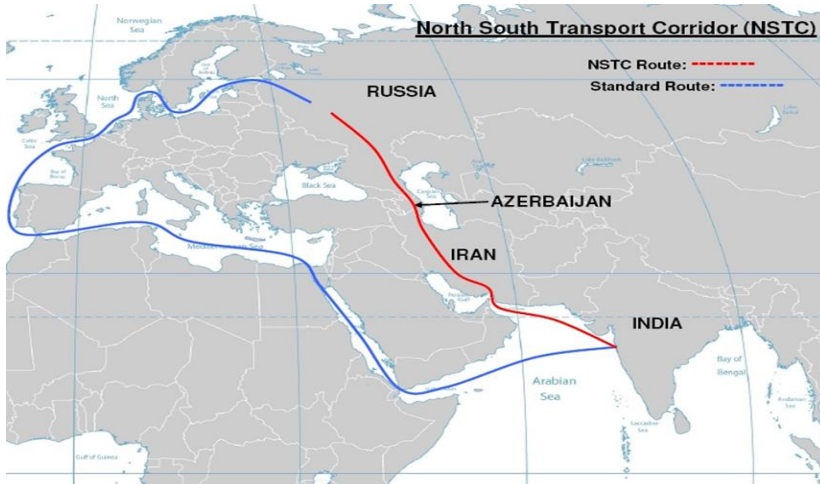


OBOR Networks & Maritime Geopolitics: The Century of Eurasia



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Introduction

- OBOR is a US\$ 1 trillion plan with an estimated economic multiplier of 2.5. Since the plan was announced three years ago, only 5% of this budget has been spent. There are as many plans as interested countries and China is talking to all of them. 10,000 articles have been written on the subject, but NDRC has retained only 100! Nothing is decided yet, and many analysts tend to see OBOR as a geopolitical “carrot and stick”, something similar to “Marshall Plan”.
- China is not investing only in African infrastructure but it transfers manufacturing activity there. By the end of 2015: 128 industrial projects in Nigeria, 80 in Ethiopia, 77 in South Africa, 48 in Tanzania and 44 in Ghana. It seems developing Africa is much easier than developing China’s own northwestern territories.
- With investments in Australia (Darwin) and a continuing interest in the Nicaraguan canal, China will soon be looking at the Pacific Ocean, expanding OBOR to a global, “around-the-world” network, in competition to TPP. What are the prospects of the Panama Canal, in view also of competition from the Suez Canal? To my view, not very promising.
- Russia is squeezed from both sides: USA/NATO from the west / China-Eurasia-OBOR from the east. Russia’s response: its own ‘OBOR’: The North-South Transport Corridor.
- Both Russia and China intend to develop their own currencies into reserve, clearing ones, away from the dollar and a crisis-prone, risky and overburdened western financial system. China in particular has created a currency clearing house in Qatar while Russia has an “oil for goods” deal with Iran. The latter country too has recently entered into a “rail for oil” barter deal with Turkey.

