

Beyond the Myths – Towards a Realistic Assessment of China's Belt and Road Initiative: The Security Dimension

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Cover

A member of the Pakistani Navy stands guard beside a ship carrying containers during the opening of a trade project in Gwadar port, some 700 km west of Karachi, 13 November 2016 (Aamir Qureshi/AFP via Getty)

Introduction

This report is the second of two that synthesise the findings of research undertaken by The International Institute for Strategic Studies as part of its multi-year project on China's Belt and Road Initiative (BRI). The IISS commissioned ten papers that addressed both the financial and the security elements of the BRI, prepared by leading scholars and policy practitioners. The first report focused on development-finance issues in the BRI, while this report focuses on how the BRI is affecting the security environments in recipient countries in Central Asia, the Middle East, Southeast Asia and Africa.

Since it was announced by President Xi Jinping more than six years ago, China's Belt and Road Initiative has become the centrepiece of Xi's ambitious drive to make China a leading global actor and to leave behind the more cautious approach laid out by then-paramount-leader Deng Xiaoping more than 30 years earlier. The BRI has also been at the centre of Xi's efforts to further consolidate his power domestically by casting himself as *the* leader that China needs for this exceptional moment in its history.

Encompassing some 125 countries, the BRI aspires to improve the economic prospects and political stability for more than two-thirds of the world's population.¹ The geographical scope of China's BRI is critically important to the future of the world. In a circle of roughly 6.4 thousand kilometres' diameter around Shanghai lives 50% of the world's population. Under almost any scenario, Asia will generate a large majority of the next 40 years' GDP growth.² It will also be the focal point of the geopolitical interactions and rivalry between the world's incumbent great power, the United States, and the world's rising great power, China.

Initially, the BRI found an enthusiastic audience among its prospective recipient countries: firstly, owing to the enormous infrastructure needs of the BRI geographies; and secondly, due to Xi's casting of the BRI in a multilateral narrative that emphasised China's contribution to expanding the purview of globalisation

and, in particular, the creation of key infrastructure to promote connectivity between Asia and the Middle East and Europe. The low-income and developing economies in the BRI geographies – which stretch from Southeast Asia to South and Central Asia; to the Middle East and Africa; and to Eastern and Central Europe – welcomed China's focus on hard infrastructure given the turn away from such projects by the multilateral development banks and Western state and non-state donors. Furthermore, BRI projects did not come with sensitive conditions around governance and policy as is the case with Western donors.

But the honeymoon period for the BRI is now over. China's approach to the initiative has changed considerably in the seven years of its existence. As Xi's agenda became increasingly nationalistic, so did the BRI. While the BRI is still cast in terms of expanding the scale and scope of globalisation, it is now much more of a China-centric version of that aspiration, especially in Southeast, Central and West Asia. This has generated growing concerns along populist and nationalist lines within several BRI countries: that the terms of their deals provide too many benefits to China while recipients bear the brunt of the risks. Several countries pushed back against the terms of BRI projects, while more broadly issues were being raised about debt sustainability; the role of Chinese entities and personnel in BRI projects; and perceived infractions on sovereignty.

The myths about the BRI

Two competing myths have framed the perceptions around the BRI. China tends to portray the BRI with a triumphant tone. Extolled by Xi as the 'project of the century', the BRI marks both the culmination of China's achievements and the beginning of a more proactive approach to global affairs.³ In the official Chinese narrative, the BRI is envisioned as a purely economic project for enhanced connectivity and an extensive web of future trade routes.⁴ Chinese officials are eager to emphasise the 'win-win' philosophy as the

foundational pillar in the BRI's conception.⁵ In doing so, China intends to present its strategic arrival to the global stage as non-threatening and an opportunity for the developing world.

Beijing also positions the BRI as a stark contrast to the United States' current 'America First' posture. While the Chinese leadership has labelled the initiative as an integral part of China's 'national rejuvenation', providing domestic legitimacy to the Xi administration, internationally China promotes the BRI as the antithesis of populist-driven politics; as its abjuration of zero-sum competition; and, in Xi's own words, as an initiative that 'delivered benefits well beyond [China's] borders'.⁶

At the core of the BRI's strategy to promote accelerated economic development is an effort to replicate the role that infrastructure investment played in Chinese development in recent decades. Chinese leaders subscribe to a 'virtuous cycle' view of infrastructure investment: the notion that progress made in infrastructure generates positive multiplier effects on economic growth and social stability. In this view, China's enormous investments in roads, bridges, railways, telecommunications and, more broadly, urbanisation were decisive in the country's economic success in recent decades, enabling higher productivity and the ability to provide basic social services. The BRI is an effort to globalise this strategy.

