

## Policy brief

### CHINA'S BELT AND ROAD INITIATIVE\*

Security implications and ways forward for the European Union

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#### EXPLORING CHINA'S ASPIRATIONS

The Belt and Road Initiative (BRI) is an open-ended Chinese vision for international infrastructural and industrial development, improved connectivity and cooperation. It sets no a priori limitations on actors, regions, methods or norms, and it seeks to fill an immense terrestrial and maritime infrastructure vacuum. The initiative has no equivalent that rivals its scale, ambition and commitment. The Silk Road Economic Belt (the Belt) component of the BRI covers the terrestrial domain, thus far mostly through Europe and Asia, while the 21st Century Maritime Silk Road (the Road) covers a maritime domain that is rapidly expanding China's maritime strategic space in every direction and far beyond its adjacent waters. These two components function as a synergizing whole and are often interdependent.

The BRI has been driven by a range of factors. In fact, it is a clustering of multiple Chinese security, diplomatic, financial, geopolitical and ideational interests that seek to propel China's more than \$12 trillion economy. In essence, the BRI helps China to mitigate the global security threats to its domestic stability and shape an international environment that is less unpredictable. Like previous and existing powers, China is seeking to reduce the impact of disruptive forces on key supply chains. In this sense, the BRI is not anomalous.

Nonetheless, the BRI is not entirely self-serving and may indeed catalyse regional development and closer cooperation. Consequently, its reception has largely been enthusiastic, mostly among developing states and states with economic woes, but also in advanced economies such as Singapore. Similarly, the global private sector and a number of international organizations, including the United Nations, are optimistic about the initiative. Indeed, just five years after its inception in September-October 2013, the BRI has progressed swiftly and China has committed some \$1.4 trillion to the initiative.

#### SCEPTICISM

That said, there are many sceptics, among which are a number of European Union (EU) member states, particularly in Western Europe, as well as China's geopolitical rivals India, Japan, the United States and Viet Nam. China argues that the initiative is still in its infancy but the sceptics are not convinced. In their view, the BRI is still too unilateral, lacks granularity and is not receptive to criticism. The critique includes the absence of a level playing field for tendering, debt repayment challenges for partner states and China's investment in states where incumbent regimes have a poor track record on democratic governance, human security or development.

Indeed, China's emphasis on state security can exacerbate structural elements of instability in partner states. China claims that local sources of insecurity would exist with or without BRI investment, and that improvements in human security may come at a later stage, linked to investments in critical infrastructure, industrial development

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and cooperation. Nonetheless, the extent to which BRI investments overlap with political and socio-economic realities on the ground in local states remains questionable. Improved infrastructure and connectivity can undoubtedly serve as a catalyst for employment and economic activity, but tapping into developmental potential requires investment in human and institutional capital, effective economic policies in local states and greater input from civil society and non-governmental organizations. This is an inherently domestic process, however, and one that is not necessarily in the hands of China.

### FIVE YEARS IN

Five years in, it is evident that the initiative has been a mixed bag of successes and setbacks. For instance, in Ethiopia Chinese firms have increased the opportunities for local labour by investing in infrastructure and have helped boost the local economy. In Pakistan, the China–Pakistan Economic Corridor (CPEC) has brought massive investment in the state's electricity supply grid, which will power the country's economy. However, states such as Indonesia, Malaysia, Thailand and the Philippines have sought to actively balance economic development with sovereignty and have become much more cautious. These states and others have taken note of the fate of the strategic Hambantota port, which Sri Lanka formally handed over to China on a 99-year lease in 2017, following its inability to repay its debts to Chinese firms. In Europe, the Belt, the 16+1 endeavours in Central and Eastern Europe (CEE) and investments in Southern Europe have not turned out to be gamechangers. These investments have also created resentment in the EU and a number of European states, as they are perceived as attempts to inhibit EU integration.

Certainly, sceptics are also concerned about the political and economic leverage that China might gain through the BRI and how this could affect their own interests. Such concerns are not unfounded and apply to both the Belt and the Road. However, the security implications of the Belt and the Road to date, and those foreseen in the medium to long term, differ geographically and thus must be distinguished.

