

Securing China's Belt and Road Initiative: Dimensions and Implications

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Executive Summary

Although China's official rhetoric casts it in solely economic terms, the Belt and Road Initiative (BRI) also has well-defined strategic and security aspects: it contributes to China's overall national security, but is also subject to a variety of operational and strategic challenges. Chinese sources suggest that Beijing is using BRI investments as a means of stabilizing border regions, securing energy supply routes, and cultivating stronger diplomatic and economic influence with partner nations. However, those goals could be constrained by challenges ranging from the physical risks of operating in remote and unstable areas to the possibility of unilateral and coordinated opposition from other major powers. These are in addition to the inherent economic challenges associated with infrastructure development (such as the ability of developing and poorly governed states to repay debts).

Aware of the risks, Beijing is marshalling all forms of national power to create a safer and more strategically advantageous context for the BRI. The People's Liberation Army (PLA) is improving its ability to carry out non-traditional security operations such as non-combatant evacuations and disaster relief missions at longer range and for longer periods. China is also developing other options, including host nation support, private security firms, and law enforcement initiatives, to secure BRI personnel and assets. At the strategic level, Beijing is using high-level engagements, public diplomacy, and economic inducements to reduce the potential for the BRI to aggravate competition with other major powers.

China's success will depend in part on the reactions of other countries. From a U.S. perspective, the Trump administration will have to weigh competing factors as it designs a response: overt confrontation with Beijing may impose a cost on U.S. firms hoping to take advantage of new opportunities and harm U.S.-China relations, while accommodation could fuel Chinese ambitions, jeopardize U.S. interests in prudent lending and market access, and alienate U.S. partners such as Japan and India that have expressed serious concerns about China's activities. The Department of Defense will also have to consider tradeoffs as it decides whether, and how, to collaborate with the PLA in ways that enhance security along BRI routes. At a minimum, the

¹ The views expressed in this testimony are those of the author and are not an official policy or position of the National Defense University, the Department of Defense or the U.S. Government. A basis of this testimony is Joel Wuthnow, *Chinese Perspectives on the Belt and Road Initiative: Strategic Rationales, Risks and Implications* (Washington, DC: NDU, 2017).

department will have to prepare for a greater PLA role outside of East Asia, and maintain contact with Chinese counterparts in order to better understand their goals and capabilities, de-conflict activities, and determine whether and where there may be opportunities for cooperation.

Strategic Aspirations

As a matter of public diplomacy, Chinese officials have consistently framed the BRI as a “win-win” economic project: its success will contribute to the long-term economic growth of both China and its Eurasian partners.² One interlocutor outlined three more specific economic goals: facilitating new markets for China’s excess industrial capacity (especially massive stocks of steel, concrete, and other building materials leftover from China’s stimulus response to the 2008 global financial crisis), spurring development in China’s impoverished western regions, and providing a “new form of globalization” that would be more equitable than the postwar system which primarily served western interests.³ By contrast, Chinese rhetoric downplays the strategic advantages that will accrue to Beijing.

Nevertheless, foreign observers have speculated about Beijing’s ulterior geopolitical motives.⁴ Commentators liken the BRI to the Marshall Plan—i.e., a way for China to create strategic advantage in its backyard just as the United States used economic statecraft to cement its position in Western Europe following World War II—and as a modern manifestation of early 20th century British geographer Halford Mackinder’s thesis that dominating Eurasia is a prerequisite for global hegemony.⁵ In carefully-argued research, Nadège Rolland depicts the BRI as part of China’s “grand strategy,” using all elements of national strength to “assert [China’s] influence and reshape at least its own neighborhood.”⁶

Chinese strategic assessments—those carried out by professional civilian and military analysts within domestic journals, books, and reports, and not intended primarily for foreign consumption—help validate international concerns about the BRI’s geopolitical underpinnings. Chinese analysts routinely cite the following as advantages:⁷

² See, e.g., Xi Jinping, “Work Together to Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road,” Speech at the Belt and Road Forum for International Cooperation, May 14, 2017, http://news.xinhuanet.com/english/2017-05/14/c_136282982.htm.

³ Discussions with PLA interlocutors, Beijing, December. The analyst contrasted the “new form of globalization” with a previous, U.S.-led wave that “primarily benefited transnational western companies and increased the gap between rich and poor countries.”

⁴ However, one analyst warns observers not to overstate the BRI’s strategic objectives, pointing to the greater importance of economic and political motivations. Christopher K. Johnson, *President Xi Jinping’s ‘Belt and Road’ Initiative* (Washington, DC: CSIS, 2016), v.

