

Security Issues Related to (Sea) Lines of Communication

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Key Points

- Infrastructure projects spanning Europe and Asia support CENTCOM's mission to create a prosperous AOR. Opening up the energy-rich Central Asian states makes new infrastructure projects important for the AOR, Europe, and Asia
- Chinese Belt and Road Initiative (BRI) related transport projects could increase the Gross Domestic Product (GDP) for most BRI and non-BRI countries, and for the world as a whole. The risks of debt traps exist but can be mitigated.
- New lines of communication (LOC) support the global economy and therefore might also shift the balance of power and influence Great Power Competition (GPC).
- BRI will likely result in increased overseas access and presence for the People's Liberation Army (PLA).
- The risks are not limited to the financial or economic domains, as the military balance of power between countries and regions will also likely shift and cause effects in multiple COCOMs' AORs.

Introduction

The recent Container Ship EVER GIVEN incident in the Suez Canal shows just how vulnerable global sea transport chains are. The temporary inability to travel through the canal has disrupted all supply chains globally. The consequences of the 7-day blockage have generated worldwide economic loss estimated at billions of dollars. The volume of global container transport grows each year. This increase is expected to continue given the growth of the global economy. Not only does this put pressure on the capacities of existing sea lines of communication (SLOC), but it also highlights the need for new initiatives to establish new connections between global points of supply and demand.

New Connectivity Initiatives

In the last two decades, many new infrastructure projects have been performed all over the world. The main reason is to increase capacity to support growing economies. If the transport time can be halved and the capacity doubled, major economic benefits will arise for both the demand and supply side. Both of the world's largest SLOC's bottlenecks, the Suez and Panama canals, have recently been expanded with new channels. The Panama Canal expansion is mainly driven by increasing trade between China and North America. This expansion enables

the largest container ships to sail to the American east coast instead of using train transport with additional transshipment delays on the west coast.

Turning to the AOR, there are not only regional and national developments, but also other striking examples of large, extensive infrastructure projects such as the EU project Trans-European Transport Network (TEN-T), the Chinese BRI, and the Indian International North-South Transport Corridor (INSTC).

The BRI, unveiled in 2013 as a 'win-win' initiative, is a \$1 T initiative including projects in transportation, energy, and infrastructure in more than 70 countries across Asia, Europe, Africa, and Oceania including the development of ports, railways, oil and gas pipelines, and power grids, along with plans for new economic corridors.¹ The BRI aims to strengthen China's connectivity with the world. It combines new and old projects, covers an expansive geographic scope, and includes efforts to strengthen hard infrastructure, soft infrastructure, and cultural ties.² Its scope involves two main components:

- the Silk Road Economic Belt (the Belt), and
- the New Maritime Silk Road (the Road).

A tunnel under the Barents Sea even provides a connection to the North American continent, creating a link between the railways from Rotterdam to New York, enabling ground logistics throughout the northern hemisphere.

The European Union (EU) does not participate in the BRI, but is neither a mere spectator. The EU has its own transport policy called TEN-T policy. In addition, the European Commission communicated the "EUAsia Connectivity Strategy," to promote an inclusive approach to developing long-distance links with Asia. Concentrating solely on infrastructure does not always lead to economic growth. This is particularly true for fragile countries, and especially when loans are the main source of financing. Debt-based investments are not a reasonable option for most countries on the Asian continent, as well as countries closer to the EU. Therefore, the EU puts the emphasis on sustainable projects, while the BRI approach gives the impression that what matters is only the size of the projects, and not their economic and social usefulness. Amazingly, 89% of projects funded by China are awarded to Chinese companies. Only 7% are outsourced to local contractors. At the Paris climate conference, it was stated that the BRI should promote not only infrastructure projects, but also efficient transport. TEN-T therefore focuses on energyefficient solutions within the economic model of these long-distance services, especially those overland.²

¹ Marshall W. Meyer, "China's Belt and Road Initiative: Why the Price Is Too High," Wharton University of Pennsylvania, Apr 30, 2019, <https://knowledge.wharton.upenn.edu/article/chinas-belt-and-road-initiative-why-the-price-is-too-high/> (accessed Apr 16, 2021).²

"How Will the Belt and Road Initiative Advance China's Interests?" Center for Strategic and International Studies, Aug 26, 2020, <https://chinapower.csis.org/china-belt-and-road-initiative/> (accessed Apr 16, 2021).

