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Belt and road initiatives of china and its challenges

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Abstract

Belt and Road initiative (BRI) is a historical initiative which connects the people over the world and facilitates various opportunities for global peace. It connect people through roads ways, air ways and water ways, coordinating policies of various governments, financial integration through cross border business, productivity and regional energy security. This study will base on secondary data and also analyse the risks and challenges associated to BRI initiatives implementation. It suggests that strong coordination among partners of BRI is necessary to get full fruits of this initiative through supportive law, policy, rules and regulation, proper strategy implementation, transfer procurement system, sincere consideration on political, financial, environment and social factors.

Objectives of study

- To analyse China's policy of Board Road Initiatives in detail.
- To know China's fulfilling economic ties with South Asian states through BRI and become a means of rivalry with India.
- To understand the China's growing interest in the world how it is beneficial for China in BRI perspective.

Methodology: The methods applied in this study are historical, descriptive, comparative and analytical.

Sources of data: The books, articles, magazines would be our main secondary resources.

Keywords: OBOR, economic corridor, China's interest in OBOR and its challenges

Introduction

One Belt One Road is a project of China that is intended to effect profound changes for Chinese political economy and international political economy. In the twenty first century when China's economy sees lot of crises and challenges in search of that solution China needs restructuring its social and economic architecture of the country that will provide stability to the country. To deal all these challenges and problems, China has taken the initiative of 'One Belt One Road'. Which was essential project for the survival of China's stability, Cold war's end moved the world toward the unipolar from multipolar world US dominated world. Any rising power is considered to be challenge for US status or as consolidator in the international arena. China's rise in that time in the international political economy has given way to number of interpretation by different experts. Some interpret it as the 'China Threat'. China's Xi Jinping's in 2013 announced of "New Silk Road" and "Twenty First Century Maritime Silk Road" projects which were later referred as "One Belt One Road" Initiative¹. OBOR initiative's discussed by world community in their views some compares it with Marshal Plan and some seen it a way of China's dominance. At the end of 21st century Chinese economy will affirm that China become the world's second biggest economy and has outpaced every other country by catching hyper growth. Chinese economic policies changed and adapted the market oriented policies of China in the era of Deng Xiaoping which enabled China's economic growth to overtake very fast and challenge the world's economic development sustainability and stability and future of world politics. Chinese economy now are facing challenges with a number of problems like development in different regions, environment problems and unsustainability of current economic model that rooted in the economic factors that were once built on purpose to accelerate the development of the country. In solution of all these problems Beijing government adopt a new strategy not only to keep a sustainable economic environment but also achieve others development of country adopt the 'One Belt One Road' initiative to transits its economy and society and provide a stability to nation.

Chinese president xi Jinping's visit to Indonesia and Kazakhstan in Sept. and October of 2013 during the visit Jinping proposed the initiative of building the 'Silk Road Economic Belt' and the twenty first century Maritime Silk Road which links China with South Asia, Eurasia, South-East Asia, Brazil and Africa through investments, trade, transport, tourism,

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education culture and energy infrastructure projects, and cooperation in other areas. The “one Belt, One Road” (OBOR) initiative was significant strategy to tackle all the challenges faced by China and its security cooperation. OBOR is multi layered network of projects encompassing over 65 countries roughly positioned along with the routes of Old Silk Road and Maritime. To advance its objective of Belt Road initiative China has signed memorandum of understanding (MOUs) with more than thirty countries and established a Free Trade Agreement (FTA) network with more than 20 countries. According to China’s National development and Reform Commission (NDRC), China already invested into the BRI from 2013 until mid-2017 totalled EUR 48 billion.² The (AIIB) Asian Infrastructure Investment Bank expanded its membership in 2017 to 84 countries and together with the EUR China established 36 Billion strong Silk Road Fund in is investing already in BRI projects; as are the new development bank (NDB), THE Shanghai Cooperation Organisation development Bank: some sovereign wealth and newly established local provincial level “Silk Road Funds”.³

On the route some key theme started to emerge in BRI investment by China’s investment and other developments take shape.

