

Beijing \$900 billion New Silk Road project starts Central-Asia Europe geostrategic cooperation and competition

One Belt, One Road Originally announced in fall 2013 refers to the New Silk Road Economic Belt, which will link China with Europe through Central and Western Asia, and the 21st Century Maritime Silk Road, which will connect China with Southeast Asian countries, Africa and Europe.

Chinese President Xi Jinping's pet project, it is heavy on infrastructure—calling for new roads, railways, bridges, and ports—to recreate the overland and maritime trade routes that once led to China. Nearly 70 nations have agreed to cooperate in the plan, which aims to foster industrial development not only in the developing nations of Asia and Africa, but also in China's western provinces, which have yet to share in the economic prosperity of the country's coastal regions. The ambition is immense. China is spending roughly \$150bn a year in the 68 countries that have signed up to the scheme.

The 2-day Belt and Road Forum for International Cooperation was organised in Beijing in May 2016. "Innovation is an important force powering development," Xi said in a speech to the opening session of the forum. And so the initiative will include technical cooperation in fields including artificial intelligence, nanotechnology, quantum computing, and smart cities. He also mentioned the need to pursue economic growth that is in line with sustainable development goals, and that rests on environmentally friendly approaches.

The first freight train from China arrived in the Iranian capital in Feb 2016, as part of the New Silk Road

infrastructure project being led by Beijing. The arrival of the train shows that the 10,400-km route from the city of Yiwu in China's Zhejiang province to Tehran, known as the "Economic Belt of the Silk Road," is complete and soon will be ready for use. The first train containing Chinese products arrived in Hairatan, northern Afghanistan in Sep 2016. This marked another advance in President Xi Jinping's Silk Road project to deepen his nation's influence along old trade routes.

China plans to build a high-speed railway between China and the UK, which will connect Kazakhstan, Uzbekistan, Turkmenistan, Iran, Turkey, Bulgaria, Romania, Hungary, Austria, Germany, Belgium and France. The project, with an estimated cost of \$150 billion, is scheduled for completion in 2020-2025."

There has been no unified EU policy toward China's One Belt, One Road initiative, writes Philippe Le Corre. Several EU countries and cities have been particularly receptive to Chinese investors. Others have been more cautious, seeking guarantees from China that it will follow international standards and not exclusively pursue its geostrategic interests.

"One belt, one road" (OBOR) is a development strategy and framework proposed by the Chinese government in 2013 and focuses on the connectivity and cooperation among countries primarily at Eurasian continent. In its largest definition, OBOR involves 65 countries and covers 4.4 billion people, accounting for 63% of global population. The aggregate economic value of these countries amounts to US\$21 trillion, with share in the global trade 29%. China is backing the plan with considerable resources, setting up a New Silk Road Fund of US\$40 billion to promote private investment along OBOR. The New Silk Road Fund is sponsored by China's foreign exchange reserves, as well as government investment and lending arms. In addition, the China Development Bank said it would invest

almost US\$900 billion into more than 900 projects involving 60 countries to bolster the initiative.

CHINA: One Belt, One Road

When the New Silk Road is ready, the Chinese-led \$900 billion infrastructural project will connect China with Central Asia, the Middle East, Europe and Africa. President Xi Jinping said the ambitious project is designed to “break the connectivity bottleneck” in Asia.

The land route will begin in Xi’an, in central China, before stretching to the border with Kazakhstan. The Silk Road, then heads southwest to Iran before passing through Iraq, Syria and Turkey. The new Silk Road, then crosses the Bosphorus and heads through Europe, traversing Bulgaria, Romania, the Czech Republic, Germany and Rotterdam in the Netherlands – from which the path runs south to Venice where it converges with the planned maritime route.

The “Silk Road Economic Belt” initiative, announced by Xi Jinping in 2013, is designed to allow capabilities of Chinese state-controlled construction companies to further expand its already booming trade with central Asia and Europe by diversification of Chinese trade routes, lowering transportation costs, opening up new markets, and an expansion of the Chinese sphere of influence beyond Asia. It will also secure the supply of Uranium and rare metals from Central Asia.

OBOR project also includes Maritime Silk Road (MSR) passing through the ports of Colombo in Sri Lanka, Gwadar in Pakistan, Chittagong in Bangladesh, Maday Island in Myanmar, and Port Victoria in the Seychelles.

Experts claim that china’s final aim is to to provide the PLA-N access to a series of ports stretching from the South China

Sea to Africa's East Coast. China has accelerated its drive to draw Africa into the MSR by speedy construction of a modern standard-gauge rail link between Nairobi and Mombasa. OBOR project also includes a Digital Silk Road, a cooperative Internet plus Plan which would link the OBOR countries by a super-fast broadband network.

