

**“One Belt One Road: The Strategic and Economic Trade”**

*Priyam Goyal<sup>1</sup>*  
*B.B.A.LL.B*  
*Indore Institute of Law*

**ABSTRACT:**

The mega initiative by China was launched in 2013 and was named as One Belt One Road. This project aims at strengthening the political, strategical and economical areas of China with the other countries. This study usually focuses on the method of understanding the OBOR framework with respect to the countries with whom it is trading. It divides the whole Eurasia with Africa into four quadrants that will provide the common understanding towards the policies and strategies of the Chinese and approach of the trading countries towards this project. The theory is named as a quadrant theory and this method involves X-axis, Y-axis, X<sup>-</sup> axis and Y<sup>-</sup> axis. The four quadrants denote the positive as well as negative aspect of the project with reference to both China and other country. The first quadrant (+ +) denotes the financial conditions, economic policies and the connectivity of the countries. The second quadrant (- +) denotes the same as shown in first quadrant. The third quadrant (- -) denotes the financial conditions, economic policies and political but strategic stability. This quadrant denotes the negative signs, so the factors should also be considered in the same sense as well. The fourth quadrant denotes the financial condition, economic policies and political but strategic stability. The idea behind this theory is easy and better understanding of the essential aspects of the project.

**INTRODUCTION:**

The One Belt One Road initiative defines the new globalization of era for the Chinese economy. It results in the bunch full of opportunities for China's economy, as it will open the new doors of international trade to the domestic production of the country. It's a mouthful initiative that is divided into two parts, i.e., the “One Belt” part of it refers to the Silk Road Economic Belt while the “One Road” refers to the 21<sup>st</sup> century Maritime Silk Road. An eminent German geographer, Ferdinand von Richthofen, named it ‘Silk Road’ in 1877. The OBOR initiative includes a series of roads and port projects including China Pakistan Economic Corridor, Myanmar, India, Bangladesh, China, New Eurasian Land Bridge, (BCIM) Economic Corridor, China-Mongolia

---

<sup>1</sup> Student, Indore institute of law

Russia Economic Corridor, China-Indochina Peninsula Economic Corridor, and 21st century Maritime Silk Road.<sup>2</sup>

### **HISTORY:**

In the recent decade, the concept of globalization has increased its significance in the world economy and globalization as a phenomenon is crucial for increased trade all over the world. According to Huwart and Verdier, the concept of globalization is a composition of international trade, migration, and globalized finance. The authors also stated that the term financial globalization is an important concept to understand the causes and reasons for the economic crisis in 2008. The Chinese economy also went low in the great depression of 1930 and is the greatest blockhole of the financial condition in the world. After decades, China started its opening up process in 1978. Before 1978, the Chinese economy was not as significant to the economy as it is in today's world economy with high poverty and low efficiency within the domestic production.<sup>3</sup>

To attract foreign investments to China, Special Economic Zones were established, which contributed to the Foreign Direct Investments(FDIs), economic development and increased international trade.

### **AIM OF CHINA IN OBOR:**

1. To revive the historical heritage (Silk Road) and cultural rejuvenation.
2. Develop trade and economic cooperation with the other developed as well as developing countries.
3. Financial and stragetical integration of the facilities of the OBOR countries.

### **PRINCIPLE/ PHILOSOPHY:**

The president of China has proposed an underlying philosophy of the BRI in his speech at Davos, by quoting a phrase, “yi de fu ren” that refers to the use of one’s abilities in a benevolent way to benefit the community.<sup>4</sup>

---

<sup>2</sup> “OBOR Troubles: How China’s ambitious silk road initiative has hit massive potholes – from Pakistan to Tanzania”, The Financial Times, Jan. 11, 2018. <https://www.financialexpress.com/world-news/obor-troubles-how-chinas-ambitious-silk-road-initiative-has-hit-massive-potholes-from-pakistan-to-tanzania/1011158/> (Jun. 15, 2018, 18:45)

<sup>3</sup> Anna Ylander, “The Impact of ‘One Belt, One Road’ and its effects on GDP growth in China”. [https://gupea.ub.gu.se/bitstream/2077/52800/1/gupea\\_2077\\_52800\\_1.pdf](https://gupea.ub.gu.se/bitstream/2077/52800/1/gupea_2077_52800_1.pdf) (Jun. 15, 2018, 18:55)

<sup>4</sup> Warren Fernandez, “At Davos a Clarion Call by the World Leaders, including Xi Jinping and Joe Biden, to defend Global Orders”, Strait Times, Jan. 20, 2017. <https://www.straitstimes.com/opinion/at-davos-a-clarion-call-by-world-leaders-including-xi-jinping-and-joe-biden-to-defend-global> (Jun. 17, 2018, 19:12)

## **WHERE DOES THE FUND COME FROM?**

The different sources of finance are:

- The Silk-Road Fund which is officially launched in 2015 with the initial capital of \$40 billion.
- China Development Bank and the Export-Import Bank of China.
- Asia Infrastructure Investment Bank (AIIB) that has a registered capital of \$100 billion and this owned by China and based in Beijing.
- New Development Bank based in Shanghai with a registered capital of \$50 billion and is also a China owned bank.

