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One Belt, One Road has no basis in China's history

Beijing is seeking to legitimize the initiative by invoking the Silk Roads, but Obor more closely resembles European imperial engagement with Asia in the 19th century

DEEPAK NAYYAR
is emeritus professor of economics, Jawaharlal Nehru University, New Delhi. He served as chief economic adviser, government of India, from 1989-91, and as vice-chancellor, University of Delhi, from 2000-05.

China celebrated its "One Belt, One Road" (Obor) initiative with a coming-out party in Beijing last month. The conference, with 68 participating countries, was attended by 28 heads of government, while the others were represented at ministerial or lower levels. European leaders were missing. The rich countries were largely absent. India stayed away in protest against the China-Pakistan Economic Corridor, a component of Obor, which passes through Pakistan-occupied Kashmir, citing its sovereignty over the terrain.

Much of the writing on Obor has been project-specific or country-specific, but its whole is different from—indeed greater than—the sum of its parts. There is little analysis or evaluation from a wider perspective. It is time to discuss this elephant in the room.

President Xi Jinping announced the Obor initiative in 2013 to create a network of railways, roads, pipelines and grids that would link China to the world. The action plan was approved by the Chinese state council in 2015. The "Belt" seeks to create a land route from China to Europe. The "Road", strangely enough, hopes to create a maritime route from China to the Mediterranean through the Indian Ocean.

It is, in effect, a portfolio of infrastructure projects—roads, railways, oil pipelines, power grids, information highways, ports, industrial corridors—to foster connectivity and support development. China plans to provide $150 billion per annum over the next decade. The Silk Road Fund, created in 2014, is just $40 billion. The financing is meant to come largely from the China Development Bank, the Export-Import Bank of China (its national development banks) and the Asia Infrastructure Investment Bank (multilateral institution established under China's leadership) possibly supplemented by the New Development Bank (based in Shanghai established jointly by Brazil, Russia, India, China and South Africa). The stated rationale is to provide a framework for economic cooperation through trade, finance, policy coordination, collaboration and partnership between countries.

The Belt, which plans to connect east and west overland across the Eurasian landmass, envisions three routes: from China to Europe via Central Asia; from China to the Persian Gulf and the Mediterranean via West Asia; and from China to South East Asia and South Asia. The Road, which plans to connect China with Asia, Africa and Europe through maritime routes by sea, also envisages three components: from China to South East Asia, on to South Asia, and through East Africa to the Mediterranean. This grand design, described by Xi as the "project of the century", claims to be the modern equivalent of the historical networks of routes, now described as the "Silk Roads". They were supposedly established by China in the Han period, around the turn of the Christian era 2,000 years ago, and named after its main export—silk—that shaped developments in the region for centuries. The real history was very different.

The movement of people across geographies is as old as humankind. For centuries, communication routes and trade paths, both land and sea, criss-crossed Eurasia, linking east and west. Such routes traded not just in silk but in a wide range of goods. The traders were Arabs, Armenians, Chinese, Georgians, Greeks, Indian, Persians, Romans, Sogdians and Syrians. Moreover, the vast networks were about far more than merchandise trade, as knowledge, ideas, cultures, beliefs, languages and religions traversed the same paths to influence each other in ways that sometimes changed history. These ancient routes had no names. In fact, it was only in the late 19th century that a German geologist, Ferdinand von Richthofen, named the network of routes *Die Seidenstrasse* (The Silk Roads). The term is an entirely colonial construct.

There were three historical routes connecting Asia and Europe: the southern land route via Central Asia; a route to its north along the southern edge of Mongolia used much less; and a maritime route across the Indian Ocean.

There was no single overland route that ran directly from China to the Mediterranean. It was made up of segments, each of which was a loop in a chain, which was also not a single named entity. To begin with, Han rulers exchanged gifts—silk and horses—with the nomads of central Asia. Large-scale commercial exchange came later. The Central Asians, as traders, took the silk west to the Oxus valley from where it went to India and Iran. It went from Iran to the eastern Mediterranean, through local traders, from where it went to Rome through their traders. Much else was traded besides silk from China. Silk, and other goods, moved from east to west, while Buddhism travelled from India through Central Asia to China and East Asia, with site after site of Buddhist shrines along the route. The routes were not subject to any centralized political control. Trade and commerce recognized that none had a monopoly on trade which flowed through many channels. It was only the Mongol empire in Central Asia during the 12th century that tried to weld these segments into a single route but this did not last long as the Ottoman Turkish empire closed down the route in the 15th century.

Asia and Europe were also connected by sea but the Chinese had no dominant role at any time on this route. There were three segments in this maritime route: the Red Sea to the coasts of India; the Bay of Bengal to South East Asia; and South East Asia to South China. It all began with trade in spices, and the demand for spices took Indians to South East Asia. Religions—Hinduism, Buddhism and Islam—also moved on these routes. It was Arabs and Indians who dominated the maritime trade in the first two segments, while the Chinese dominated the third segment.

Given this past, it is not clear why China seeks to legitimize Obor by invoking history.