² Majorie van Leijen, "EU-commissie: Het Belt and Road-initiatief is een Chinees project," Spoor Pro, Sep 19, 2018, <https://www.spoorpro.nl/goederenvervoer/2018/09/19/eu-commissie-het-belt-and-road-initiatief-is-een-chinees-project/> (accessed Apr 16, 2021).

India also hopes to get to the European market via land. India seeks cooperation with Uzbekistan and

Turkmenistan to assist in expanding India's outreach first to Afghanistan and Central Asia, and further to Russia and Europe, through the INSTC. The INSTC will link India, currently the world's fastest growing big economy, with Central Asia, Russia, and potentially the Baltic, Nordic, and Arctic regions.³

Opportunities and Risks

Linking economies controlled by supranational governments became the success factor in Europe after World War II with the Schuman Plan.⁴ The result was booming economies, mutual trust, and the longestlasting unbroken peace ever in Europe. The Schuman Plan marked the beginning of the revolution in European relations. Economic integration was the first step to achieve social, cultural, and political integration leading to a supranational organization, the European Union.

Could the BRI or other connectivity alternatives perform a similar function at their core? Or is that a naive train of thought?

Throughout history, economic power has always been perceived as threatening. History proved that economic powers do expand their power over others in order to protect their advantageous position. No matter your perspective, a growing Chinese economic power will sound alarm bells. The same alarm may also arise over a growing Indian or European economic power. Although the BRI initiative, the artery of the Chinese economic heart, could really lift up all of Asia, China's growing economic power is the perceived threat.

If BRI is viewed as the Chinese Trojan horse, could the same be said of the European TEN-T reciprocal initiative? Initiatives to improve connectivity between Europe, Asia, and Africa are not only advantageous to China. All (roughly 70) the countries in-between will gain better connectivity as well. Perhaps some nations overemphasize the negative impacts to maintain and defend those nations' own positions and initiatives. For instance, the BRI is not supported by all countries. Besides the US, the UK and India opposing the BRI. India messages that the BRI is a plan to dominate Asia.

In BRI's latest phase, China seeks Kyrgyzstan's approval to build a railway from China, through Kyrgyzstan, to Uzbekistan and beyond. Beneficiaries would immediately include Iran and later Europe. But the initiative is facing pushback by Kyrgyzstan's partner countries that fear it could lead to unsustainable debt. Unlike US foreign aid, or the Marshall Plan to rebuild economies after World War II, the BRI is a Chinese investment that expects a return.

³ Hriday Ch Sarma, Dwayne R Menezes, "The International North South Transport Corridor (INSTC): India's grand plan for Northern connectivity," Polar Research and Policy Initiative, Jun 06, 2018, <https://polarconnection.org/india-instc-nordic-arctic/> (accessed May 5, 2021).

⁴ "The Schuman Declaration – 9 May 1950," European Union, https://europa.eu/european-union/about-eu/symbols/europeday/schuman-declaration_en (accessed Apr 20, 2021).

Chinese financial institutions lend money for BRI projects in partner countries, and the construction contracts are awarded to mostly Chinese firms. Thus, a Chinese company receives much of the proceeds of the loan, but the host country maintains the debt. If the return on investment isn't sufficient to pay off the debt, China will repossess the project, and it becomes a debt-for-equity swap.⁵ If the BRI follows typical Chinese infrastructure financing practices, which often entail lending to sovereign borrowers, then BRI raises the risk of debt distress in some borrower countries. The Centre for Global Development (CDG) assesses the likelihood of debt problems in the 68 countries identified as potential BRI borrowers. The CDG concludes that eight countries are at particular risk of debt distress based on an identified pipeline of project lending associated with BRI.⁶ Three of these countries are in CENTCOM's AOR: Tajikistan, Kyrgyzstan, and Pakistan.