AIIB and New Development Bank are the major financiers of the initiative.<sup>5</sup> In addition, China is believing in other countries to pitch in financially to support the plan.

## **THE QUADRANT THEORY**

### **FEATURES OF THE QUADRANT THEORY:**

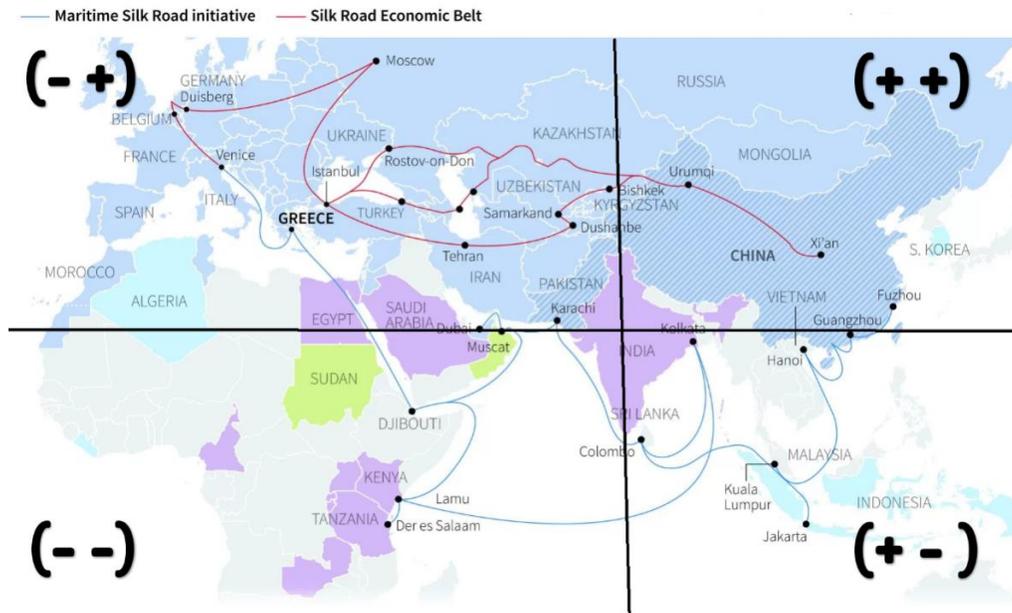
1. It has four quadrants and two axes X and Y.
2. The First Quadrant (+ +) consists X and Y axis. The X axis denotes the Financial conditions and Economic Policies and the Y axis denotes the Connectivity (i.e., trade linkage, easy accessibility). This quadrant shows the benefits that China would get with respect to other countries under OBOR.
3. The Second Quadrant (- +) contains X<sup>-</sup> (negative of X-axis) and Y axis. The X<sup>-</sup> axis denotes the Financial Conditions and Economic Policies and the Y axis denotes the Connectivity (i.e., trade linkage, easy accessibility). This quadrant shows the negative and positive aspects of the other countries with relation to OBOR.
4. The Third Quadrant (- -) contains X<sup>-</sup> (negative of X-axis) and Y<sup>-</sup> (negative of X-axis) axis. The X<sup>-</sup> axis denotes the Financial Conditions and Economic Policies and the Y<sup>-</sup> axis denotes no strategic but political stability. This quadrant shows the negative and positive aspects of the other countries with relation to OBOR, but, the (- -) signs signify the difficulties that majorly affects the functioning of the project and may hinder the flow of purpose of the project.
5. The Fourth Quadrant (+ -) contains X and Y<sup>-</sup> (negative of X-axis) axis. The X axis denotes the Financial conditions and Economic Policies and the Y<sup>-</sup> axis denotes no strategic but political stability. This quadrant shows the positive and negative aspects of the other countries with relation to OBOR.

---

<sup>5</sup> Zheping Huang, “[Your Guide to Understanding OBOR, China’s New Silk Road Plan](https://qz.com/983460/obor-an-extremely-simple-guide-to-understanding-chinas-one-belt-one-road-forum-for-its-new-silk-road/)”, Quartz, May 15, 2017. <https://qz.com/983460/obor-an-extremely-simple-guide-to-understanding-chinas-one-belt-one-road-forum-for-its-new-silk-road/> (Jun. 17, 2018, 19:26)

- The X axis is a horizontal line drawn on 23 ½ degree north from eastern China to western Africa. The Y axis is a vertical line drawn on 76 degrees passing through Kanyakumari in India.

This division can be understood through the map given below:



## I-QUADRANT

### **SRILANKA:**

China is willing to accept natural resources and is willing to get equity against the loan. Struggling to pay its debt to Chinese firms, Sri Lanka formally handed over the strategic port of Hambantota to China on a 99-year lease. According to the government critics, this deal would threaten the country’s sovereignty.

