both nations. Trade and investment opportunities are being addressed afresh and new opportunities are opening up, though major

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<sup>21</sup> The narrow straits is a major bottleneck through which some 40 % of the world’s energy trade takes place to supply China, Japan and ROK with their energy demands. The possible blockage of this would pose a serious energy challenge, particularly to China and hence has been described in certain quarters as China’s “Malacca Dilemma”. For one view see the Jamestown Foundation study by Ian Storey, China’s “Malacca Dilemma”, China Brief Vol 6, Issue 8, Dec 31 1969 at [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=3943#.VWdT6c5CPFI](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=3943#.VWdT6c5CPFI).

accessed on 22 May 15.

<sup>22</sup> The Trans-Pacific Partnership Agreement (“TPP”) is a free trade agreement among nine countries: The United States, Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam. The idea was floated in 2011 and negotiations were completed in 2015.

<sup>23</sup> Kurt Campbell (former Asst Secretary of State (East Asia)) and Brian Andrews, “Explaining the US ‘Pivot to Asia’”, Chatham House, paper no Americas 2013/01. This explains one view from an authoritative source in the US. The pivot also has diplomatic and economic dimensions.

<sup>24</sup> Edward Luttwak, “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce”, *The National Interest*, No. 20 (Summer 1990), pp. 17-23.

breakthroughs in the security sphere have yet to happen. However, the full potential of this relationship has still to be exploited.

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