

**CHINA'S PIVOT TO CENTRAL
AND SOUTH ASIA**

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EAI Background Brief No. 1050

Date of Publication: 12 August 2015

Executive Summary

1. The One Belt, One Road (OBOR) is the latest major policy initiative by Chinese President Xi Jinping to tap into the Eurasian region and beyond.
2. To lend economic resources to the OBOR initiative, the Chinese government has started to fund institutions like the Silk Road Fund, Asian Infrastructure Investment Bank (AIIB) and the BRICS bank.
3. Central Asia is one of the most important regions for Chinese OBOR initiative. The region wants to industrialise and depend less on commodities export for its economic development.
4. To modernise, the region needs to encourage the growth of mass education, infrastructure investments, industrialisation, skills and management training etc. These are items that China can offer.
5. Steel and coal resources are also important for the industrialisation process. The intention to industrialise occurs at an opportune time when China is facing overcapacity in these two commodities.
6. China has singled out Pakistan, an old and reliable ironclad ally, for extending assistance. It has promised to pump US\$46 billion to aid Pakistan's economic development.
7. China wants to increase the number of coal-fired power plants in Pakistan and increase electricity supply to its people.
8. Even India, at times a geopolitical rival to China, is interested in applying for AIIB funding to build coal-fired power plants as it has difficulties securing such loans from the World Bank which rejects funding of such projects unless under very exceptional circumstances.

9. Like the European coal and steel community, Beijing's OBOR initiative to provide such commodities for Central and South Asian development may eventually become regional energy grids that provide conduits for not only steel and coal but also oil, gas and hydropower.
10. The caveat is China must tread carefully in Central and South Asia as there are existing dominant powers in these two regions, including Russia in Central Asia and India in South Asia. Beijing would do well to avoid a head-on with their traditional national interests in these regions.