The Sri Lanka Ports Authority has signed an agreement with the state-controlled China Merchant Port Holdings Company authorizing them to a 70% control over the stake of Hambantota port, lies in the southernmost part of the country, but the analysts warned of the consequences of signing away too much control to China.<sup>6</sup>

<sup>6</sup> Kai Schultz, “[Sri Lanka, struggling with debt, hands a major port to China](https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?_r=0)”, The New York Times, Dec. 12, 2017. [https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?\\_r=0](https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?_r=0) (Jun. 10, 2018, 20:15)

**THAILAND:**

The Kra Canal or Thai canal is an essential part of China's Maritime Silk Road, a constituent element of its ambitious Belt and Road Initiative (BRI) that aims to connect China via road and sea with the markets of Africa, West Asia, and Europe. If built it would help Chinese ships move without fearing any blockade from US allies that surround the Straits of Malacca.<sup>7</sup> 80% of Chinese oil imported through the Malacca Strait would be transported to China through the Kra Canal in easy and faster way.<sup>8</sup>

**SINGAPORE:**

Singapore can play a crucial role as a 'financial hub' for the BRI because 33% of the total outward investment and 85% of the total inward investments related to the BRI make its way to China through Singapore. It also helps in lawmaking by providing legal assistance. It also China intangibly by providing software transfer to the country.<sup>9</sup>

**TURKEY:**

The country will act as a connectivity between Asia and Europe with its strait (Turkish Strait). The dream of China to trade for Middle-East energy sources would be realized.<sup>10</sup>

**POLAND:**

- The country's geography, as well as the preponderances on transportation and logistics industries will benefit the OBOR initiative. Poland can act as a production and distribution hub to various other European destinations.<sup>11</sup>
- China's OBOR initiative could well synergize with the reindustrialization of Poland and strategic superiorities on certain high tech and aviation to auto and machine manufacturing.
- Poland has favourable foreign investment policies, along with, the young, high-skilled and low-paid employees.

---

<sup>7</sup> FP Staff, "[Thailand's Kra Canal project is China's masterplan to secure Beijing's interests, assert influence in ASEAN, Indian Ocean Region](https://www.firstpost.com/india/thailands-kra-canal-project-is-chinas-masterplan-to-secure-beijings-interests-assert-influence-in-asean-indian-ocean-region-4420647.html)", First Post, 01/04/2018. <https://www.firstpost.com/india/thailands-kra-canal-project-is-chinas-masterplan-to-secure-beijings-interests-assert-influence-in-asean-indian-ocean-region-4420647.html> (Jun. 15, 2018, 17:06)

<sup>8</sup> Rhea Menon, "[Thailand's Kra Canal: China's Way Around the Malacca Strait](https://thediplomat.com/2018/04/thailands-kra-canal-chinas-way-around-the-malacca-strait/)", The Diplomat, Apr. 06, 2018. <https://thediplomat.com/2018/04/thailands-kra-canal-chinas-way-around-the-malacca-strait/> (Jun. 15, 2018, 18:02)

<sup>9</sup> Warren Fernandes, "[Singapore Can Play a Key Role in Belt and Road Initiative: Chun Sing](https://www.straitstimes.com/world/europe/spore-can-play-key-role-in-belt-and-road-chun-sing)", Straits Times, Jan. 25, 2018. <https://www.straitstimes.com/world/europe/spore-can-play-key-role-in-belt-and-road-chun-sing> (Jun. 15, 2018, 17:18)

<sup>10</sup> Osman Huluci Takci, "[OBOR' as a convergence point between the China and Turkey](http://www.chinadaily.com.cn/opinion/2017beltandroad/2017-06/02/content_29598715.htm)", China Daily, Jun. 02, 2017. [http://www.chinadaily.com.cn/opinion/2017beltandroad/2017-06/02/content\\_29598715.htm](http://www.chinadaily.com.cn/opinion/2017beltandroad/2017-06/02/content_29598715.htm) (Jun. 16, 2018, 16:53)

<sup>11</sup> Par Yao Le, "[China and Poland: Economic Cooperation Under 16+1 Formula](http://www.nouvelle-europe.eu/node/1960)", Nouvelle Europe, Feb. 2, 2017. <http://www.nouvelle-europe.eu/node/1960> (Jun. 18, 2018, 20:45)

- A Mława-based (central Poland) company Novago produces energy from the alternative sources, like waste into energy, that will be helpful for the highly polluted China.

**TANZANIA:**

The port of Bagamoyo will provide China to trade with middle Africa and help in the development of Export Development Zones which provides opportunities to trade with Africa and Europe.<sup>12</sup>

**RUSSIA:**

Russia's participation is crucial for the new Silk Road and with which it cannot be carried out. Moscow helps to promote the initiative as it has major assets, for instance by mediating disputes.<sup>13</sup> China would get benefitted by investing under the gas projects and linking the Gazprom and CNPC, by providing Silk Road Fund Investments to Sirpu that will provide gas to China from Serbia.<sup>14</sup>

China and Russia are promoting cooperation in areas like agriculture, transportation, energy, and production capacity while making progress in the new areas of the digital economy, technical innovation, and small and medium-sized enterprises.<sup>15</sup>

**GEORGIA:**

It is a gateway for China to enter Europe because it connects the route with the Trans-Caspian corridor and will be an important country to maintain good relations with.