Research shows that BRI transport infrastructure projects increase GDP for participating economies by up to 3.35%, and increase welfare, which accounts for the cost of infrastructure, by up to 2.81%. Welfare effects of BRI transport projects could increase by a factor of four if participating countries reduced border delays and tariffs by half. Thus, complementary policy reforms by recipient countries are important. However, some countries such as Azerbaijan, Mongolia, and to a lesser extent, Tajikistan could experience welfare losses as infrastructure costs outweigh gains. Despite these disparities, all countries increase the benefits if infrastructure projects were coupled with policy reforms. The research also shows that BRI-related transport projects could increase GDP for non-BRI countries by up to 2.61%, and for the world as a whole by up to 2.87%. Using similar methodology, these numbers are larger than typical findings for regional trade agreements such as the North American Free Trade Agreement (NAFTA).⁷

Current results show that the gains from the BRI could be positive on aggregate, but they are also unevenly distributed across countries, with some economies potentially losing from the infrastructure investment. This raises the question of how to optimally fund an initiative as complex as the BRI to ensure that all countries experience net gains.⁸ To mitigate these risks, the CDG identified and shared recommendations with the countries at risk, and Chinese policy makers, including the International Monetary Fund (IMF) and World Bank.¹⁰

⁵ John Hurley , Scott Morris, Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," Centre for Global Development, Mar 4, 2018, <https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-a-policy-perspective> (accessed Apr 17, 2021).

⁶ John Hurley , Scott Morris, Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," Centre for Global Development, Mar 4, 2018, <https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-a-policy-perspective> (accessed Apr 17, 2021).

⁷ Francois de Soyres, Alen Mulabdic, Michele Ruta, "Common transport infrastructure: Welfare effects of the Belt and Road Initiative," VOX EU, Jul 12, 2019, <https://voxeu.org/article/welfare-effects-belt-and-road-initiative> (accessed Apr 25, 2021).

⁸ Francois de Soyres, Alen Mulabdic, Michele Ruta, "Common transport infrastructure: Welfare effects of the Belt and Road Initiative," VOX EU, July 12, 2019, <https://voxeu.org/article/welfare-effects-belt-and-road-initiative> (accessed Apr 25, 2021).

⁹ CEPR: The Centre for Economic Policy Research (www.cepr.org), founded in 1983, is a network of over 700 researchers based mainly in universities throughout Europe, who collaborate through the Centre in research and its dissemination. The Centre's goal is to promote research excellence and policy relevance in European economics. CEPR Research Fellows and Affiliates are based in over 237 different institutions in 28 countries (90% in the EU). Because it draws on such a large network of researchers, CEPR is able to produce a wide range of research which not only addresses key European policy issues, but also reflects a broad spectrum of individual viewpoints and perspectives. CEPR has made key contributions to a wide range of European and global policy issues for over two decades.

¹⁰ Ely Ratner, "Geostrategic and Military Drivers and Implications of the Belt and Road Initiative," Council on Foreign Relations, Jan 25, 2018, <https://www.cfr.org/report/geostrategic-and-military-drivers-and-implications-belt-and-road-initiative> (accessed Apr 20, 2021).

Blockades of SLOCs are a major economic threat. Blockades can be technical, climate, political, and or security in nature and are most critical around choke points. Control of strategic choke points is a GPC objective. Therefore, it is prudent to always have alternatives to bypass blockades. With alternatives such as BRI and TEN-T available, in a vast connectivity network, it becomes almost impossible to enforce a blockade effectively because an alternative route is always available. These options can significantly benefit investment. Building the Thai channel to circumvent the Strait of Malacca presents similar benefits.

The COVID-19 pandemic, and developments of the Euro-Asian infrastructure initiatives, have exposed aspects of European dependence on the Chinese economy. Despite the fact that EU-Asian connectivity can lead to halving transport times and therefore costs, there are growing signs that European companies will accept higher production costs to bring production from China back to Europe.¹¹ Also, the EU recently took steps to guard against unfair economic competition from China. This is a sign of growing distrust after Western sanctions over rights abuses and Chinese retaliation.¹³ Whether these initiatives become a global trend remains to be seen, but the G7 recently announced that it will work collectively to foster global economic resilience in the face of arbitrary and coercive Chinese economic policies and practices.¹²

Military

The Roman road network brought not only infrastructure, but also civilization.¹³ Early on, Roman strategists recognized the importance of a well-functioning road system. The economy benefited and the military was able to move quickly. The American Civil War is the first war in which railroads were a major factor and large armies depended heavily on railroads to bring supplies. The 1850s had seen enormous growth in the railroad industry.¹⁴ The Germans used railways successfully as the ultimate means to fight a war on two fronts in two world wars.