China's view of the infrastructure-investment virtuous cycle involves three steps, which it sees as progressing relatively seamlessly. In step one, investment in the development of physical infrastructures such as roads and railways allows for more efficient resource mobilisation and expanded linkages with broader markets. In step two, infrastructure growth expands the capacity of the local economy, generating higher rates of economic growth and drawing in further investment. In step three, this results in poverty reduction, job creation and generally improved living conditions, which collectively translates into greater domestic social and political stability as well as a conducive atmosphere for more stable regional relations.

In addition to its emphasis on the BRI generating virtuous economic and political cycles, China also claims that – unlike earlier great-power efforts at overseas infrastructure development – the BRI does not strive

for geopolitical gains beyond the reputational benefits of setting out a very substantial marker on the world stage. In particular, China's official rhetoric goes out of its way to contrast the BRI with the Marshall Plan of the late 1940s and early 1950s, which it describes as having 'imperialist' goals.⁷

Against China's narrative, Western critics – generally those who are already suspicious of China's newly assertive foreign-policy direction – see the BRI's overseas infrastructure push as a manifestation of Beijing's ever-expanding global ambitions under the Xi administration. Many have branded the BRI as a scheme that would enable China to gain strategic assets through 'debt-trap diplomacy', a phrase coined by the Indian scholar Brahma Chellaney.⁸ Through purposefully extending loans to debt-ridden states, Beijing would convert economic and financial dominance into political leverage, forcing vulnerable partners to hand over strategically valuable concessions. The transfer to Chinese control of the Hambantota port, after the Sri Lankan government was overburdened by Chinese debts, has been considered by BRI critics as a cautionary tale.

More broadly, for the US and some of its key allies, the BRI also embodies China's desire to alter the geopolitical status quo in strategically important regions. The potential for China to turn dual-use strategic ports – primarily the facilities at Hambantota, Gwadar (Pakistan) and Kyaukpyu (Myanmar) – into military assets is seen as leading to an expansion of Chinese military capacity in the Indian Ocean and the South China Sea.⁹ Seven years into the BRI's development, China's critics believe that, under the guise of a win-win framework and infrastructure connectivity, China seeks to establish its own economic and strategic spheres of influence that will undermine the Asian regional system built and maintained by the US since the Second World War. Echoing this view, US Vice President Mike Pence characterised the BRI as a 'constricting belt or a one-way road'.¹⁰ More recently, there has also been an increasing focus in Washington on the vulnerabilities that both countries and companies would face should China be able to turn its Digital Silk Road (DSR) activities into a dominating influence over the information and communications technology (ICT) sectors in recipient nations.¹¹

With pressures building on Beijing, there have been signs in the past two years that China is rethinking its approach to the BRI.¹² At the Second Belt and Road Forum for International Cooperation in Beijing in April 2019, Xi himself dropped much of the triumphalist rhetoric that had marked the first summit in 2017. Xi's remarks at the second summit emphasised greater flexibility, an increased focus on financial sustainability and the need to create more balance between China and recipient countries. Since the summit, there appears to be less coverage of the BRI in China's domestic media, and there is evidence of a less 'freewheeling' approach to project design and financing. At the same time, however, Beijing has stepped up its efforts to play a larger role on the regional commercial stage, with the signing of a preliminary agreement on the Regional Comprehensive Economic Partnership that brings together the Association for Southeast Asian Nations (ASEAN) states and Australia, China, Japan, New Zealand and South Korea.

This report explores key issues in the security dimension of the BRI. It covers a broad range of themes including:

- challenges involved in operating in environments marked by political contestation, a lack of governance and uncertain linkages between local populations and national regimes;

- the actual and potential challenges from Islamic extremism and terrorism, especially in the context of China's repressive actions against Muslim communities in Xinjiang and elsewhere in western China;
- maritime-security issues, particularly those linked to energy in the South China Sea and in Southeast Asia;
- the increasing importance of digital and cyber-security issues, and how these are shaping the BRI through the DSR;
- and Pakistan as a case study for security issues in the BRI.