**DJIBOUTI:**

These two out of three African countries are situated at the heart of the global geopolitical playground and Djibouti is special because it now has a Chinese military base as well. Djibouti has even greater significance than Somalia, from the view of control over navigation between Europe and Asia as it is located on the coast of the Bab-el-Mandeb which is a narrow strait between the Gulf of Aden and the Red Sea. The strategic geographical location of Egypt provides it with a significant status. With 30% of

---

<sup>12</sup> Frannie A. Léautier, Michael Schaefer, and Wei Shen, “[The port of Bagamoyo: A test for China in Africa](https://thediplomat.com/2015/12/the-port-of-bagamoyo-a-test-for-chinas-new-maritime-silk-road-in-africa/)”, The Diplomat, Dec. 01, 2015. <https://thediplomat.com/2015/12/the-port-of-bagamoyo-a-test-for-chinas-new-maritime-silk-road-in-africa/> (Jun. 19, 2018, 19:50)

<sup>13</sup> “[One Belt One road: Why China Benefits the Most from the China’s Flagship Project](https://sputniknews.com/politics/201705151053627206-russia-china-new-silk-road/)”, Sputnik, May 15, 2017. <https://sputniknews.com/politics/201705151053627206-russia-china-new-silk-road/> (Jun. 21, 2018, 20:41)

<sup>14</sup> Heidar Gudjonsson and Egill Thor Nielsson, “[China’s Belt and Road Enters the Arctic](https://thediplomat.com/2017/03/chinas-belt-and-road-enters-the-arctic/)”, the diplomat, Mar 31, 2017. <https://thediplomat.com/2017/03/chinas-belt-and-road-enters-the-arctic/> (Jun. 21, 2018, 22:20)

<sup>15</sup> “[Russia China Agree to Coordinate OBOR with EAEU](https://www.russia-briefing.com/news/russia-china-agree-co-ordinate-obor-eaeu.html/)”, Russia Briefing, Dec. 13, 2017. <https://www.russia-briefing.com/news/russia-china-agree-co-ordinate-obor-eaeu.html/> (Jun. 21, 2018, 22:15)

world shipping going through the entrance of the Red Sea from the Indian Ocean and on to the Suez Canal, Djibouti and Egypt are very critical.<sup>16</sup>

### **OTHER AFRICAN COUNTRIES:**

In Africa, China is investing for its megaproject and under this on the top of the list is the 2,700 km East Railway line which connects Kenya, Uganda, Rwanda, Burundi and South Sudan. Another major railway project is the 1,315km Kano-Lagos railway line in Nigeria, the 1,302km Bengue railway line in Angola (which brings to a total 4,000km railway in Angola constructed by China), 560km Belinga-Santa Clara railway in Gabon, 172km railway in Libya and 430km rail in Mauritania to name but a few. These infrastructure projects will help in the free flow of trade and will ensure good relationships.<sup>17</sup>

### **II-QUADRANT (- +)**

#### **KAZAKHSTAN:**

#### **NEGATIVE ASPECT (-):**

There is a Kazakh saying that when the Chinese come, the apocalypse follows. The legislation was passed by its government that foreigners can rent land for long periods and nationalists showed their concern about this legislation as it would make true the sayings.<sup>18</sup>

#### **POSITIVE ASPECT (+):**

The BRI has changed the role of Kazakhstan. Various important investments have been made to strengthen the transit corridor of Kazakhstan. A \$3.5 billion investment has been done in the Khorgos Eastern Gate, a dry port sharing the border on the east with China. Samruk Kazyna estimates an annual infrastructure investment of 0.1% and 0.2% in Kazakhstan's economic growth for next decade.<sup>19</sup>

---

<sup>16</sup> Dmitry Bokarev, "The Role of China in the Fate of Somalia", NEO, Dec. 02, 2017. <https://journal-neo.org/2017/12/03/the-role-of-china-in-the-fate-of-somalia/> (Jun. 22, 2018, 23:12)

<sup>17</sup> David Ceasar Wani, "Belt and Road in Africa: Opportunities and Challenges", Modern Diplomacy, Mar. 30, 2018. <https://moderndiplomacy.eu/2018/03/30/belt-and-road-in-africa-opportunities-and-challenges/> (Jun. 22, 2018, 22:36)

<sup>18</sup> Andrew Higgins, "China's Ambitious New Port: Landlocked Kazakhstan", New York Times, Jan. 01, 2018. <https://www.nytimes.com/2018/01/01/world/asia/china-kazakhstan-silk-road.html> (Jun. 19, 2018, 17:04)

<sup>19</sup> Rahul Gupta and Evgeny Orlovskiy, "Kazakhstan and the New Silk Road", Pwc kz. 1, 3 (2017). <https://www.pwc.kz/en/publications/new-2017/silk-way-publication-eng.pdf> (Jun. 18, 2018, 12:45)

**PAKISTAN:****POSITIVE ASPECT (+):**

Under the China Pakistan Economic Corridor, a 2,000 miles route will connect China's westernmost city of Kashgar to Pakistan's port city of Gwadar.<sup>20</sup> New oil pipelines are established as a sense to provide better accessibility to the country.