⁵ See, e.g., Enda Curran, “China’s Marshall Plan,” *Bloomberg*, August 7, 2016, <https://www.bloomberg.com/news/articles/2016-08-07/china-s-marshall-plan>; Joseph S. Nye, “Xi Jinping’s Marco Polo Strategy,” *Project Syndicate*, June 12, 2017, <https://www.project-syndicate.org/commentary/china-belt-and-road-grand-strategy-by-joseph-s-nye-2017-06>.

⁶ Nadège Rolland, “China’s ‘Belt and Road Initiative’: Underwhelming or Game-Changer?” *The Washington Quarterly* 40:1 (2017), 136.

⁷ For more details, see Wuthnow, *Chinese Perspectives on the Belt and Road Initiative*, 9-13; see also Nadège Rolland, *China’s Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative* (Washington, DC: NBR, 2017), 109-119.

- *A Safer Neighborhood.* Mitigating threats across China’s restive western periphery is a perennial challenge for Beijing. Key problems include Tibetan and Uighur separatist movements and their cross-border advocates, narcotics trafficking, infiltration of Islamic extremists into western China via Central Asia, and even concerns about foreign-sponsored “color revolutions” in border areas.⁸ Fostering infrastructure development and regional economic connectivity, in the view of Chinese analysts, can help address the roots of instability by lifting neighboring populations out of poverty, bolstering (often authoritarian and China-friendly) regimes, and tying Xinjiang more closely into the regional economy. A related benefit, though not explicitly argued in Chinese sources, is that a safer western border region implies fewer strategic distractions and more resources available for China to expand its influence across maritime Asia.⁹
- *More Secure Energy Supply and Transport Routes.* Another persistent dilemma has been diversifying China’s energy supplies, which remain heavily dependent on maritime transport routes through the Strait of Malacca and other chokepoints.¹⁰ Dubbed the “Malacca Dilemma” during the Hu Jintao era, the concern is that China’s oil imports could be subject to interdiction by foreign navies during a crisis. BRI projects such as an oil pipeline linking Pakistan’s Gwadar Port with Xinjiang and a second Sino-Russian oil pipeline (which came online in January 2018¹¹) could help reduce, but not eliminate, China’s overreliance on vulnerable sea lanes. The BRI’s maritime component, known as the Maritime Silk Road, could also help secure China’s continuing maritime shipments through additional port development, including the opening of new PLA navy overseas logistics bases.¹²
- *Stronger Chinese Economic and Diplomatic Influence.* Drawing from a prominent 2012 *Global Times* editorial by Beijing University professor Wang Jisi, Chinese analysts portray the unveiling of BRI projects as the realization of a “march west”—the premise being that the absence of the United States as a strategic heavyweight in Eurasia has created an opportunity for China to extend its diplomatic and economic influence in the

⁸ See, e.g., “China’s Military Strategy,” State Council Information Office, May 26, 2015, http://news.xinhuanet.com/english/china/2015-05/26/c_134271001.htm.

⁹ For a discussion of Chinese strategic aims along the Asian littoral, see Joel Wuthnow, “Asian Security without the United States? Examining China’s Security Strategy in Maritime and Continental Asia,” *Asian Security*, September 2017, <http://www.tandfonline.com/doi/abs/10.1080/14799855.2017.1378181>.

¹⁰ For data on Chinese oil imports, see U.S. Energy Information Administration, China Overview, last updated May 14, 2015, <https://www.eia.gov/beta/international/analysis.cfm?iso=CHN>. According to the CSIS China Power Project, 80% of China’s oil imports in 2016 passed through the Strait of Malacca. See: <https://chinapower.csis.org/much-trade-transits-south-china-sea/>

¹¹ The second pipeline, connecting Siberia with China’s northeast, doubles Russia-supplied oil from 15 to 30 million tons/year. “Russia Tightens Oil Group With China’s Second Pipeline,” *Bloomberg*, January 1, 2018, <https://www.bloomberg.com/news/articles/2018-01-01/second-chinese-crude-oil-pipeline-linked-to-russia-s-espoo-pens>.