Since the time of the ancient silk roads, and in future LOCs, infrastructure like channels, sea locks, pipelines, and railroads are of strategic importance and need to be secured against malign action. This has been and still is an essential task for CENTCOM. As the current crisis on the border between Kyrgyzstan and Tajikistan shows, areas can be temporarily or permanently spoiled by wars or unstable environments. Anti-piracy operations, the Chinese 'String of Pearls' across the Indian Ocean, and US fleet presence on the high seas are good examples how SLOCs are protected. Though LOCs support the economy and therefore create the means for a safe and prosperous AOR, they might also shift the balance of power. As an example, because of the development of new LOC's between

¹¹ Merel Stikkelorum, "Groeidend aantal modebedrijven wil weg van 'race to bottom' in China, [Growing number of fashion companies want to move away from 'race to bottom' in China]," NOS, Apr 25, 2021, <https://nos.nl/l/2378214> (accessed Apr 25, 2021). ¹³ Philip Blenkinsop, Sabine Siebold, "EU puts up guard to Chinese firms, cools on trade deal," Reuters, May 5, 2021, <https://www.reuters.com/article/us-eu-china/eu-puts-up-guard-to-chinese-firms-cools-on-trade-deal-idUSKBN2CM00A> (accessed May 5, 2021).

¹² Elizabeth Piper, William James, Guy Faulconbridge, "G7 scolds China and Russia over threats, bullying, rights abuses," Reuters, May 5, 2021, <https://www.reuters.com/world/g7-scolds-china-russia-over-threats-bullying-rights-abuses-2021-05-05/> (accessed May 5, 2021).

¹³ Paul van der Heijden, "Romeinse wegen in Nederland," De Leesclub van alles, Nov 7, 2018, <https://deleesclubvanalles.nl/recensie/romeinse-wegen-in-nederland/> (accessed Apr 26, 2021).

¹⁴ "Railroads of the Confederacy," American Battlefield Trust, Railroads of the Confederacy | American Battlefield Trust https://www.battlefields.org/learn/videos/battlefields-civilwar?gclid=Cj0KCQjwp86EBhD7ARIsAFkgakjUSEsOgDa0SdxNbkJHRX6qv1GBCca9F3qS6jdfhvoBZYL-eNq3T5MaAIEMEALw_wcB (accessed Apr 27, 2021).

Europe and China, the oil states in the Middle East might encounter significant competition from Central Asian states.

From the historical perspective, infrastructure initiatives in Asia will likely be exploited by China as military LOCs. Besides the Chinese 25-year deal with Iran, which also includes military presence in the Chabahar harbor, more evidence indicates the investment plan may not be a purely economic project. That China is heavily investing in Iran's Qeshm Island in the Strait of Hormuz indicates China's clear intent to gain more control over the Hormuz choke point.¹⁵ In addition, a confidential plan about China's military projects in Pakistan under the BRI, creates a special economic zone under the BRI's ChinaPakistan Economic Corridor for the production of new generation fighter jets. A Chinese-built seaport and special economic zone in the Pakistani town of Gwadar is rooted in trade, giving China a quicker route to get goods to the Arabian Sea. But it also gives Beijing a strategic card to play against India and the US if tensions worsen.¹⁶ Since Pakistan's debt to China is growing, China's leverage is apparently increasing. As China is not averse to selling advanced weaponry such as ballistic missiles, the deal with Pakistan could be a stepping stone to a larger market for Chinese weapons in the Muslim world.¹⁹ With the collapse of a purported Sino-Russian economic-military division of labor, a growing economic interest in Central Asia as a main corridor in the BRI, and an on-going anti-Uyghur separatist discourse, Central Asia is the likely choice for a Chinese military base. Thus, China simultaneously elevates from being a Russian customer, to a competitor in the arms industry.¹⁷

While the BRI is likely increase 'overseas access' and presence for the PLA, does a greater Chinese force projection destabilize the region similar to the appropriation of international waters in the South China Sea? The international community should counter China's plan in a combined effort to protect free trade on the high seas. Otherwise, it might be necessary to double down efforts in the region to limit China's perceived intentions.¹⁸ The challenge appears to be mounting for both China and the US that military muscle flexing, with increasing military capabilities in the AOR, comes with an escalation of the risk of miscalculation.