**CHINA:****NEGATIVE ASPECT (-):**

The political instability of Turkey would create a problem of trade in that region. As the region is surrounded by the war-stricken countries and three out of seven neighbours had faced war in a decade: the Georgian-Russian war of 2008, the Syrian Civil war of 2011, and the Iraqi Civil war of 2014. All this leads to the uncertainty of the investments made in the region. Although, the country (China) is thinking of a better economic development opportunity by investment and commerce. Tanzania's Bagamoyo port has some geographical issues which will affect the risk of investment in it. Georgia recently closed a Free Trade Agreement with China.<sup>21</sup>

The concept of OBOR requires a politically sound and strategically stable sited for its success and the African states are not politically strong as well as strategically stable with slow growth rates. This is the biggest concern for China because African region is the game changer region of OBOR.<sup>22</sup> China has also to work on its soft power, i.e., it has to build cooperation within the international market but without coercion (threat) or giving money as a means of persuasion.

**TURKEY:****NEGATIVE ASPECT (-):**

Turkey is not able to fulfill its part of the three country railroad and also surrounded by the region of war that creates a doubt in every country that is going to invest in it.

---

<sup>20</sup> Charlie Campbell, "[China says it's Building the New Silk Road](http://time.com/4776845/china-xi-jinping-belt-road-initiative-obor/)", Time, May 12, 2017. <http://time.com/4776845/china-xi-jinping-belt-road-initiative-obor/> (Jun. 13, 2018, 17:28)

<sup>21</sup> Nicholas Trickett, "[Russian Railpolitick and China's Belt and Road](https://thediplomat.com/2017/07/russian-railpolitick-and-chinas-belt-and-road/)", The Diplomat, Jul. 06, 2017. <https://thediplomat.com/2017/07/russian-railpolitick-and-chinas-belt-and-road/> (Jun. 19, 2018, 23:18)

<sup>22</sup> "[The Challenges Faced by the Chinese and African Businesses Under the One Belt One Road Initiative](https://www.lexology.com/library/detail.aspx?g=90e5d50b-c62e-4717-8298-5602b48cf1dd)", Lexology, Nov. 27, 2015. <https://www.lexology.com/library/detail.aspx?g=90e5d50b-c62e-4717-8298-5602b48cf1dd> (Jun. 22, 2018, 00:43)

**POSITIVE ASPECT (+):**

- For the OBOR initiative, two routes are possible for the trade between the Europe and China<sup>23</sup>, i.e.,
  - Through the Caspian Sea, Azerbaijan, and Georgia
  - Through Pakistan and Iraq

And both the routes have to go through this territory that will ultimately help in economic growth as well as build good relationships with the trading countries.

- Its strategic plans would be fulfilled through OBOR after giving regards to the China Middle-East energy source trade.
- The railway connection between Istanbul and Ankara will provide free flow of goods and services as well as create employment opportunities.
- The country can also establish good relations with the Central Asian countries because of the OBOR initiative that provides for the vital link. As for the exports the country has no other option but to go through Iran and Russia because the countries are landlocked. Crossing through Turkmenistan's capital and Aktau, Kazakhstan's capital through the Caspian Sea is possible but through low freight ships. And with OBOR initiative the Turkish exports would reach to the Central Asian states in low cost.
- The Baku-Tbilisi-Kars Railroad, when completed will connect the three countries and will provide easy accessibility and availability of the goods to them.

**POLAND:****NEGATIVE ASPECT (-):**

Due to the strict agricultural products import policy of China, it is hard for Poland's food market to access Chinese market which going against the plan for narrowing down the trade deficit.

Although after the 16+1 framework summit, China has to build good relations with the EU without which the investments in Poland can't be made, the failure of the A2 highway investment project.

**POSITIVE ASPECT (+):**

The relations between the two countries got better with the launch of Polish Airlines LOT in September 2016. The second such connection was made with Beijing by the state-owned Air China. And are thinking for the third connection to China, perhaps to Shenzhen. It is very important for the export of the goods that are majorly produced by the small and medium enterprises.

---

<sup>23</sup> Rıza Kadılar & Erkin Ergüney, "One Belt One Road Initiative: Perks and Challenges for Turkey", Turkish Policy Quaterly, Sep. 24, 2017. <http://turkishpolicy.com/article/870/one-belt-one-road-initiative-perks-and-challenges-for-turkey> (Jun. 16, 2018, 23:21)

The export of Polish apples, as well as of poultry (including the Polish powdered milk) are done at a large scale. This goes well for the whole of Polish agricultural and food industry, which is highly valued in China because it provides clean and high-quality goods.<sup>24</sup>

With the effect of the Chinese investment in the country, the government of the country would make use of such investment for their greenfield investment. It also allows the construction of factories and infrastructure that ultimately lead to employment generation.

## **RUSSIA:**

### **POSITIVE ASPECT (+):**

By cooperating with China in its Megaproject, Russia is reinforcing the relationship with the country that is very strong with its negotiators.<sup>25</sup>

The project of Silk road fund investment in Sibur, the gas contract between Gazprom and CNPC (2014), Western Europe-Western China highway, and the Yamal LNG project (2015) are some of the most noticeable projects.<sup>26</sup> The Yamal LNG Project is the landmark project in terms of infrastructure and trading and Chinese state-owned company has a stake of 29.9% and the remaining with Russia (50.1%) and France (20%). These investments will increase the export of Russia and will improve the infrastructure of the country.