¹² An initial overseas base was opened in Djibouti in July 2017, while a second facility may be under construction near Gwadar Port on the Arabian Sea. Minnie Chan, “First Djibouti... Now Pakistan Port Earmarked for a Chinese Overseas Naval Base, Sources Say,” *South China Morning Post*, January 5, 2018, <http://www.scmp.com/news/china/diplomacy-defence/article/2127040/first-djibouti-now-pakistan-port-earmarked-chinese>.

region while avoiding a costly direct competition with Washington.¹³ BRI projects are thus not only useful in facilitating regional economic integration, but also buttress China's simultaneous efforts to solidify bilateral relations with key partners. For instance, development of China-Kazakhstan freight and passenger lines since 2013 support the elevation of bilateral relations into a "comprehensive strategic partnership," which also includes regular high-level diplomacy, counter-terrorism cooperation, and expansion in bilateral trade.¹⁴

While articulating clearly defined, and ambitious, strategic objectives, Chinese assessments generally avoid more sweeping proclamations about Beijing's willingness or ability to create an uncontested, Mackinder-esque sphere of influence in Eurasia. There are several reasons why Chinese self-assessed aims may remain limited, rather than expansive. BRI projects are funded primarily by loans that are meant to eventually be repaid. However, China is investing in countries that, in many cases, pose significant credit risk: a 2017 Moody's analysis, for instance, found that 54% of BRI investments have gone to countries with poor (i.e. Ba1 or lower) investment ratings.¹⁵ Christopher Johnson also suggests that the underlying political motives driving the BRI, including the need to buttress Xi Jinping's political legacy, mean that the Party leadership may "stay the course" on high-profile but financially unsound projects, resulting in a bleaker long-run economic outlook.¹⁶

From a security perspective, Chinese analysts are also conscientious of the potential pitfalls. Rather than inflating the prospects for strategic gains, Chinese sources tend to focus more on the operational and strategic-level vulnerabilities that Beijing will have to address in order to successfully implement BRI projects. Often debating amongst themselves, authors offer a variety of proposals for how to mitigate those risks using both military and civilian means.

Operational Risks and Mitigation Strategies

Even before the BRI was launched in late 2013, China had experienced the dangers involved in conducting business operations in remote and unstable regions. Major incidents, such as 2006 anti-China riots in Zambia and the 2011 Libyan civil war, which required the PLA to conduct an improvised evacuation of around 35,000 Chinese oil workers, grabbed domestic headlines and placed an impetus on Beijing to consider how Chinese personnel and assets could be protected.¹⁷ Thus Chinese officials have been under no illusions about the physical risks involved in building infrastructure and transportation networks across conflict prone areas of Central and South Asia, and into the Middle East. Setting public expectations at a realistic level, Xi acknowledged in

¹³ Wang Jisi, "'March West,' China's Geostrategic Rebalance" ['西进,' 中国地缘战略的再平衡], *Global Times* [环球时报], October 17, 2012, http://opinion.huanqiu.com/opinion_world/2012-10/3193760.html

¹⁴ "China Focus: China, Kazakhstan Move Closer with Belt and Road Cooperation," Xinhua, June 9, 2017, http://news.xinhuanet.com/english/2017-06/09/c_136353535.htm.

¹⁵ David Ho, "Cost of Funding 'Belt and Road Initiative' is Daunting Task," *South China Morning Post*, September 27, 2017, <http://www.scmp.com/special-reports/business/topics/special-report-belt-and-road/article/2112978/cost-funding-belt-and>.

¹⁶ Johnson, *President Xi Jinping's 'Belt and Road' Initiative*, 23.

¹⁷ See Mathieu Duchâtel, Oliver Brauner, and Zhou Hong, *Protecting China's Overseas Interests* (Stockholm: Stockholm International Peace Research Institute, 2014).

2017 that the BRI runs through areas marked by “conflict, turbulence, crisis, and challenge,” and called for stronger security cooperation between partner nations.¹⁸

Although China has thus far avoided major security incidents along BRI routes, several recent cases illustrate the potential risks to BRI workers and projects. These include the March 2015 evacuation of more than 500 Chinese nationals from Yemen, denoting not only risks to overseas workers, but also regional instability astride key maritime shipping lanes; the November 2015 killing of a Chinese citizen by ISIS radicals in Syria; the May 2017 abduction and murder of two Chinese citizens in Pakistan’s Baluchistan province (site of Gwadar Port and other key BRI projects);¹⁹ and a December 2017 Chinese embassy warning that terrorist attacks in Pakistan may be imminent.

Chinese analysts anticipate that these types of problems will expand as BRI projects enter their construction and operational phases. Key challenges include inter- and intrastate sectarian violence, which could destabilize host nations and place workers in danger; hostage-taking for ransom; terrorist attacks carried out by groups such as ISIS, Pakistani militants, or the Turkestan Independence Party (formerly known as the East Turkestan Independence Movement); and major natural disasters such as earthquakes and mudslides, which may be increasing due to climate change effects.²⁰ These problems are exacerbated by China’s limited capacity to address them. Chinese sources identify problems such as insufficient strategic air and sea lift (needed to carry out non-combatant evacuations), inadequate private personnel security services, and weak political risk analysis capabilities.²¹

These assessments have prompted consideration of the ways in which China needs to be prepared to secure its overseas BRI interests. Analysts discuss the tradeoffs of different types of approaches, which include the following:

- *Stronger Expeditionary Capabilities.* One remedy would be expanding expeditionary PLA capabilities, such as more long-range naval deployments (and overseas logistics bases), additional strategic air lift, and more rapidly deployable ground forces.²² Such assets would be helpful in defending critical sea lanes, as well as in conducting non-combatant evacuation, disaster relief, and counter-terrorism operations. PLA interlocutors also envision a “network” of international peacekeeping forces, including Chinese personnel, which could be available to protect overseas projects.²³ However, challenges

¹⁸ “Full Text of President Xi’s Speech at Opening of Belt and Road Forum,” Xinhua, May 14, 2017, http://news.xinhuanet.com/english/2017-05/14/c_136282982.htm.

¹⁹ Pakistan did not confirm the murders of two Chinese teachers until October 2017. See: “Pakistan Confirms Deaths of Two Kidnapped Chinese Nationals,” *China Daily*, October 31, 2017, http://www.chinadaily.com.cn/world/2017-10/31/content_33929197.htm

²⁰ For further details, see Wuthnow, *Chinese Perspectives on the Belt and Road Initiative*, 13-7.

²¹ Interviews, Beijing, December 2017

²² The 2017 DOD China military power report illustrates the PLA’s progress in fielding an expeditionary force: the ground forces are generating rapidly deployable forces “through the development of army aviation units, special operations forces, and air-land mobility” (2); the PLA air force has debuted its domestic-produced Y-20 strategic transport aircraft, whose missions include HA/DR, replacing a small fleet of Russian-origin aircraft (29); and the navy’s current and planned aircraft carriers will “help enable task group operations in the ‘far seas.’” (52).

²³ Indeed, China has already relied on UN peacekeeping forces to safeguard overseas assets; the clearest example is the involvement of Chinese military personnel in the UN mission in South Sudan, site of major Chinese oil

to a military-centered approach could include added financial burdens in an era of declining budget growth, resistance from the services (who may oppose resource allocations that distract from core warfighting missions), domestic and foreign opposition to putting Chinese “boots on the ground,” and the fact that some risks, such as localized terrorist incidents, may not require military intervention.

- *Host Nation Support.* Another approach is relying more extensively on host nation law enforcement, intelligence, and military support. The most prominent example is a 12,000-strong force drawn from the Pakistani army that has protected Chinese workers in Gwadar and other sites along the China-Pakistan Economic Corridor since 2015.²⁴ PLA interviewees also describe the possibility of working with the Taliban, who they characterized as a “friendly” organization, to protect Chinese copper mines in northeast Afghanistan that have been dormant for years because of security concerns.²⁵ Benefits of this approach could include cost effectiveness, delegation of risks to non-Chinese nationals, and reliance on forces with intimate knowledge of local languages, customs, and terrain. Key challenges, however, would include limited host nation capacity to handle major emergencies, reliability, and opposition of foreign publics to units being allocated to protect Chinese workers and assets.
- *Private Security Services.* A third approach is increasing reliance on foreign or Chinese personnel security companies, in addition to insurance and risk assessment services. Some Chinese firms may contract with more expensive but experienced foreign security providers such as Academi (formerly known as Blackwater), while other may hire cheaper domestic contractors. Chinese oil conglomerate Sinopec, for instance, has retained Shanghai-based Dewei Security to provide self-defense training for overseas workers, and to engage local employees to provide personnel and site protection.²⁶ Although cost effective and potentially useful in addressing low-level risks, deficiencies of relying on private Chinese security companies include limited regional expertise, domestic regulations prohibiting overseas ownership of firearms, and employment of local contractors who may not be reliable.²⁷

investments. See Colum Lynch, “U.N. Peacekeepers to Protect China’s Oil Interests in South Sudan,” *Foreign Policy*, June 16, 2014, <http://foreignpolicy.com/2014/06/16/u-n-peacekeepers-to-protect-chinas-oil-interests-in-south-sudan/>.

²⁴ Saeed Shah and Josh Chin, “Pakistan to Create Security Force to Protect Chinese Workers,” *Wall Street Journal*, April 22, 2015, <https://www.wsj.com/articles/pakistan-to-create-security-force-to-protect-chinese-workers-1429701872>. Thousands of additional security and police personnel were deployed in 2017 in Sindh province, including placing jammers on Chinese vehicles to avoid improvised explosive devices. See: “CM Sindh Directs to Provide Special Security for Chinese Working on CPEC Projects,” *The Nation*, December 7, 2017, <http://www.cpecinfo.com/cpec-news-detail?id=MzQ0NQ==>.