The Chinese Silk Road plans, however, compete with other Central Asian strategies, especially the Russia-initiated the Eurasian Economic Union and the U.S.-initiated Silk Road Initiative.

China-Pakistan Economic Corridor will lead to more India-Pak tension, says UN report

The China-Pakistan Economic Corridor (CPEC), which is the flagship project of China's 'One Belt, One Road' (OBOR) initiative, has been projected as a game-changer for Pakistan's economy. It is expected that the \$50 billion project would not just help raise Pakistan's economic output but also transform the country, which is at present infamous for its terror credentials. However, a report has revealed that Pakistan may not gain much from CPEC in its present form. The report by UN's Economic and Social Commission for Asia and the Pacific (ESCAP), prepared on the request of China, has made some disturbing predictions for Pakistan.

The report said CPEC, which will traverse through Pakistan-occupied Kashmir (PoK) may create "geopolitical tension" in the region by igniting further tensions between India and Pakistan. "The dispute over Kashmir is also of concern since the crossing of the CPEC in the region might create geopolitical tension with India and ignite further political instability," said the report on China's ambitious Belt and Road Initiative.

This problem can be resolved only when China take India on board OBOR but this cannot happen as long as Pakistan continues to claim PoK as its own. Secondly, Pakistan also needs to shun terrorism to start a peaceful relationship with India.

The report says that CPEC could fuel separatist movement in Pakistan's Balochistan province. While noting that CPEC could serve as the "driver for trade and economic integration" between China, Pakistan, Iran, India, Afghanistan and the Central Asian states, the report said that the project may also cause several problems within Pakistan and reignite separatist movement in the country due to opposition in Balochistan. "However, social and environmental safeguards are a concern. The CPEC could lead to widespread displacement of local communities. In Balochistan, there are concerns that migrants from other regions of Pakistan will render ethnic Baloch a minority in the province," it said.

The report says that instability in Afghanistan could cast a shadow over the viability of the CPEC. "Afghanistan's political instability could also limit the potential benefits of transit corridors to population centres near Kabul or Kandahar, as those routes traverse southern and eastern Afghanistan where the Taliban are most active," it said.

Moreover, the report says that there are concerns over CPEC passing through the already narrow strip of cultivable land in the mountainous western Pakistan, destroying farmland and orchards. The resulting resettlements will reduce local population into an "economically subservient minority", it said, adding, "In addition, Hazaras are another minority of concern. If the benefits of the proposed CPEC are reaped by large conglomerates, linked to Chinese or purely Punjabi interests, the identity and culture of the local population could be further marginalised," the report cautioned.

"Marginalisation of local population groups could reignite separatist movements and toughen military response from the

Government," it further said.

The UN report says that CPEC would "wide-reaching implications for China and for the countries it links across the Asia-Pacific and for the global economy." But to realise the full potential of the project, the report has pointed some prerequisites. It said that CPEC should be founded on principles such as trust, confidence and sharing benefits among participating states. These are, however, missing at present. Second, CPEC should play a positive role in the response to climate change. "Lastly, to be effective and deliver results in a timely fashion, it should go beyond bilateral project transactions to promote regional and multilateral policy frameworks," the report said.

China and Afghanistan

"It's an unprecedented, vital project for the Afghan economy," said Azarakhsh Hafizi, the head of the international relations committee at Afghanistan Chamber of Commerce & Industries in the capital, Kabul. "That will greatly reduce Chinese imported commodities' prices and unprecedentedly improve our trade with China, now standing at tens of millions of dollars."

China has for years had grand investment plans for Afghanistan's resource riches, which the Afghanistan Geological Survey estimates are as much as \$3 trillion. "The direct railway can be the best route for them to transfer copper to China," Hafizi said.

Iran and China

"The arrival of the first cargo train from China to Iran opens a new chapter in mutually beneficial cooperation between our countries... This saves time and significantly increases the trade volume between Iran and China," Mohsenpour Seyed Aghaei,

the Iranian Deputy Minister of Transport, Roads and Urban Development, told Sputnik.

“Iran is the key link of the “Silk Road” land route to Europe, as it is connected to China by a railway through Turkmenistan and Kazakhstan,” Sarkis Tsaturyan, a Russian-Armenian historian and international policy analyst, writes in his latest report for Regnum. Indian scholar and strategic affairs consultant Debalina Ghoshal points to the fact that China’s interest in Iran goes “beyond its energy resources.”