- Across the maritime routes increasing capacity and interconnectivity with ports and invest on ports
- China’s oil, gas and natural resource import needs New and expanding routes.
- China’s rail freight business expand at international level⁷
- Interconnectivity between the different regions for high speed rail, highways and telecoms networks
- China’s aviation sector for route expansion continuously investment
- For increasing power generation and renewable sectors China’s invest in third countries
- Smart city and urbanisation planning
- In the third world countries growing opportunities for China’s construction and engineering sectors
- Development of bilateral industrial, tech and trade zones in Third world countries and China
- Country cooperation in manufacturing, production capacity and supply chain efficiency
- Country cooperation on science technology and research development
- Across the border transactions and connectivity of banks and information.

Once the project of BRI will complete it will enhance the regional connectivity and by the constructions of infrastructure assets, such as ports, roads, railways, power plants, communication networks, and energy supply, it will foster growth opportunities in market and industrial development and international trade, opening up the trade, investment, services and operational opportunities.⁴

Who benefits from China’s “One Belt, One Road” Initiative?

Under its Silk Road Economic Belt and the 21st-Century Maritime Silk Road (commonly known as the “One Belt, One Road” initiative) China has sought to build a network of infrastructure projects across Eurasia to encourage trade. At first glance, it seems that all those involved should

benefit. Chinese loans would kick start the construction of the infrastructure projects. Developing countries, in which the projects are built, would profit as transshipment points and from the development of new industries that could plug into international supply chains. Revenues from the resultant economic growth would then repay the Chinese loans, with interest.

That all sounds rosy. That is, if the new infrastructure network is used. The mere existence of roads and ports does not ensure that trade will flourish. Certainly economic growth at either end of the network would help. But at the moment the economies of both China and Europe are slowing. Indeed, global economic activity is slowing. If there is not enough trade to make the new infrastructure profitable, then the benefits from the “One Belt, One Road” initiative only flows in one direction: China.

The operative word in the “One Belt, One Road” initiative’s financing is “loans.” Chinese loans may have laxer requirements and carry a lower interest rate than those of commercial banks. But they are loans. China expects them to be repaid. Plus, Chinese loans for infrastructure projects are often made with the understanding that the developing countries award construction contracts to Chinese companies. In short, China benefits from both the financing and construction of infrastructure projects, while developing countries must bear all of the financial risk. When trade is booming, that may not matter much. But when it is not, that should be a concern.

In the past, many developing countries became heavily indebted as a result of infrastructure projects that fizzled. Lenders ultimately had to forgive many of their debts, recognizing that their borrowers could never repay them. China has forgiven some of its loans to developing countries too, about \$3.9 billion in all. But that is a small fraction of the total debts that developing countries owe it. For example, in 2015 China cancelled \$40 million in debt from Zimbabwe. But Zimbabwe still owes China over \$1 billion. Moreover, at the time of China’s modest debt cancellation, Zimbabwe pledged that it would increase its use of the Chinese yuan in its foreign exchange reserves. To outside observers, it seemed that China had used its debt cancellation to achieve its larger foreign policy goals.

Still, several developing countries have welcomed Chinese financing. Sri Lanka’s former President Mahinda Rajapaksa happily accepted Chinese loans to build a new port facility and airport at Hambantota. When completed, the port facility will be the largest of its kind in South Asia. But with slowing seaborne trade, Sri Lanka’s new government has been left with the burden of servicing the country’s \$1.1 billion debt to China. Despite the new government’s criticism of Rajapaksa’s acceptance of Chinese loans and the shortcomings of Chinese construction work, it had little choice but to finish the port and airport, lest it default on the country’s loans. Indeed, China may believe that borrowers will be forced to repay their loans, because an outright default would severely curtail any developing country’s future access to credit.

Lately, however, some Asian countries have been playing harder to get with China. That was the case with Indonesia last year. When a Chinese-led consortium sought a contract to build a high-speed railway between Jakarta and Bandung, Indonesia leveraged the consortium’s eagerness to beat a Japanese-led rival to win a major concession: the consortium would drop its requirement for

the Indonesian government to backstop China's loans. The consortium won the contract in the end. But Indonesia offloaded the project's financial risk onto China.