²⁵ Ironically, the Taliban was suspected of killing 11 Chinese road construction workers in Afghanistan in a 2004 attack. See Carlotta Gall, “Taliban Suspected in Killing of 11 Chinese Workers,” *New York Times*, June 11, 2004, <http://www.nytimes.com/2004/06/11/world/taliban-suspected-in-killing-of-11-chinese-workers.html>.

²⁶ “Sinopec Conducted First Overseas Security Training for 2015,” Sinopec News, January 12, 2015, http://www.sinopecgroup.com/group/en/Sinopecnews/20150121/news_20150121_650598841619.shtml.

²⁷ Interviews, Beijing, December 2017. Chinese interlocutors worry in particular about a “Benghazi” scenario developing in which local security contractors fail to protect employees during a crisis.

- *International Cooperation.* A final option is to strengthen bilateral or multilateral security partnerships to collectively address risks. Examples include combined training with foreign partners in non-traditional security areas such as counter-piracy, counter-terrorism, and disaster relief;²⁸ maritime security cooperation, such as joint China-ASEAN patrols in the Mekong River basin; and intelligence sharing and law enforcement cooperation, including a counter-terrorism mechanism established in 2016 between China, Pakistan, Afghanistan, and Tajikistan.²⁹ These activities provide several advantages, such as cost distribution, capacity building, and generating mutual trust and regional awareness, but are generally not oriented towards crisis response and remain contingent on the commitment of resources from both China and partner governments.

The key source of debate between Chinese analysts is how much emphasis to place on building the PLA, whose Party-defined responsibilities include protection of China's overseas interests, into a more global expeditionary force, versus outsourcing security to different arrangements (host nation support, private security, or international cooperation).³⁰ Although the mix of strategies remains in flux, extrapolating from current trends suggests that Beijing will rely on a multi-layered patchwork of different approaches, varying across regions and focused on different types of threats, to reduce operational challenges facing the BRI.

Strategic Risks and Mitigation Strategies

At the strategic level, the BRI is not unfolding in a geopolitical vacuum: several other major powers have concerns about how China's activities will affect their interests. Despite a May 2015 Sino-Russian agreement to forge a "great Eurasian partnership," for instance, some Russian analysts remain wary about China's growing presence in Central Asia.³¹ Indian strategists worry that Chinese investments in the Indian Ocean region, such as port development projects in Sri Lanka and Pakistan, will precipitate a greater Chinese naval presence in India's backyard.³² Indian officials and major thinkers have also criticized the BRI as predatory and illiberal.³³ The 2017 U.S. National Security Strategy, without naming the BRI, warns about Chinese attempts to

²⁸ For instance, the PLA navy conducted its first anti-piracy exercise with the U.S. navy in September 2012 and with NATO in November 2015. For an overview of Chinese military diplomacy, see Kenneth Allen, Phillip C. Saunders, and John Chen, *Chinese Military Diplomacy, 2003-2016: Trends and Implications* (Washington, DC: NDU, 2017).

²⁹ "Afghanistan, China, Pakistan, Tajikistan Issue Joint Statement on Anti-Terrorism," *China Military Online*, August 4, 2016, http://eng.mod.gov.cn/DefenseNews/2016-08/04/content_4707451.htm.

³⁰ Some PLA analysts are surprisingly frank about the limitations of the military's ability to respond across different types of threats, despite invocations since the Hu Jintao era for the PLA to be able to protect overseas interests. For instance, Major General Zhu Chenghu argues that China should rely less on the PLA and more on private security companies. See: "NDU Professor: 'One Belt, One Road' Requires Building Overseas Security Capabilities" [国防大学教授: '一带一路' 要建海外安保力量], *Ta Kung Pao* [大公网], May 13, 2015, <http://news.takungpao.com/mainland/focus/2015-05/2998430.html>.

³¹ For an analysis, see Sebastien Peyrouse, "The Evolution of Russia's Views on the Belt and Road Initiative," *Asia Policy* 24 (July 2017), 96-102.

³² Dhruva Jaishankar, "India Feeling the Heat on Belt and Road," *Lowy Interpreter*, August 21, 2017, <https://www.lowyinstitute.org/the-interpreter/india-feeling-heat-belt-road>.

³³ See, e.g., Harsh V. Pant, "India Challenges China's Intentions on One Belt, One Road Initiative," *Observer Research Foundation (ORF) Commentaries*, June 22, 2017, <http://www.orfonline.org/research/india-challenges-china-intentions-one-belt-one-road-initiative/>.

“displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor.”³⁴

Such concerns have led major countries to propose alternative economic corridors and ways of financing them.³⁵ In May 2015, Japan announced a five-year, \$110 Billion plan to support private funding of “quality infrastructure” projects, using criteria such as long-run cost effectiveness, local job creation, and environmental sustainability.³⁶ Two years later, Tokyo and New Delhi released a vision for an “Asia-Africa Growth Corridor,” described as a “people-centric sustainable growth strategy” that would increase economic connectivity between the two continents through infrastructure development, vocational training, and cooperative projects in areas such as agro processing and pharmaceuticals.³⁷ The December 2017 U.S. National Security Strategy argued that modernization of development finance should be a priority so that the United States “will not be left behind as other states use investment and project finance to extend their influence.”³⁸ Washington has also discussed alternative trade, transit, and financing frameworks with various Indo-Pacific partners, including at a re-conceptualized iteration of the U.S.-Japan-India-Australia quadrilateral dialogue, held in Manila during President Trump’s November 2017 visit.³⁹

Chinese analysts have devoted significant attention to these trends, often concluding that individual or collective responses by other powers could inhibit China’s competitiveness.⁴⁰ Key ways in which strategic competition can be reduced, in their view, include the following:

- *Coopting foreign business elites.* One method is developing partnerships with foreign companies. One Chinese report, for instance, argued that the BRI will provide U.S. firms with “great business opportunities in all sectors,” citing cooperation between General Electric and the China National Machinery Industry Corporation in building Kenya’s wind power infrastructure as a successful model (albeit not a BRI project per se).⁴¹ The premise is that pressure from the business community will translate into political support. Whether this approach will succeed in the U.S. context is unclear. Comments during the early months of the Trump administration highlighting potential U.S. economic cooperation in BRI projects has given way to a stronger emphasis, evident during the 2017 quadrilateral discussions in Manila, on prudent lending and cooperation between Indo-Pacific democratic allies and partners.⁴²

³⁴ The White House, *National Security Strategy of the United States of America*, December 2017, 25.

³⁵ Thanks to NDU’s Thomas Lynch for data points in this area.

³⁶ Japanese Ministry of Foreign Affairs, “Partnership for Quality Infrastructure,” May 21, 2015, 1-2.

³⁷ “Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development,” Presentation at the African Development Bank Meeting, May 2017.

³⁸ The White House, *National Security Strategy of the United States of America*, December 2017, 39.

³⁹ “Australia-India-Japan-U.S. Consultations on the Indo-Pacific,” U.S. State Department, November 12, 2017, <https://www.state.gov/r/pa/prs/ps/2017/11/275464.htm>.

⁴⁰ Wuthnow, *Chinese Perspectives on the Belt and Road Initiative*, 17-22.

⁴¹ *Boarding the Fast Train: Case Studies and Practical Solutions for the U.S. to Connect to the Belt and Road Initiative*, Chongyang Institute for Financial Studies, Renmin University, September 2017, 3-10.

⁴² Early comments include NSC Senior Director for Asia Matt Pottinger’s reported comments at the May 2017 Belt and Road Forum suggesting that U.S. companies as “ready to participate in Belt and Road projects.” Stuart Lau, “U.S. Warms Up to ‘Belt and Road’ Business Potential,” *South China Morning Post*, May 14, 2017, <http://www.scmp.com/news/china/diplomacy-defence/article/2094295/us-warms-belt-and-road-business-potential>.

- *Leveraging bilateral relationships.* China has also leveraged bilateral relationships to encourage support for the BRI. For example, a November 2017 meeting between Xi and Japanese Prime Minister Shinzo Abe, in which the two leaders agreed to make a “fresh start” in Sino-Japanese relations, led in part to Tokyo offering financial incentives for Japanese firms to build joint ventures with Chinese companies in areas related to infrastructure development (though perhaps intended more as a substitute than a complement to the BRI framework).⁴³ China has also solicited U.S. support for the BRI in high-level meetings, though with less tangible results.⁴⁴ Coercive diplomacy is also an option. Some Indian observers, for instance, contend that China escalated tensions in the Doklam border region during mid-2017 in order to signal dissatisfaction with Prime Minister Narendra Modi’s absence from the Belt and Road Forum, and to push India into a more positive approach toward BRI.⁴⁵
- *Shaping international public opinion.* A third method is working through media, public diplomacy, and Track II channels to reduce suspicions about the BRI in major countries and explore avenues of cooperation. Messages delivered by PLA interlocutors in recent discussions, for instance, include casting U.S. officials’ criticisms of the BRI, such as those offered by Secretary of State Rex Tillerson in October 2017,⁴⁶ as unfair, affirming that China’s ultimate ambition is not to “replace the U.S. as world hegemon,” and framing the BRI as a “constructive means” for both countries to improve relations and contribute to global public goods provision.⁴⁷