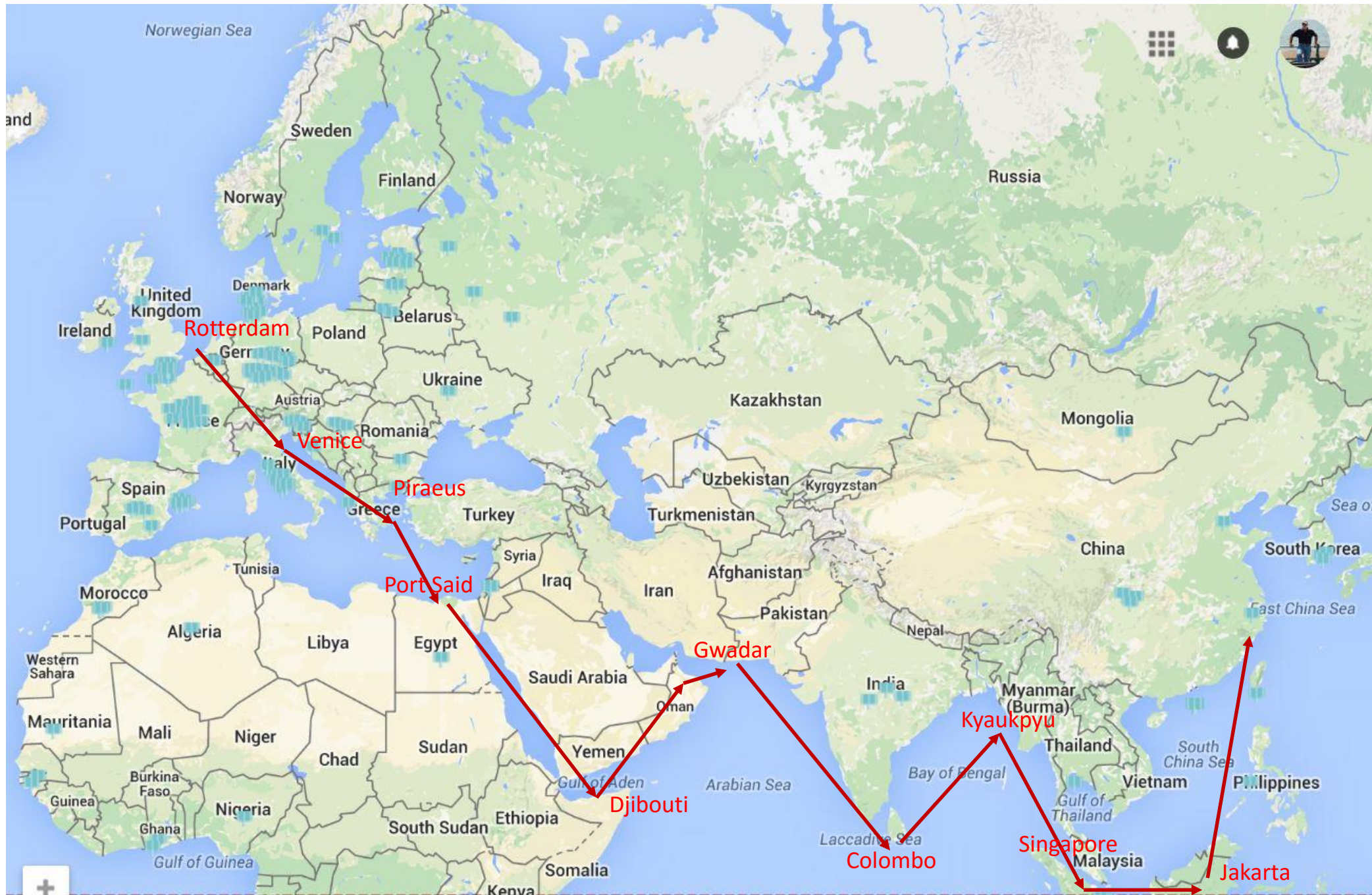
Hercules' **Chainsaw**: The (quasi) Maritime Silk Road: Rotterdam (Duisburg)-Venice-Piraeus-Port Said-Djibouti-Duqm-Gwadar- Colombo-Kyaukpyu-Singapore-Jakarta-(back to) East China Sea

With port and FTZ investments in Port Said, Qatar, Oman and Djibouti, China “keeps an eye” at the ‘doors’ to the Straits of Hormuz, Red Sea, and the Mediterranean Sea. With investments in Sri Lanka and Myanmar, China ‘fences’ the Bay of Bengal (read line drawn by HH.



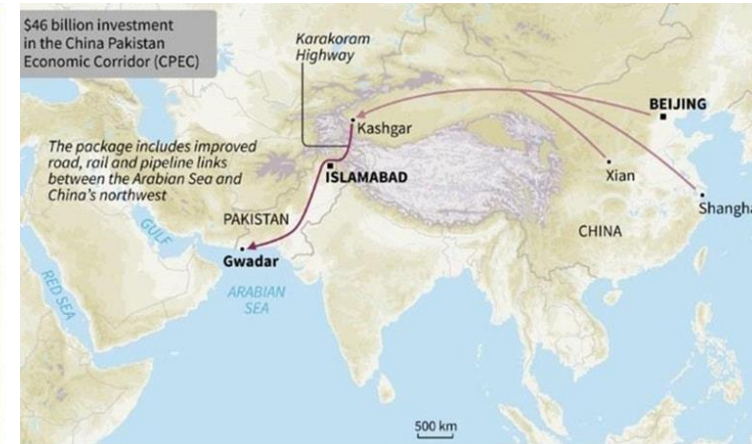
Other European ports may be signing cooperation agreements, but the Port of Rotterdam is ‘advisor’ to the Bank of China for the identification of attractive port investment opportunities around the world. Venice is rightfully promoting its ‘offshore terminal’, while Piraeus has already passed to COSCO)

Hercules' Chainsaw



Hercules' Chainsaw

The China-Pakistan Economic Corridor (CPEC)



The port of Gwadar (a Chinese 'tax-free' paradise) and the CPEC (a \$50 billion project), passing through the 'worrisome' provinces of Balochistan and Kashmir. Neither idea makes India (and the USA) particularly happy, especially as Pakistan appears willing to offer China naval facilities at the port of Gwadar. To China, though, this is its well sought after 'door' to the Arabian Sea. The same aspirations exist in Russia, through its North-South Transport Corridor (NSTC) to which India is more favorable.