Facts and fiction from the BRI, and other regional and international projects must be systematically investigated to determine the impacts to the US and its partners' interests. A US economic offensive in Asia along with Australia, India, and Japan to promote free trade, and the favor of the Asian consumer, may ultimately be the best response to the alleged power shift. Therefore, alternative connectivity plans should be supported in order to balance the Chinese gains. An example could be to create more pipeline and railroad connections from the Gulf

¹⁵ Anthony H. Cordesman, "China and Iran: A Major Chinese Gain in "White Area Warfare" in the Gulf," Centre for Strategic and International Studies, Mar 29, 2021, <https://www.csis.org/analysis/china-and-iran-major-chinese-gain-white-area-warfare-gulf>, (accessed May 17, 2021).

¹⁶ Maria Abi-Habib, "China's 'Belt and Road' Plan in Pakistan Takes a Military Turn," The New York Times, Dec 19, 2018, <https://www.nytimes.com/2018/12/19/world/asia/pakistan-china-belt-road-military.html> (Accessed April 29, 2021). ¹⁹ Maria Abi-Habib, "China's 'Belt and Road' Plan in Pakistan Takes a Military Turn," The New York Times, Dec 19, 2018, <https://www.nytimes.com/2018/12/19/world/asia/pakistan-china-belt-road-military.html> (accessed April 29, 2021).

¹⁷ Yau Tsz Yan, "What Drives Chinese Arms Sales in Central Asia?," The Diplomat, Sep 11, 2019, <https://thediplomat.com/2019/09/whatdrives-chinese-arms-sales-in-central-asia/> (accessed May 6, 2021).

¹⁸ Ely Ratner, "Geostrategic and Military Drivers and Implications of the Belt and Road Initiative," Council on Foreign Relations, Jan 25, 2018, <https://www.cfr.org/report/geostrategic-and-military-drivers-and-implications-belt-and-road-initiative> (accessed Apr 20, 2021).

states to the Red Sea or Mediterranean. This will help security providers to ensure safeguards for SLOCs. In order to balance Chinese gains from the BRI investments, one should not only look to economic efforts. At the same time, the political and human rights situation in China should be reason to rethink trade with China. However, this has not stopped international companies from establishing or investing in China for economic benefits. Western encouragement for China's engagement with Western markets, with the expectation that as China liberalized economically, it would also liberalize politically, appear inaccurate. "Free trade" with China has been anything but free.¹⁹ In this light, European and Indian transport initiatives could serve as good alternatives to better connect (Central) Asian countries with sales markets. At the same time, this could lead to new forms of international cooperation to protect the (Central) Asian countries against an aggressive stance by China.

Conclusion

To understand the global competition, it is necessary to constantly assess the effects of building better connectivity from Europe to Asia. The BRI is not the only infrastructure initiative creating better connectivity between Europe and Asia. Opening up the energy-rich Central Asian states makes new infrastructure projects important for the AOR, Europe, and Asia. Infrastructure projects spanning between Europe and Asia support CENTCOM's mission to create a prosperous AOR. BRI-related transport projects could increase GDP for most BRI and non-BRI countries, and for the world as a whole. The risks of debt traps exist but can be mitigated. The BRI will likely result in increased overseas access and presence for the PLA. New LOCs support the economy and can therefore also shift the balance of power to influence Great Power Competition. The decision to engage in any connectivity enhancement projects is a sovereign multi-faceted decision by states that need to carefully self-assess the risks. These risks are not limited to the financial or economic domain, as it is likely that the military balance of power between countries and regions will also shift with effects in multiple COCOMs' AORs.

Recommendations for the US / USCENTCOM

- Align with and support countries in the ME and CASA region to prevent countries from creating debt dependence towards China.
- Prevent China from appropriating international waters, such as in the South China Sea, by enforcing the legally binding agreement for the South China Sea, and the United Nations Convention on the Law of the Sea of 1982.
- To limit destabilizing effects of greater Chinese force projection capabilities in the ME and Asia, reassess US military presence and permanently monitor the effects of China's influence (Chinese operations, activities, and investments).
- Be prepared to provide (future) partners with a security alternative that could sideline the Chinese.

¹⁹ Henry Olsen, "What's the best way to respond to China's economic and military might?" The Washington Post, Jan 15, 2019, <https://www.washingtonpost.com/opinions/2019/01/15/whats-best-way-respond-chinas-economic-military-might/> (accessed May 3, 2021).