Economic Colonisation via OBOR

What is the issue?

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China’s emerging economic might, in the form of One Belt One Road Initiative may in future lead to economic colonisation.

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What is One Belt One Road Initiative (OBOR)?

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- OBOR is a development strategy proposed by Chinese President Xi Jinping in 2013.
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- It focuses on connectivity and cooperation between Eurasian countries, primarily the People's Republic of China, the land-based "Silk Road Economic Belt" (SREB) and the oceangoing "Maritime Silk Road" (MSR).
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- OBOR covers over 60 countries that form almost 30 per cent of world GDP and 60 per cent of the world’s population.
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What is India’s stand on OBOR?

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- India perceives OBOR as a geopolitical architecture aimed at expanding Chinese influence in and around the region.
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- OBOR intent to create an infrastructure which would allow physical movement of goods, more specifically Chinese goods, to large parts of Asia and Europe including Russia.
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- OBOR has the potential to create a debt trap in most of the countries which comes under the ambit of OBOR.
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Why China wants to pursue the OBOR initiative?

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- According to the World Bank, the growth of overseas development assistance (ODA) is slowing down globally.
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- Multilateral development banks merely support 10 per cent of the developing world’s infra spending.
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- China is trying to make use of this opportunity to fulfil its expansionist tactics.
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How Chinese investments might lead to debt trap?

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- The pattern of growing investments by China would increase the external debt of the OBOR economies towards China.
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- An analysis of the Asian economies shows the average reserves to external debt as on 2015 stands at 53.3%.
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- These debts levels are bound to increase as they get more intertwined with OBOR plans.
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- e.g Sri Lanka’s estimated national debt as per IMF stands at $44 billion in 2015, of which around 15% is owed to China.
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- Recently, for the Hambantota port project, Sri Lanka was coerced to borrow more funds from China in higher interest rate.
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What are the implications?

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- The OBOR initiative may affect the domestic production capabilities and make the participants heavily depended upon Chinese imports.

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- The inability to repay the debt, could lead the Chinese acquiring equity possession of these large tracts of infrastructure projects and thereby making inroads into the geographic space.
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- Another implication could also be the spreading the use of Yuan as an alternate currency to the dollar.
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Source: The Hindu

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