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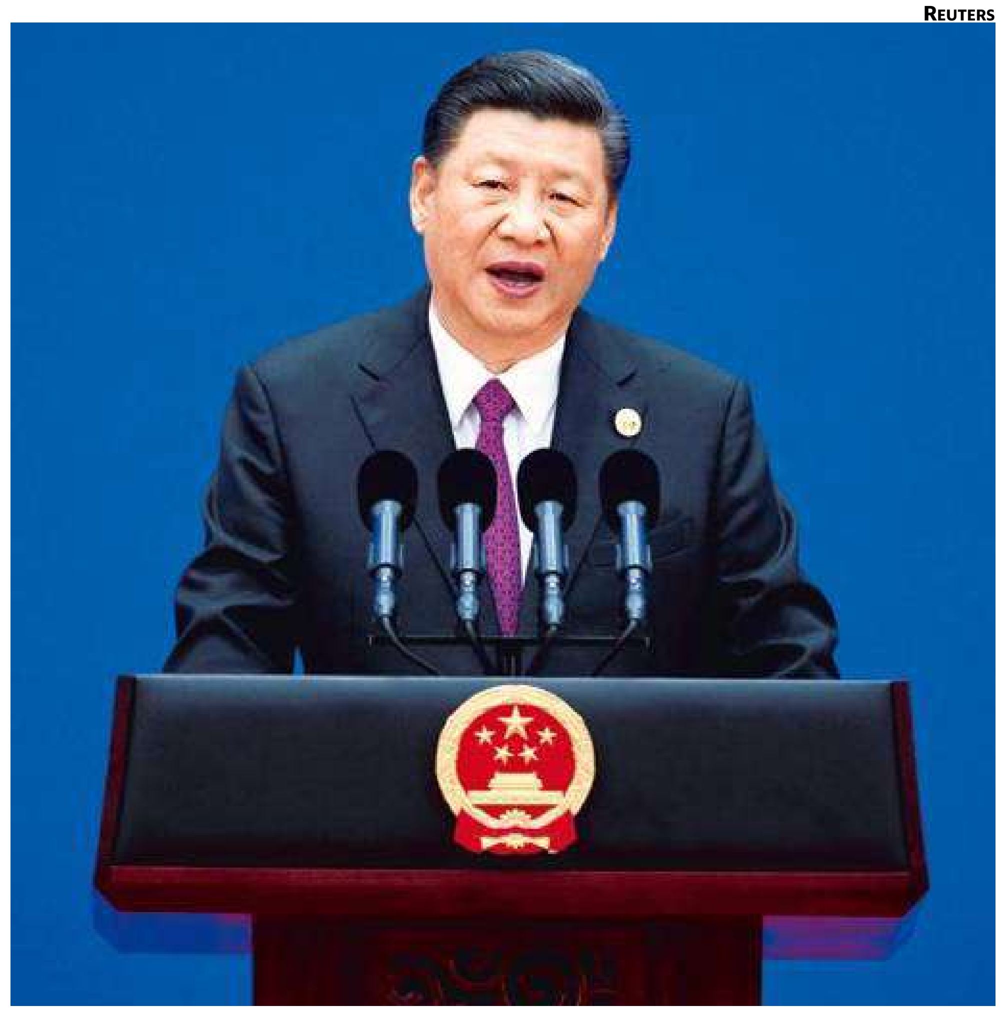

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This is a new departure that resembles the European imperial engagement with Asia in the 19th century.

Obor is an entirely Chinese initiative. Its explicit, stated, objectives are creating an infrastructure and providing connectivity to foster economic cooperation as partners in development. Its implicit, unstated objectives, both economic and political, also deserve attention.

The Chinese economy is confronted with two sets of problems. The country saves more than it can invest, so that it runs large current account surpluses in its balance of payments leading to an accumulation of foreign exchange reserves, which are invested mostly in low-interest US government securities. The economic slowdown and persistent recession in the US and EU mean that China needs to shift from export-led growth to domestic consumption-led growth. This is easier said than done with an unequal income distribution. Any redistribution, even if feasible, will take time. Obor provides a potential solution to both problems. It could earn higher returns on surplus savings or capital exports, just as it could provide a new source of external demand. At the same time, it could use the excess capacities in railways, steel, metals and cement, to provide work for their construction companies, while using their experience of infrastructure projects.

China's political interests are clearer. Obor is a means of extending political spheres of influence, mostly in Africa at present, to South East Asia, South Asia, Central Asia and West Asia. It is about buying regional leadership in the quest for hegemony. Above all, it is a stepping stone for China's aspirations of global leadership by creating a rival to the transatlantic economic area with the US at its apex. This task might become easier in a vacant space if US President Donald Trump opens a void by progressively withdrawing the US from its global leadership role.

From the perspective of developing countries, which are Obor participants, there are both positives and negatives. The positives are it could help bridge their massive infrastructure deficits, exacerbated by scarce capital, by providing external finance without explicit conditions, together with technology, goods, services and workers to build and complete projects. The negatives are that the projects which are built might not be what host countries need, the costs might be much higher because the financing will be tied to procurement in China, and the linkages with the domestic economy might be sparse. On balance, the outcome would depend upon the distribution of gains, which could be skewed given the limited bargaining power of host countries vis-à-vis a strong and powerful China. Ultimately, trade must flow both ways for mutual benefits to accrue. But China's past record of running large trade surpluses, and exporting manufactured goods in exchange for primary commodities, especially in Africa, is not promising.

From China's perspective, the positives are clear and tangible. Obor creates avenues for using its surplus savings, exporting its domestic overproduction, utilizing its excess capacities, and sustaining rapid economic growth by creating new sources of external demand. In doing so, it would extend political spheres of influences while exporting its economic imbalances. But this quest might not be without problems. China is already finding it hard to identify profitable projects. There could be negatives too. Gestation lags on infrastructural investments are very long. Rates of return on such investments are rather low. Any problems on account of debt servicing by host countries could stress China's already strained financial system. There could be a political backlash as well. Elected governments in Sri Lanka and Myanmar already want to repudiate or renegotiate projects approved by their predecessors.

Obor should make the world sit up and recognize the global aspirations of China, which was denied a seat at the high table and is now setting up its own kitchen. Pax Britannica began life in the mid-19th century. Pax Americana succeeded it in the mid-20th century. Is China working towards Pax Sinica in the mid-21st century to coincide with the centenary of the Communist Revolution in 2049?

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