China has also decided to utilise the global distress around the coronavirus pandemic – and especially the failure of the United States to contain the outbreak of the virus within its borders – to adopt a more assertive posture in the international arena. It appears that COVID-19 (the novel virus at the root of the pandemic, seemingly first emerging in 2019) is putting something of a brake on new BRI funding, and it has led to a slow-down in project implementation in many BRI countries. But there is yet very little information linking COVID-19 to security issues for China in BRI-recipient countries. For that reason, the report does not attempt to cover the impact of the pandemic.

1. Governance, Grievance and Security Along the New Silk Road

As China's Belt and Road weaves through Central Asia, Southeast Asia, the Middle East, Africa and beyond, it is impacting in several different ways the security environments of the countries in which it is investing. As discussed above, China's leadership sees broad benefits arising from infrastructure investment, reflecting its own experience of infrastructure-intensive development over the past three decades. But China's big infrastructure push came after 40 years of communist rule, and the relatively successful restoration of popular confidence through market reforms and the establishment of more stable governance following the chaos and intimidation of the Cultural Revolution of the late 1960s and 1970s. Even in contemporary China, the relative roles of market reforms, the creation of a stable development-focused state and the infrastructure push remain hotly debated with regards to explaining China's success in pulling hundreds of millions of people out of poverty.

Very few, if any, of the BRI countries bear a close resemblance to the China of 30 years ago. In particular, few have well-functioning developmental states with the political and technocratic capabilities to ensure that BRI projects are appropriately designed and successfully managed to generate the 'win-win' outcomes that China's leaders tout. In some of the BRI countries, projects have been associated with land displacement, corruption and disruption of local economies. Unlike China, these countries are not effective regimes, whether authoritarian or democratic. Rather, due to weak public-service infrastructures and rampant corruption, many of these countries are vulnerable to instability, extremist groups and crime and narcotics trafficking.¹³

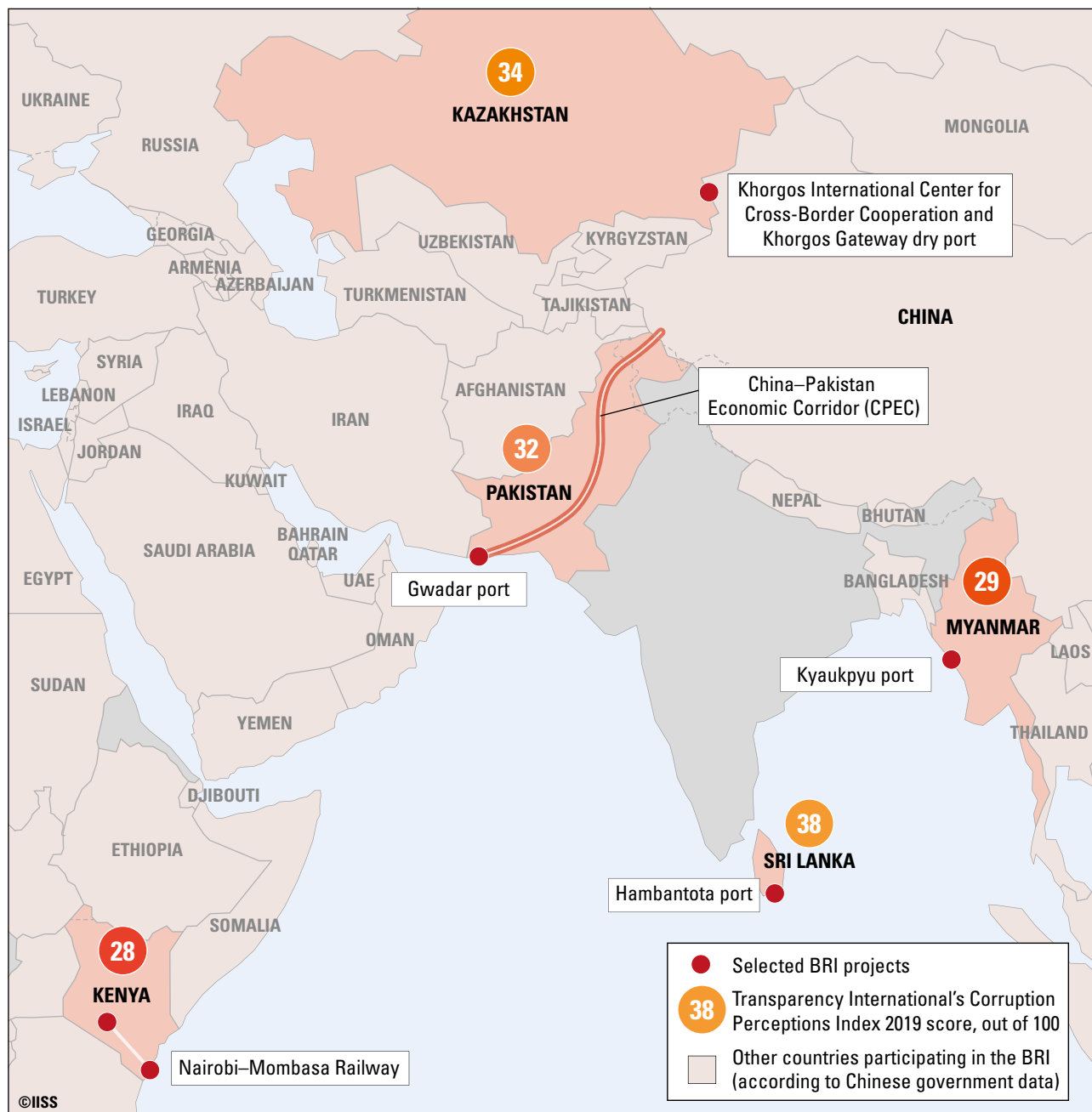
In this regard, Myanmar provides an enlightening case of the challenges that the BRI faces. China's close ties with Myanmar have survived the transition to civilian rule. In recent years, with the regime's growing international isolation over its treatment of the Rohingya population, China has become an even more critical partner. The two countries share a 2,129 km land