### **NEGATIVE ASPECT (-):**

The Chinese head of State Council, in the Shanghai Cooperation Organisation (SCO), demanded that Russia should establish the free trade zones to strengthen relations, but it would rather affect the economic conditions of Russia. It will create low tariff provisions and with the Chinese products it will also destroy the domestic market. Moscow at present is not able to enable the free trade zones as it has to overcome some of the internal tensions and problems of the EEU and also the idea of EEU as well as China would differ regarding the matter.<sup>27</sup>

---

<sup>24</sup> Bogdan Góralczyk, “The Chinese are Coming to Poland”, Financial Observer, Feb. 3, 2017.

<https://financialobserver.eu/poland/the-chinese-are-coming-to-poland/> (Jun. 18, 2018, 16:48)

<sup>25</sup> “One Belt One road: Why China Benefits the Most from the China’s Flagship Project”, Sputnik, May 15, 2017. <https://sputniknews.com/politics/201705151053627206-russia-china-new-silk-road/> (Jun. 22, 2018, 15:26)

<sup>26</sup> Vita Spivak, “How Putin Plans to Cash in on the One Belt One Road initiative”, Russia beyond, May 16, 2017. <https://www.rbth.com/international/2017/05/16/putin-plans-one-belt-one-road-initiative-763456> (Jun. 21, 2018, 21:59)

<sup>27</sup> Cholpon Orozobekova, “Can China's Ambitious OBOR Mesh with Russian Plans in Eurasia?”, The Diplomat, Nov. 09, 2016. <https://thediplomat.com/2016/11/can-chinas-ambitious-obor-mesh-with-russian-plans-in-eurasia/> (Jun. 21, 2018, 14:05)

As long as Kazakhstan maintains the ban on Russian transit for its newest rolling stock, the better China's market position. But these regulations and Russia's market failure forces China to use Trans-Caspian corridor instead of Russian over time.

**EGYPT:**

The strategic geographical location of Egypt provides it with a significant status. With 30% of world shipping going through the entrance of the Red Sea from the Indian Ocean and on to the Suez Canal, Djibouti and Egypt are very critical. This project will bring new culture and opportunities through this channel of distribution in the country.<sup>28</sup>

**III-QUADRANT (- -)****TANZANIA:**

Under BRI, Bagamoyo port would be linked to the central corridor railway and the TAZARA Railway through an extended link. A parallel highway that will link the port of Bagamoyo to the Uhuru Highway going to Zambia will also be built. Export Development Zone (EDZ) would be developed as an integral part of Bagamoyo and include the construction and upgradation of roads and railways infrastructure that ultimately result in the construction of an industrial city.<sup>29</sup>

**POSITIVE ASPECT (+):**

The biggest initiative in Africa under the OBOR is the construction of Bagamoyo project which is about 60 km north to the Dar es Salaam port. It also carries 20 times more cargo than Dar es Salaam port. It will create opportunities for the 30,000 people of Bagamoyo to get the water supply, electricity supply, traffic control, urban planning etc. With the construction of Bagamoyo port, it becomes the biggest port of Africa and will go the status of sleepy "dottier" and beat the Dar es Salaam.

**NEGATIVE ASPECT (-):**

The port of Bagamoyo is a poor area with poor trade, poor farming, and area for small farmers, tidal fishing with inadequate electricity. There is proper water supply but poor sewerage system.

---

<sup>28</sup> Ibid

<sup>29</sup> Frannie A. Léautier, Michael Schaefer, and Wei Shen, "The port of Bagamoyo: A test for China in Africa", The Diplomat, Dec. 01, 2015. <https://thediplomat.com/2015/12/the-port-of-bagamoyo-a-test-for-chinas-new-maritime-silk-road-in-africa/> (Jun. 22, 2018, 22:52)

**SOMALIA:****POSITIVE ASPECT (+):**

With the launch of One Belt One Road initiative, China's concern over the partner countries has increased and Somalia is enjoying such benefits. The Chinese military has made a solid presence in the region of the Gulf of Aden which will help the country (Somalia) to combat terrorism on the border. The economic development is required for the better military process and for that China is doing work in the country which will ultimately improve the economic status of the country.<sup>30</sup>

In accordance with the commitments regarding the food assistance to the OBOR countries, in June 2017, China delivered more than 2.8 thousand tons of rice and other food products to Somalia that helps the people of the country in the drastic situations.