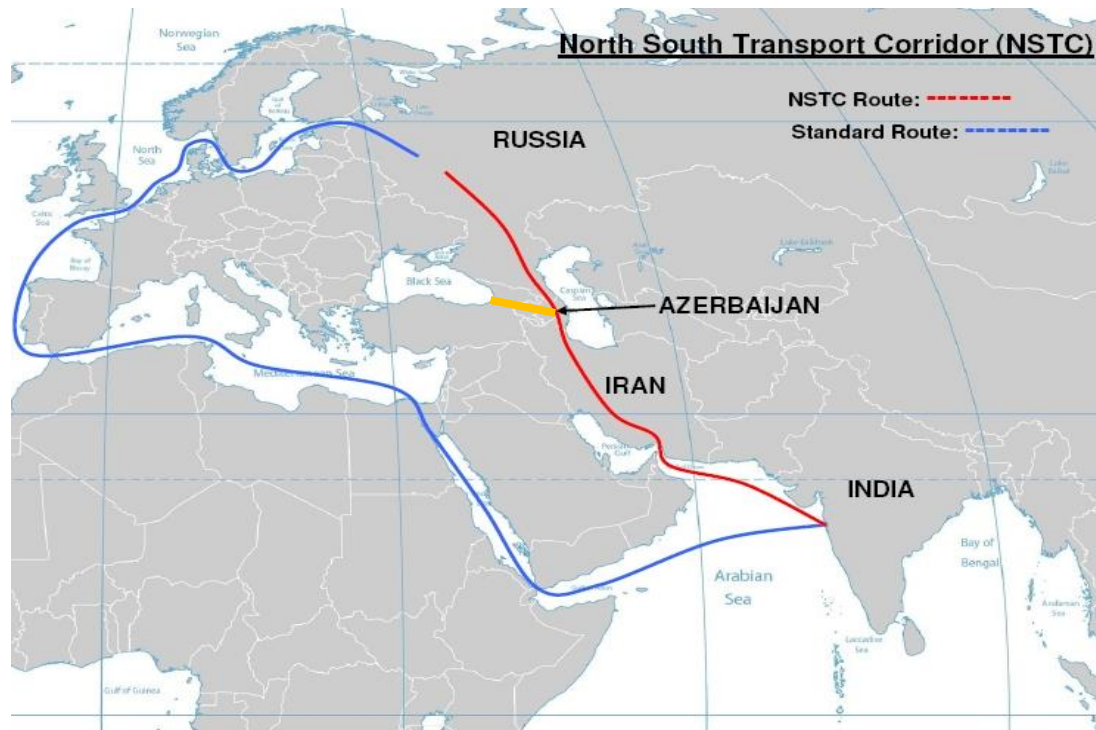
The North-South Transport Corridor: Russia's response to OBOR

Mumbai-Bandar Abbas-Tehran-Baku-Moscow

VS

Mumbai-Suez Canal-Gibraltar-English Channel- St. Petersburg-Moscow

(30% cheaper and 40% shorter and less vulnerable to possible NATO or US interference)



A note on Azerbaijan and Georgia: The new port of Baku (70 kms south of the city) is the country's most strategic investment, according to President Aliyev. Georgia is developing a new, US\$ 2.5 billion port in the Black Sea (Anaklia), with US financing (Conti International). The rail connection between the two, south of Caucasus, is not bad at all. Would the two Seas be connected? This, to my view, would provide a very important "missing link" (yellow line by HH).

Conclusions

- The 21st century is the century of Eurasia.
- Eurasian Infrastructure investment plans amount to 8 trillion dollars.
- “Accessibility” (and not ports) is the bottleneck to trade.
- Investors (WB, EBRD, AIIB, etc.) abound, but attention and coordination are required.
- (Lack of ‘discussion’ and coordination (e.g. within AIIB) are India’s objections to OBOR).
- Infrastructure investments have long gestation periods, while short-term debts accumulate dangerously.
- OECD forecasts show that the supply of infrastructure outstrips trade demand.
- Infrastructure investments should not be the outcome of geopolitical and security games.
- The debt of the developing world is a cause for concern.
- China’s NPLs correspond to 25% of the country’s GDP.
- Western banking is still precarious.
- A new economic ‘meltdown’ is not out of the question; this needs to be avoided at all costs.

THANK YOU