border that is the site of perennial armed conflicts among different ethnic groups. China maintains relations with several armed groups in northern Myanmar and has occasionally intervened to pressure reluctant militants to engage in Myanmar's peace process.¹⁴ In doing so, Beijing has flouted its principle of non-interference to keep its borders stable.¹⁵ In the current circumstance, Myanmar cannot avoid accepting China's growing presence in both the economic and security domains. It remains to be seen if China will exert more influence in Rakhine State, where BRI projects – especially the port in Kyaukpyu – are exposed to local extremism, though mostly directed against the Rohingya minority. While Beijing prefers to stay on as the dominant external player in Myanmar, it is vulnerable to the shifting politics of fighting ethnic militias and the resulting security risks posed to its infrastructural projects.

Beyond changing local politics, corruption is a major challenge to the BRI, and past behaviour hardly works in China's favour. Among the 1,291 companies currently sanctioned by the World Bank for fraud and other illegal practices, 18% are Chinese – the largest percentage attributed to an individual country.¹⁶ At the same time, a lack of accountability in how BRI investments are handled, amplified by the opacity of Chinese overseas-investing procedures, provides extra incentive for officials in recipient countries to abuse funds for personal gain. In these situations, local BRI projects may feed into corrupt institutions – subsequently marking themselves as a target for discontent.

The lack of cultural sensitivity or, in the worst cases, outright racism among Chinese state-owned enterprises (SOEs), workers and stakeholders in overseas contexts is another hurdle. One high-profile example resulted from the 2018 Spring Festival Gala broadcast featuring a 13-minute comedy sketch with a Chinese performer playing the role of a Kenyan mother, in blackface and prosthetics, expressing gratitude to China's Belt and Road investments in Kenya's Mombasa–Nairobi Railway.¹⁷ Friction between Kenyan locals and Chinese