Thailand has been cautious too. For years, China has talked about the construction of a long-distance, high-speed railway between Kunming and Bangkok. After Thailand's military coup in 2014, the two countries accelerated their talks over such a railway, as they developed closer ties. But the terms that China offered disappointed Thai leaders. They balked at China's desired interest rate, its proposed ownership structure, and its request for development rights along the railway's right of way. So, Thailand shelved the project's original plan. Instead, it financed its own construction of a much shorter railway from Bangkok to Nakhon Ratchasima, only 250 km away. While China would still supply the technology and oversee procurement, Thailand would use Thai construction companies to build the railway, not Chinese ones.

The two railway cases are telling. China may believe that the thirst for low-interest loans in developing countries should make its "One Belt, One Road" initiative an easy sell. But the leaders of those countries, at least those among them who are observant, know that China's domestic economy is slowing and that China is increasingly concerned about keeping its construction companies working. They also know what happened in places like Sri Lanka, Indonesia, and Thailand. That knowledge gives them leverage to negotiate better terms from China. If more developing countries do so, China's "One Belt, One Road" initiative will be quite a bit tougher to realize.

Economic corridors

OBOR is made up of six terrestrial "Economic Corridors" that connect the China through South and south-East Asia, Eurasia to Europe and through the Middle East. These are 'The new Eurasian Land Bridge' 'China-Mongolia-Russia Economic Corridor' 'China-central Asia-West Asia Economic Corridor' 'China-Indochina Economic Corridor (CIPECO)' 'Bangladesh-India-China-Myanmar' and China-Pakistan Economic Corridor(CPEC)'. These Economic Corridors are known by developing large-scale transport infrastructure that seeks to form physical connections between the regions and sub-regions covered by the OBOR. Additionally OBOR also connects 21st century maritime silk road (MSR), connects and overlaps with the three southern economic corridors before moving on to East Africa and Mediterranean Sea. Through this route China pass a trade an average of 18% a year over the past decade.

Challenges in BRI region

China's BRI is accelerating the country's rise in regional and global economic influence. High level political negotiations and government contracts have percolated down to the business level, with companies in Belt and Road target countries seeking to leverage on Chinese investment by partnering with Chinese companies on strategic Greenfield projects. Chinese companies and investors feel growing risk in the region while completing projects of BRI. There are eight key areas where Chinese firms can expect to face challenges and should proactively seek the advice of skilled advisers to mitigate risks.

1) Project selection: Chinese contractors may commit to project that carrying delay risk. Especially in smaller,

more frontier markets because most of the BRI countries do not have existing pipeline of projects that have.

- 2) Security:** Security will be a major challenge for BRI. Because as a part of OBOR will build 81,000 kilometres of high-speed railway which pass through the 65 countries. So it is very hard for any to protect its projects in so many countries. Therefore security is also a challenge for BRI.⁵
- 3) Local political disputes:** local disputes between the countries in central Asia can create problems for the successful implementation of BRI. Such issues include cooperation and connectivity between neighbouring countries. Slowing down BRI's pace of development and trade in the region
- 4) Local benefits are limited:** In large infrastructure local benefits of small countries are very limited like the expert of China that could deepen the existing inequalities in the region.
- 5) Diversity:** BRI pass through the regions which have separatist groups, divided ethnic communities operating in central and South Asia, such as Baluchistan province of Pakistan where the CPEC is planned. The separatists consider CPEC as Pakistan territory. This makes Chinese establishments become proxy targets in that area. Therefore both the opportunities and Challenges exist for the China's initiative of OBOR. But more likely it seen to be successful it for the partnering nations and the Asian region as whole.⁶

Conclusion

The study analyses the suitability of OBOR in Modern Economy terms of economic sustainability, political stability and cultural exchange. The study argues that OBOR initiative has a great potential for future of global development. It also analyses the context of origin, vision, strategy, challenges and opportunities of OBOR initiative considering its applicability for global development. It also argues that China has a great influence on the OBOR initiative as an initiator and encouraging China's Go-West policy at all but it has a good impact on the economy of its partner as a whole. The article finds out some major challenges of OBOR like absolute size and scale, large infrastructure development, various geography and topography, geographical challenges and security challenges within the region. It suggests that strong coordination among partners of OBOR is necessary to get full fruits of OBOR through supportive law, policy, rules and regulations, proper strategy implementation, transparent procurement system, sincere consideration on political, financial, environmental and social factors. This study contributes to the on-going debate on the positive and negative effect of OBOR initiative through exploring the context of origin, strategy and the challenges which are facing by China while its implementation.

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