“It [China] has a keen interest in Iran’s geostrategic location, bordering both the Caspian Sea and the Persian Gulf. The location enables China to carry out the One Belt One Road agenda,” the Indian scholar emphasizes.

This project shall further boost China’s economic co-operation with Iran that was \$53 billion in 2013 –In January, during the visit of Chinese President Xi Jinping to Iran, the two sides agreed to increase trade to \$600 billion over the coming decade.

China considers Iran to be key strategic partner for meeting its energy security needs, Iran has world’s fourth-largest oil reserves, second-biggest stores of natural gas. Iran is emerging as a large weapons market for China, with a bigger scale and more promising prospect than the Pakistan market.

Iranian President Hassan Rouhani and Chinese leader Xi Jinping agreed on January 23 to sign 17 agreements which would, among others, have China build two nuclear power plants in southern Iran and for Tehran to provide crude oil over a long period to Beijing.

On 5 May 2014, the Chinese Defence minister Chang Wanquan declared, during a meeting with his Iranian counterpart Hossein Dehqan, that Iran was a “strategic partner” of China (Zachary Keck, “China calls Iran a “strategic partner”, The Diplomat, May 06, 2014).

The high-ranking Iranian official added that Iran is ready to build the railroad further, so it would reach Europe. That way, Tehran would become a key transportation hub between China and the European Union.

China and Russia

The New Silk Road will also include Russia as one of the major partners. In February, a test freight train arrived in Russia's Kaluga Region from China.

Russia has permanent interests in Central Asia, Putin's political project to pull former Soviet republics of Central Asia into the Kremlin's orbit via the Eurasian Customs Union with Belarus and Kazakhstan, which were later joined by Kyrgyzstan and Tajikistan. Russia is trying to extend its traditional soft power in the region, project its military might as well as facilitating Central Asia's hydroelectric revolution.

China and Turkey

It is also to bolster China Turkey trade, Turkey and China have agreed to increase economic cooperation and take their annual bilateral trade to USD 100 billion.

The major logistics companies from China, Kazakhstan, Georgia, Azerbaijan and Turkey have signed a document on establishing a consortium for the transportation of goods from China to Europe, bypassing the Russian territory. The Russia Turkey relations have been deteriorating after downing of a Russian Su-24 bomber by the Turkish Air Force.

China and US

The Trump administration has resuscitated the 'New Silk Road' initiative, first announced by then Secretary of State Hillary Clinton in July 2011 in a speech in Chennai, and the Indo-Pacific Economic Corridor linking south and Southeast Asia. A brief outline of the two projects was made available in the administration's maiden annual budget, which indicated that the 'New Silk Road' project would be a public-private initiative in which India would be an important player.

The state department said the budgetary request of its south and central Asia will support the two initiatives: the New Silk Road (NSR) focused on Afghanistan and its neighbours, and the Indo-Pacific Economic Corridor linking South Asia with Southeast Asia.

The New Silk Road Initiative, aims to integrate the Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan with Afghanistan, India, and Pakistan by liberalizing trade and building infrastructure, such as roads, bridges, electrical grids, railways, and pipelines as well as provide needed balance in the region, helping avoid a Chinese monopoly.

India has launched a vision document for Asia-Africa Growth Corridor (AAGC) at the ongoing African Development Bank meeting in Gujarat. The initiative, is a joint vision of Prime Minister Narendra Modi and his Japanese counterpart Shinzo Abe. It aims for Indo-Japanese collaboration to develop quality infrastructure in Africa, complemented by digital connectivity. The AAGC, based on India's decades old goodwill in Africa and Japan's financial resources, aims to be an efficient and sustainable mechanism for linking economies, industries and institutions, ideas and people among, and between, Africa and Asia in an inclusive fashion. There is still vast and untapped potential among, and in between, Asia and Africa, which needs to be explored for shared growth,

development, peace, prosperity and stability of these regions, officials said.

“The AAGC would consist of four main components: development and cooperation projects, quality infrastructure and institutional connectivity, capacity and skill enhancement and people-to-people partnerships. These four components are complementary to promote growth and all round development in both the continents,” the document said.

Japan is expected to join the Indian foray into the expansion of Iran’s Chabahar port and the adjoining special economic zone. In eastern Sri Lanka, the two countries are expected to jointly expand the strategically located Trincomalee port. They are also likely to join hands to develop Dawei port along the Thai-Myanmar border.

However the strained US-Russia relations, growing Russia-China understanding, stagnation of Russia’s economy, US capability to offer much fewer resources, compared to the increasing financial clout of China, implies china has upper hand at present.

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