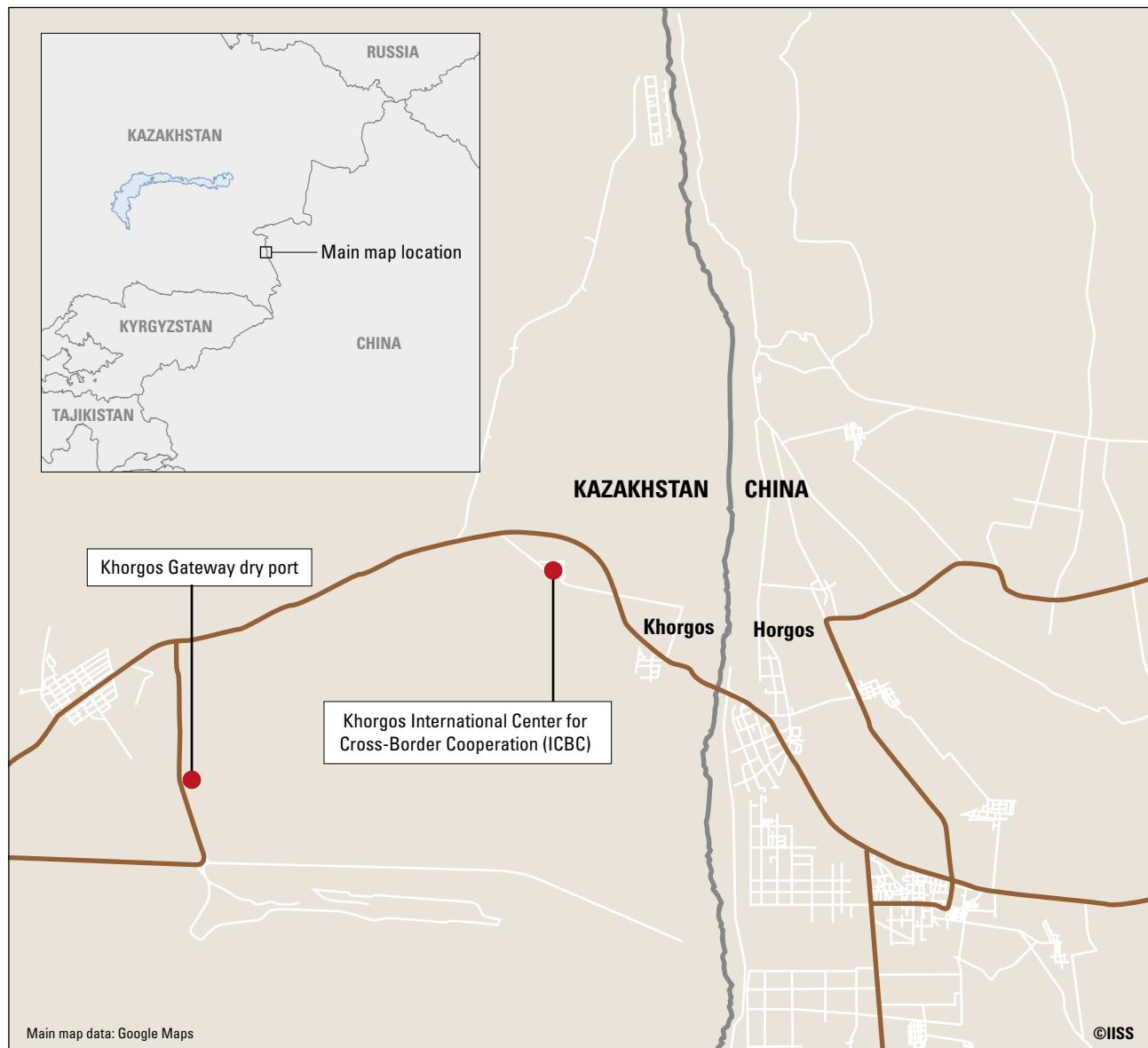
Map 1.1: **Selected BRI projects in areas struggling with corruption**



BRI personnel has grown since China has become more involved in Kenya's transportation infrastructure, with tensions rising following the spread of a controversial video of a Chinese manager comparing his Kenyan employees to monkeys.¹⁸ In the same year, a Kenyan newspaper highlighted countless instances of racial abuse and segregation on the Mombasa–Nairobi Railway project. Kenyan operators have reportedly only driven the brand-new train during its grand opening. The employees of the railway have also been prevented from complaining on social media via a controversial gagging rule, leaving few outlets for frustrated locals.¹⁹

China, so far, has faced little direct backlash from African leaders, who view China's willingness to invest in big infrastructure projects as positive, especially in comparison with traditional Western donors. Kenya's President Uhuru Kenyatta is one of the few African leaders to have expressed public criticism towards the BRI. But similar to Malaysia's then-prime minister, Mahathir Mohamad, Kenyatta balances criticism with a continued desire to participate in Chinese-funded projects. A number of high-profile African leaders, including Kenyatta, participated in the Second Belt and Road Forum in Beijing in 2019.²⁰