Largely absent from Chinese assessments is the acknowledgement that China’s own practices may be contributing to regional demand for alternative infrastructure funding. Secretary Tillerson argued that the nature of Chinese financing is burdening partners with “enormous levels of debt,” and resulting in projects that rely on “foreign workers,” rather than creating local jobs.⁴⁸ In Djibouti, for instance, three China-backed projects have led the debt-to-GDP ratio to balloon from 50% in 2014 to 85% in 2016, with the International Monetary Fund warning that the country remains at high risk of debt distress.⁴⁹ This has prompted concerns about whether

⁴³ “Japan to Help Finance China’s Belt and Road Projects: Nikkei,” Reuters, December 5, 2017, <https://www.reuters.com/article/us-japan-china-beltandroad/japan-to-help-finance-chinas-belt-and-road-projects-nikkei-idUSKBN1E003M>.

⁴⁴ See, e.g., “U.S. President Donald Trump Meets With Yang Jiechi,” *PRC Ministry of Foreign Affairs*, June 23, 2017, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1473199.shtml.

⁴⁵ Sushil Aaron, “Is China Punishing India For Its Belt and Road Stance While Testing Modi and Trump?” *Hindustan Times*, July 4, 2017, <http://www.hindustantimes.com/opinion/is-china-punishing-india-for-its-belt-and-road-stance-while-testing-modi-and-trump/story-1NIB0lcGtgMy4UVO5pDO1M.html>.

⁴⁶ See Rex W. Tillerson, “Remarks on ‘Defining Our Relationship With India For the Next Century,’” Delivered at CSIS, October 18, 2017, <https://www.state.gov/secretary/remarks/2017/10/274913.htm>.

⁴⁷ Discussions with PLA interlocutors, Beijing, December 2017

⁴⁸ Tillerson, “Remarks on ‘Defining Our Relationship With India For the Next Century.’”

⁴⁹ International Monetary Fund, “Djibouti: Staff Report for the 2016 Article IV Consultation—Debt Sustainability Analysis,” February 7, 2017, 1.

China will translate its partners' debts into geopolitical influence; one government critic told the *New York Times* that, "We don't know what China's intentions really are."⁵⁰

None of Beijing's options to assuage local concerns are particularly attractive. One approach is using public diplomacy to counter narratives about China acting as a "neocolonial power,"⁵¹ but this message will not resonate if projects fail to create local jobs, worsen local corruption problems, or create environmental problems.⁵² Another choice would be debt forgiveness, but this would strain government coffers and underscore the poor decision-making that contributed to non-performing BRI loans. China may also convert unpaid debt to equity shares in infrastructure projects, as in Sri Lanka's December 2017 decision to grant China a 99-year lease of the Hambantota port to repay part of its \$8 Billion debt. However, this could raise local concerns to even higher levels as critical infrastructure is ceded to a foreign power.⁵³ Thus, states may seek alternative financing—or forego projects altogether.⁵⁴

Conclusion and Policy Implications

In sum, the strategic aims driving the BRI—creating a safer neighborhood, securing energy supplies, and cultivating influence—are ambitious, though somewhat attenuated by perceived risks and challenges. Not only are BRI projects subject to the physical risks inherent in large-scale infrastructure development across the Eurasian hinterland, which are exacerbated by China's limited ability to address them, but the whole enterprise is also vulnerable to unilateral or collective responses by China's major competitors. Souring relations between China and partner nations, due to the norms, premises, and stringent terms attached to BRI locations and financing, may impose further limits on Beijing's ability to convert economic cooperation into geopolitical gains.

China's success will depend in part on the reactions of other major countries. From a U.S. perspective, policymakers will have to weigh multiple competing factors in designing a coherent response. On one hand, overt confrontation with Beijing would be an irritant in U.S.-China relations and potentially cost U.S. firms the chance to take part in BRI projects (as illustrated by a recent agreement between General Electric and China's Silk Road Fund in the energy investment arena).⁵⁵ On the other hand, accommodation could imperil U.S. stakes in prudent lending and Eurasian market access, alienate U.S. partners such as Japan and India that have expressed serious concerns about China's activities, and fuel China's strategic aims beyond their current levels. U.S. officials will also need to evaluate the costs and opportunities of developing

⁵⁰ Andrew Jacobs and Jane Perlez, "U.S. Wary of Its New Neighbor in Djibouti: A Chinese Naval Base," *New York Times*, February 25, 2017, <https://www.nytimes.com/2017/02/25/world/africa/us-djibouti-chinese-naval-base.html>.

⁵¹ Rolland, "China's 'Belt and Road Initiative,'" 135-6.