### REGIONAL DISTINCTIONS

The Belt has different security implications for each region. The most strategic regions traversed by the Belt are Central and South Asia. In landlocked and disjointed Central Asia, Belt financial incentives could produce greater political will among states to address underlying regional security threats. The Belt has been well received in Central Asia as a welcome means of boosting economic growth. Russia also welcomes Belt investment in the region as it assumes that the Belt could indirectly assist with the prevention of 'colour revolutions' and terrorism. However, in both Central Asia and South Asia, and specifically in Pakistan through which the CPEC runs, the Belt could exacerbate existing governance problems linked to the capture of economic benefits and accountability. That said, it could also stimulate a development-oriented mindset among political and business elites. How such dynamics unfold remains to be seen, the Belt has certainly intensified geopolitical competition for influence in South Asia between China and India.

In fact, the Road, in spearheading China's maritime renaissance, contributes to this too—and at a scale that includes much of the Indian Ocean Region (IOR). The IOR, like the South China Sea (SCS), is pivotal to China's security interests as all its seaborne trade with Europe, the Middle East and Africa runs through it. Without better logistical access to and security capacity in the IOR, China will not be able to effectively improve its trade, food and energy security, or diversify and secure its sea

lines of communication (SLOC). The issue is, however, that this aspiration increases the security complexity of the SCS, and even more so of the IOR. Massive amounts of global trade traverse these waters. Thus these maritime security spaces are more contested by regional and extra-regional players than the Belt's most strategic regions. The implications of the Road are geographically distant to the EU but still highly relevant to its economic and security interests.

In the SCS, the Road has at times rekindled the concerns of some regional states about China's growing footprint and how this might affect the maritime disputes they have with China and with each other. The region faces an arms build-up, even if Association of South East Asian Nations (ASEAN) member states favour good ties with China. The Road could stimulate common maritime economic development and a shelving or some degree of temporary resolution of SCS territorial disputes. However, over time this scenario could increase China's leverage in maritime dispute negotiations and consequently affect freedom of navigation in the SCS, including for EU member states.

In the IOR, the Road, alongside the Belt, seeks to create better connectivity with the Eurasian hinterland and western China. This could alter the nature of the IOR into a more interconnected global commons, which would provide a host of new economic opportunities through, for example, the opening up of landlocked Central Asia. While this expansion of the IOR should be a positive trend, it would also precipitate greater rivalry between China and a gradually resurgent quadrilateral consisting of the USA, India, Japan and Australia (the 'Quad'). The Quad is anxious about China taking on a stronger security role in all these terrestrial and maritime security spaces, as is already happening in Djibouti, the Maldives and Myanmar, and by becoming a resident military power in the IOR. Security policy changes by the USA and Japan, which are in line with the emerging Indo-Pacific concept, should be seen as a clear response to this situation.

First and foremost, the Road's expanding footprint in the IOR raises questions about the effect on the role of the USA as the primary security provider there. Will it produce a sustainable US-Indian-Chinese security condominium, or some form of alternative that includes the EU or some of its individual member states? As the story unfolds, the IOR is likely to witness an increase in geostrategic overtures and military posturing for quite some time to come.

## **OVERLAP WITH THE EUROPEAN UNION'S INTERESTS**

Regardless of these negative implications, some of the BRI's stated objectives overlap with the objectives of the EU Global Strategy to promote stability, connectivity and state-society resilience. The BRI also touches on the European Maritime Security Strategy on sustainable blue, or maritime-based, economic growth and the EU's maritime security interests more broadly. The BRI will remain a red thread in China's foreign policy for many years to come. This may lay some of the groundwork for greater EU-China cooperation on select, mostly soft, security matters in both the Belt and the Road context, although more dialogue, trust and creative thinking will be needed on both sides. It is certain that to safeguard BRI investments, China will need to become more engaged in global stabilization efforts. This would be a welcome endeavour but China will do so on its own terms. Such cross-pollination may not always be in line with EU norms and values as they relate to governance models, development approaches, business standards and human security.

Hence, on balance, the security implications of the BRI for the EU are a combination of latent positives and probable negatives. Taking this into consideration: how should the EU consider responding to the BRI?

### RECOMMENDATIONS TO THE EUROPEAN UNION

1. First, the EU is advised to delineate a more articulate vision for a stable and secure Eurasia. Such a concept could then act as the baseline for all EU endeavours with regard to, and also an assessment of, connectivity and cooperation proposals such as the BRI, which all have significant security implications. Without such a vision, there is a serious risk that EU foreign and security policy interests will be outflanked by the impact of Chinese foreign policy, and that future responses will be too slow. The vision would need to incorporate what the EU foresees as its own strategic role in Eurasia, its views on the Eurasian security architecture, maritime security in the SCS and specifically in the IOR, and its vision for governance vis-à-vis other important stakeholders. The latter would need to include not only the USA and China, but also ASEAN, India and Russia, mid-level powers and smaller actors.