**NEGATIVE ASPECT (-):**

The location of Somalia is a matter of concern because it is located at the shore of Gulf of Aden and is a strategically important area of the marine communication between Europe and Asia that is surrounded by the navies of various countries and must be combated from the Somalian pirates.<sup>31</sup>

**OTHER AFRICAN COUNTRIES:****POSITIVE ASPECT (+):**

Under the auspices of peace and development, the cooperation and interaction between nations will become the new norm and will bring about immense rewards, such as the amalgamation of resources, the utilisation and training of personnel, the growth of existing markets, investment, and the speedy development of infrastructure. There are many commercial opportunities that Chinese and African market should seize with both hands.<sup>32</sup>

**NEGATIVE ASPECT (-):**

- The basic challenge is that the quality of the products of China and Africa is not ranked highly. This will affect the cooperation as the culture, management style and operating styles etc. are different in both the countries.
- The second challenge that China's megaproject would face is the political instability in the eastern and southern Africa. The businesses of both the countries should

---

<sup>30</sup> Dmitry Bokarev, "The Role of China in Fate of Somalia", Dec. 03, 2017. <https://journal-neo.org/2017/12/03/the-role-of-china-in-the-fate-of-somalia/> (Jun. 22, 2018, 22:59)

<sup>31</sup> Ibid

<sup>32</sup> "The Challenges Faced by the Chinese and African Businesses Under the One Belt One Road Initiative", Lexology, Nov. 27, 2015. <https://www.lexology.com/library/detail.aspx?g=90e5d50b-c62e-4717-8298-5602b48cf1dd> (Jun. 21, 2018, 18:26)

develop all-round protection to face these challenges as these cannot be underestimated.

- The third challenge is the risk to safety. The One Belt, One Road initiative is not only an economic strategy but also a political one that involves comprehensive strategic decisions. As such, the risk to safety cannot be disregarded. Chinese and African businesses must consider the negative impact created by states that have a preconceived strategy as well as the risk of cyber-crime and espionage and the obvious threat of terrorism.<sup>33</sup>

#### **IV-QUADRANT (+ -)**

##### **SRILANKA:**

###### **NEGATIVE ASPECT (-):**

- Sri Lanka found themselves owing a debt of \$8 Billion to the state-controlled Chinese firm.
- There was a loss of 80% control over the strategic port of Hambantota.
- “The price being paid for reducing the China debt could prove costlier than the debt burden Sri Lanka seeks to reduce,” said N. Sathiya Moorthy, a senior fellow specializing in Sri Lanka at the New Delhi-based Observer Research Foundation, on the Hambantota port given on lease to China.<sup>34</sup>

###### **POSITIVE ASPECT (+):**

The Prime Minister of Sri Lanka, Mr. Ranil Winkremesinghe said while addressing the Parliament that, this agreement will lead towards the payment of the debt and creation of the economy and development through promoting tourism.<sup>35</sup>

##### **THAILAND:**

###### **NEGATIVE ASPECT (-):**

- Thailand believes that the Kra Canal would bring great economic opportunities as well as employment during and after the construction of the canal but, the Chinese construction company, Longhao, would acquire the project and bring 30,000 Chinese workers that will

---

<sup>33</sup> Ibid.

<sup>34</sup> Kai Schultz, “[Sri Lanka, struggling with debt, hands a major port to China](https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?_r=0)”, The New York Times, Dec. 12, 2017. [https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?\\_r=0](https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?_r=0) (Jun. 10, 2018, 15:15)

<sup>35</sup> Ibid.

demolish the employment opportunities of Thai people. And we all know how the China's financial help resulted in a boon for Srilanka.<sup>36</sup>

- It not only endangers the sovereignty of Thailand, but also, affect the relation of Bangkok with the Indonesia, Singapore, and Malaysia, as they will lose the most. And it would also affect the flora and fauna of the country.<sup>37</sup>

#### POSITIVE ASPECT (+):

- The project will produce 3 trillion Thai Baht as the new route proposed will bring the tourism opportunities to the South, at Karbi and Phuket.<sup>38</sup> The canal would open the new opportunities through the Special Economic Zones and enhances the industries and infrastructure and develop Thailand into a 'logistic hub'.

#### INDIA:

Inevitably, the construction of Kra Canal, made Indian naval officers worry that there would be the involvement of Chinese military because, after exiting the Kra Canal westwards, the traffic would pass through the Andaman sea, and head towards the South and reach China-owned port Hambantota, Sri Lanka. China has made a significant appearance in Indian ocean by investing billions of dollars for providing port facilities and to plan maritime routes as part of its "One Belt, One Road" initiative to help increase its market reach. And this project will spread a web of strategic ports or bases for China.<sup>39</sup>

The **string of pearls**, i.e., the China's appearance in the Indian ocean through the economic development of various ports like, **Gwadar port** in Pakistan, **port of Hambantota** in south of Sri Lanka, **Port Blair** in Andaman and Nicobar island, etc. will politically and strategically weaken India's position to combat with China at the time of war.

#### MALAYSIA:

#### NEGATIVE ASPECT (-):

The Kra Canal would cut the dependency on Straits of Malacca. If constructed, it would eat a major chunk of the traffic currently flowing through the Strait of Malacca and will

---

<sup>36</sup> Pravin Swami, "Fears rise in India as China pushes plan for canal to reshape the Indian Ocean", Business Standards, Apr. 06, 2018. [https://www.business-standard.com/article/economy-policy/china-pushes-plan-for-canal-to-reshape-indian-ocean-118040600034\\_1.html](https://www.business-standard.com/article/economy-policy/china-pushes-plan-for-canal-to-reshape-indian-ocean-118040600034_1.html) (Jun. 15, 2018, 15:18)

<sup>37</sup> Rhea Menon, "Thailand's Kra Canal: China's Way Around the Malacca Strait", The Diplomat, Apr. 06, 2018. <https://thediplomat.com/2018/04/thailands-kra-canal-chinas-way-around-the-malacca-strait/> (Jun. 13, 2018, 16:41)

<sup>38</sup> The Nation (Thai portal), March 25, 2018.