⁵² Joshua Eisenman and Devin T. Stewart, "China's New Silk Road Is Getting Muddy," *Foreign Policy*, January 9, 2017, <http://foreignpolicy.com/2017/01/09/chinas-new-silk-road-is-getting-muddy/>.

⁵³ Kai Schultz, "Sri Lanka, Struggling With Debt, Hands a Major Port to China," *New York Times*, December 12, 2017, <https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html>.

⁵⁴ Saibal Dasgupta and Anjana Pasricha, "Pakistan, Nepal, Myanmar Back Away from Chinese Projects," VOA, December 4, 2017, <https://www.voanews.com/a/three-countries-withdraw-from-chinese-projects/4148094.html>.

⁵⁵ "General Electric, China's Silk Road Fund to Launch Energy Investment Platform," Reuters, November 9, 2017, <https://www.reuters.com/article/us-trump-asia-china-deals-ge/general-electric-chinas-silk-road-fund-to-launch-energy-investment-platform-idUSKBN1DA057>.

alternatives to BRI routes and financing, including the potential for cooperation with Indo-Pacific allies and partners.

Congress can play a role in ensuring the development of a pragmatic U.S. strategy. The Trump administration has offered some implicit critiques of the BRI,⁵⁶ and suggested the need for alternative infrastructure development approaches. Congress could ask U.S. officials to articulate a more detailed strategic approach for protecting U.S. values and interests, including specifying the resources needed to offer alternatives for the region. In addition, Congress's research arms can sponsor independent analysis of U.S. interests and strategic options (e.g., ways in which the United States can partner with Japan, India, and others to promote alternative economic corridors and offer alternative financing).

A narrower question is whether and how the Department of Defense should cooperate with China in areas related to securing BRI routes. As part of Xi's emphasis on improving U.S.-China military relations,⁵⁷ the PLA has pursued increased operational and training cooperation with the United States in areas such as humanitarian assistance/disaster relief, counter-piracy, and counter-terrorism.⁵⁸ From a Chinese perspective, this engagement is not only useful in fostering mutual trust, but may also help create a safer environment for China's overseas interests. Some of these activities have already been pursued, including U.S.-China combined counter-piracy exercises in the Gulf of Aden, last held in December 2014, and China's participation in the non-traditional security portions of the U.S.-led multinational RIMPAC exercise.

However, bilateral military cooperation will need to be pursued in the context of U.S. strategic goals, policy judgments, and legal constraints. The 2000 National Defense Authorization Act, in particular, requires the Secretary of Defense to restrict engagements with the PLA in 12 areas when contact would create a "national security risk due to an inappropriate exposure." Counter-terrorism cooperation, for instance, could expose the PLA to advanced warfighting tactics, techniques, and procedures, even if both countries share an interest in reducing terrorist threats.⁵⁹ Thus caution in responding to Chinese entreaties is warranted, and sensible. At a minimum, the geographic combatant commands should remain in regular contact with their Chinese counterparts as PLA units enter their areas of responsibility, so as to better understand Chinese goals and capabilities, de-conflict activities, and identify areas where both sides may cooperate to achieve shared goals.

U.S. officials should also anticipate that expansion of BRI projects will be accompanied by enhanced Chinese military diplomacy throughout Eurasia. Over the past 15 years, China has expanded capacity-building, combined training, and high-level engagements with states such as Pakistan and Afghanistan; those efforts may continue both as part of a broader effort to

⁵⁶ These include the State Department's readout of the U.S.-Japan-India-Australia quadrilateral dialogue, which referenced "increasing connectivity consistent with international law and standards, based on prudent financing," and the December 2017 National Security Strategy, which discussed modernization of development finance.

⁵⁷ For a discussion, see Phillip C. Saunders and Julia G. Bowie, "U.S.-China Military Relations: Competition and Cooperation," *Journal of Strategic Studies* 39:5-6 (2016), 662-684.

⁵⁸ Interviews, Beijing, December 2017.

⁵⁹ For an analysis of opportunities and challenges in U.S.-China counter-terrorism cooperation, see Murray Scot Tanner and James Bellacqua, *China's Response to Terrorism*, Report for the U.S. China Commission, June 2016, 127-130.

strengthen bilateral relations and to help stabilize BRI partners.⁶⁰ As China's military diplomacy expands, partners could have incentives to play Beijing and Washington against each other to secure better deals, or request that the two countries more effectively coordinate their security assistance programs. Thus the Department of Defense and other stakeholders should monitor these dynamics and determine whether and where, if appropriate, U.S. security programs may need to adapt to changing circumstances.

⁶⁰ Allen, Saunders, and Chen, *Chinese Military Diplomacy, 2003-2016*, 11.