2. Overall, there needs to be greater integration of development as a core tenet of security, inclusion and stability within the EU's regional engagement with states along BRI routes, including within its own boundaries. While this need not obviate its pursuit of democratic and human rights ideals, a failure to take better account of local demands and the need for growth will leave the EU marginalized as China expands its engagement along the BRI.

3. Greater development and security cooperation with China will take place only gradually given current political and geo-economic realities, but the BRI still represents a possible opportunity for the EU to work towards closer development and security cooperation in Eurasia. Pre-empting negative competition with China, the EU could utilize the BRI to gradually hone strategic ties with China, and possibly nurture a greater understanding of mutual security interests. For this to happen, however, China would have to multilateralize the initiative.

4. The EU should consider a two-pronged region- and country-specific approach in response to the BRI. In such an approach, the EU could focus on maximizing the latent positives and mitigating the probable negative implications of the initiative as presented in this brief. One way to do this would be to provide more technical, development and security policy assistance to BRI participating states. This would allow them to better utilize and align funding for the purpose of sustainable national economic development, and the provision of human security, as well as local states' own commitments to the UN Sustainable Development Goals. Many states lack the institutional and human capital to pursue such agendas effectively, and the EU's competitive advantages could be translated into much needed expertise.

5. The SCS and the IOR are interconnected maritime domains and have a strong shared impact on the EU's intertwined economic and security interests. The EU is advised to pay closer attention to maritime security and connectivity developments in these waters as a result of Road developments and the corresponding responses by the Quad. Rather than taking sides, the EU is advised to support a peaceful transition to new regional security arrangements that include its own members, while strategically using the interplay and merger of the IOR's maritime and terrestrial security spaces to its economic, diplomatic and security advantage. As a first step, the EU is advised to set up a dialogue mechanism with China, the Quad and ASEAN.

6. Some EU security interests could be met indirectly through economic avenues. For example, EU companies and member states would benefit from the building of coalitions, in an enhanced version of the 'cluster internationalization' construct, to enhance economies of scale and bid for local tenders along the BRI.

## Key findings

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- The two components of China's Belt and Road Initiative (BRI)—the Silk Road Economic Belt and the 21st Century Maritime Silk Road—should be seen as mutually synergizing components. Their security implications, therefore, share certain commonalities. Nonetheless, in responding to the two components, the European Union (EU) should note that implications cannot be generalized across regions. For instance, in Central Asia there may be increased intraregional cooperation, whereas in South Asia they are likely to help sustain the India–Pakistan rift.
- The BRI serves China's core interests, but it is not entirely acquisitive. It touches on a number of EU foreign and security priorities. These priorities include the global governance of terrestrial and maritime domains, the need for greater connectivity and enhancing state-societal resilience. The BRI could gradually stimulate a development-oriented mindset in states along its routes. On the other hand, it might further entrench inept government apparatuses in participating states.
- In its current incarnation, the BRI's security implications for the EU are a blend of latent positives and probable negatives. The most notable positive implications are new economic opportunities and a greater Chinese commitment to global development and stabilization efforts. The notable negative implications are (a) the fostering of governance models and values in some BRI partner states that are not akin to those of the EU and (b) an increase in tensions, possibly in the South China Sea and very likely in the Indian Ocean Region, which could in turn affect freedom of navigation.
- The maritime security spaces affected by the 21st Century Maritime Silk Road are more contested by regional and extra-regional players than the Silk Road Economic Belt's most strategic terrestrial regions. Massive amounts of global trade traverse the waters of the former. In part, the security implications of the BRI are linked to (a) long-standing, unresolved terrestrial and maritime disputes in Asia; (b) the multistakeholder nature of the seas; and (c) some of the practicalities of the BRI, rather than the initiative's stated objectives. Some implications, such as the 16+1 construct, are the product of China's inattentiveness to the EU's concerns and China's insufficient receptiveness to constructive reflection.
- The EU is advised to monitor BRI activities in Europe more attentively. The greater interaction of complex terrestrial and maritime security spaces means the EU will need to engage more closely with China and BRI stakeholders to ensure that EU interests in the South China Sea and Indian Ocean Region are not jeopardized. Cooperation will require greater dialogue, more trust and creative thinking.

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