<sup>39</sup> Pravin Swami, "Fears rise in India as China pushes plan for canal to reshape the Indian Ocean", Business Standards, 06/04/2018. [https://www.business-standard.com/article/economy-policy/china-pushes-plan-for-canal-to-reshape-indian-ocean-118040600034\\_1.html](https://www.business-standard.com/article/economy-policy/china-pushes-plan-for-canal-to-reshape-indian-ocean-118040600034_1.html) (Jun. 13, 2018, 20:12)

affect the economic benefit of the country as it contributes around 30% of the global sea trade and around 84,000 ships sail through it every year.<sup>40</sup>

**SINGAPORE:****POSITIVE ASPECT (+):**

- 3,000km high-speed railway connecting China and Singapore.<sup>41</sup>
- The export of legal and the financial help to the BRI will help Singapore grow strategically as well as the transfer of the software would lead it into its hub.

**NEGATIVE ASPECT (-):**

The East Coast Rail Link (ECRL), will link ports on the Eastern and Western peninsulas of Malaysia. The ECRL, akin to the “Mini-Land Bridge” in the US, could alter regional trade routes that are currently used to ply the busy Straits of Malacca and the South China Sea via Singapore. The ECRL will enable China-bound goods from Port Klang to be transferred to Kuantan using freight trains without having to go south to Singapore.<sup>42</sup>

**CHINA:****NEGATIVE ASPECT (-):**

Robert Koepf, an analyst in Hong Kong for the Economist Corporate Network, a research firm, told that its still not a win-win situation for China because of the disagreement showed by Pakistan, a country that is in China’s hip-pocket and a trade partner.

In November the Chinese foreign minister doesn’t make an agreement of \$10 billion and \$260 billion, based on building the railway project in Karachi. The Pakistan Water and Power Development Authority withdrew the joint development of the Diamer-Bhasha Dam in Gilgit-Baltistan.<sup>43</sup>

Chinese oil company plans to build a \$3 billion refinery, but it was cancelled in November last year due to financing difficulties in Myanmar.

---

<sup>40</sup> FP Staff, “Thailand’s Kra Canal project is China’s masterplan to secure Beijing’s interests, assert influence in ASEAN, Indian Ocean Region”, First Post, Apr. 04, 2018. <https://www.firstpost.com/india/thailands-kra-canal-project-is-chinas-masterplan-to-secure-beijings-interests-assert-influence-in-asean-indian-ocean-region-4420647.html> (Jun. 15, 2018, 21:53)

<sup>41</sup> Zheping Huang, “Your guide to understanding China’s new Silk Road Plan”, Quartz, May 15, 2017. <https://qz.com/983460/obor-an-extremely-simple-guide-to-understanding-chinas-one-belt-one-road-forum-for-its-new-silk-road/> (Jun. 20, 2018, 16:47)

<sup>42</sup> Raymon Krishna, “One Belt One Road: Opportunities and Challenges for Singapore”, LinkedIn, Sep. 19, 2017. <https://www.linkedin.com/pulse/one-belt-road-opportunities-risks-singapore-raymon-krishnan/> (Jun. 20, 2018, 17:03)

<sup>43</sup> “Obor Troubles: How China’s ambitious silk road initiative has hit massive potholes – from Pakistan to Tanzania”, The Financial Times, Jan. 11, 2018. <https://www.financialexpress.com/world-news/obor-troubles-how-chinas-ambitious-silk-road-initiative-has-hit-massive-potholes-from-pakistan-to-tanzania/1011158/> (Jun. 16, 2018, 14:33)

**CONCLUSION:**

The mega initiative by China was launched in 2013 and was named as One Belt One Road. This project aims at strengthening the political, strategical and economical areas of China with the other countries. The research indicates the causes and consequences of OBOR in relation to China and other countries. This study shows a comprehensive as well as an easy approach to study the project aspect through the Quadrant Theory.

It divides the whole of Eurasia with Africa into four quadrants that will provide the common understanding towards the policies and strategies of the Chinese and approach of the trading countries towards this project. This theory involves X-axis, Y-axis, X<sup>-</sup> axis and Y<sup>-</sup> axis. The four quadrants denote the positive as well as the negative aspect of the project with reference to both China and other countries. The first quadrant (+ +) denotes the financial conditions, economic policies and the connectivity of the countries. The second quadrant (- +) denotes the same as shown in the first quadrant. The third quadrant (- -) denotes the financial conditions, economic policies, and political but strategic stability. This quadrant denotes the negative signs, so the factors should also be considered in the same sense as well. The fourth quadrant denotes the financial condition, economic policies, and political but strategic stability. The idea behind this theory is easy and better understanding of the essential aspects of the project.