Map 1.2: Location of Khorgos along the Kazakhstan–China border



Similar issues have come to the fore in Kazakhstan, a key bridge for the BRI in Central Asia. China has been successful in expanding Kazakhstan's transportation and trade infrastructure, via the Khorgos Gateway dry port and free-trade zone.²¹ But the free-trade zone has been viewed as being unfriendly to observant Kazakh Muslims given its strict rules against perceived Islamic dress and features, such as beards.²² Within Khorgos, infrequent border checks and weak security screenings have allowed crime and corruption to continue.²³ One extreme example took place in 2016, when Kazakh authorities detained the head of the Khorgos facility for accepting a US\$1 million bribe to construct a five-star hotel within the free-trade zone.²⁴ Smuggling is rife, which has limited the

revenues that the Kazakh government had expected to receive through the expansion of trade generated by Khorgos.²⁵

The detention of ethnic Kazakhs living in Xinjiang is also putting strain on the current relationship between China and Kazakhstan.²⁶ One high-profile case from 2018 of an ethnically Kazakh family that had fled China gained both international and domestic traction, as it brought to the fore the suffering many Kazakhs were enduring in Xinjiang.²⁷ While the Kazakh government remains committed to the BRI, the potential response to growing Chinese influence by Kazakh society through protest or boycotts could complicate this stance. Most recently, anti-Chinese protests were reported in both Almaty and Nur-Sultan in September 2019, further

Figure 1.1: **Representing the Chinese character for friendship, two large towers at the entrance of the Khorgos International Center for Cross-Border Cooperation serve as a symbol for the neighbourly relations between Kazakhstan and China**



highlighting the tenuous nature of the relationship between the two BRI partners.²⁸

Of course, Beijing's interactions with BRI recipient countries do not occur in a vacuum. China has long clung to its claim of non-interference in the internal affairs of other states, expecting the same treatment in return. The reality, however, is that the BRI has begun to root Chinese people and businesses in new environments of authority and privilege abroad. This can affect local dynamics, potentially heightening domestic frictions

or exacerbating pre-existing political tensions. If China is not careful about how its actions influence key local dynamics, it may find its Chinese and foreign workers becoming targets of worsening resentment, protests or violence. While the BRI's 'no-strings-attached' approach has afforded China considerable popularity among governments that are not supported by Western creditors, it has simultaneously exposed China to significant risks that come with working in countries ruled by unstable, corrupt or oppressive regimes.

2. Exposing the Belt and Road to Islamic Extremism and Terrorism

For most of the period since the establishment of the People's Republic of China (PRC) in 1949, foreign terrorism and Islamic extremism have not loomed large as policy challenges for Beijing. Internationally, China has been willing to develop ties with a wide variety of countries including some that have aggravated the threat of terrorism, including both Saudi Arabia and Iran. The Saudis' active proselytism has spread an intolerant and militant interpretation of Sunni Islam advantageous to jihadist recruiters.²⁹ Iran, through its support for Lebanese Hizbullah and other Shia militias, has created a global network for Shia extremism. Within China, Beijing's counter-terrorism efforts have focused on forms of religious practice and social activism that are viewed as being in conflict with the authority of the Chinese Communist Party (CCP).

However, in recent years, President Xi has subjected China's Muslim minorities to an increasingly oppressive policy of forced Sinicisation amid his broader efforts to consolidate power and unify the Chinese nation.³⁰ While BRI recipient countries with large Muslim populations have not condemned Beijing's actions in Xinjiang and elsewhere, Beijing's interests within those countries have become increasingly vulnerable to jihadists. China's growing involvement with countries that struggle with instability and extremism, compounded with its open discrimination against Muslims internally, may inadvertently cause BRI projects to become the targets of terrorism.

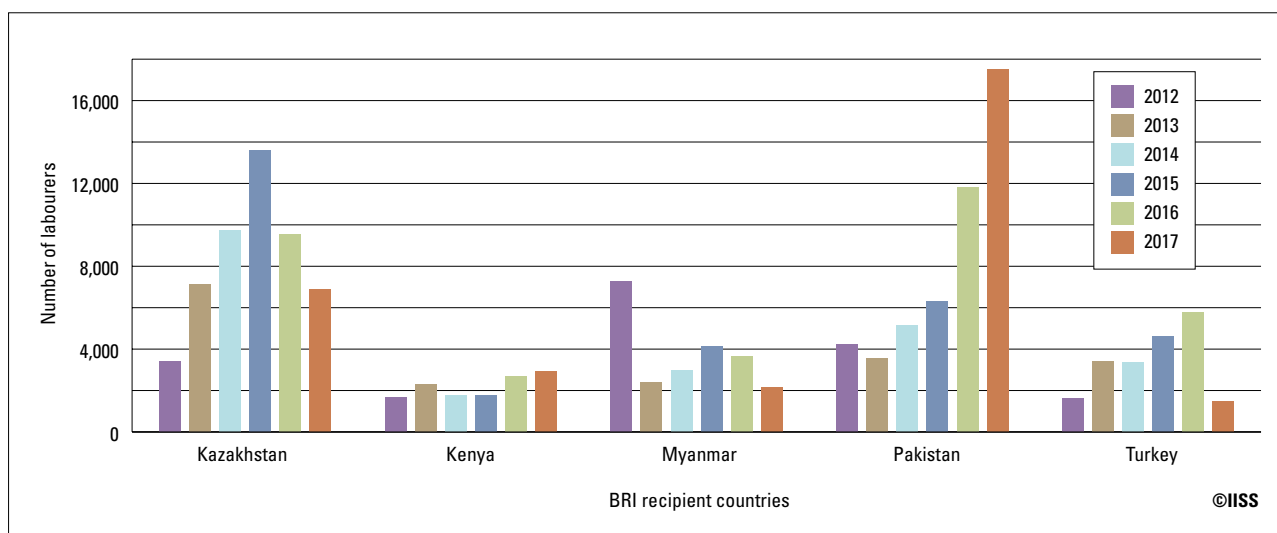
China has faced low-level violence from a few terrorist groups, though most of the terrorist incidents Beijing has experienced have involved radicalised individuals rather than organisations. Xinjiang has suffered from more instances of domestic terror than other provinces, especially in the aftermath of the 2009 riots in Urumqi, in which at least 140 people died and hundreds more were injured.³¹ Multiple instances of stabbings and suicide bombings by Uighur extremists took place in subsequent years, although the Chinese authorities have not provided the transparent information needed for assessing the scale of these attacks. In September 2016, a local

police chief and several officers were injured when they conducted a home raid in Hotan, Xinjiang. A few months later, four terrorists set off explosives at a government building in Xinjiang, killing one local and injuring three others.³² In February 2017, three reportedly Uighur attackers detonated a bomb that killed five residents outside a government compound in Pishan county, Xinjiang.³³ Despite this trend, Beijing reported that no further acts of terrorism had occurred within Xinjiang in 2018 owing to the implementation of its new counter-extremism policies, including detainment, surveillance and re-education efforts throughout the province.³⁴

Among terrorist organisations, the East Turkestan Islamic Movement (ETIM), which is classified by the US as a terrorist group, has received most of Beijing's attention. Founded by Hasan Mahsum, a Uighur from Xinjiang, the ETIM seeks to create 'East Turkestan', which would be inclusive of territories from Afghanistan, Kazakhstan, Kyrgyzstan, Pakistan, Turkey, Uzbekistan and, of course, Xinjiang.³⁵ China believes that the Turkey-based and Uighur-led East Turkistan Education and Solidarity Association (ETESA) works closely with ETIM, though ETESA itself denies the connection.³⁶ Turkey's government has refrained from cracking down on ETESA activities.³⁷

China's vulnerability to terror continues to grow as it extends its presence beyond its borders through the BRI. In August 2016, suicide bombers drove a car into the Chinese Embassy in Kyrgyzstan, injuring three local staff.³⁸ In June 2017, two kidnapped Chinese nationals were executed by the Islamic State in southwestern Pakistan.³⁹ Throughout 2018, the Baloch Liberation Army (BLA) claimed responsibility for a series of attacks in Balochistan province, which targeted both Chinese and non-Chinese involved in BRI activities.⁴⁰ The region is a critical zone for China's investments into the China-Pakistan Economic Corridor (CPEC), the flagship project along the BRI's western front. In May 2019, Baloch separatists attacked the Pearl Continental Hotel in Gwadar, a luxury hotel popular among

Map 2.1: **Number of dispatched Chinese labourers for contracted projects in select BRI countries**



Source: National Bureau of Statistics of China, China Statistical Yearbook 2013–18

Chinese workers, in what they claimed was a response to Chinese construction in the area.⁴¹ The attack killed five people and wounded several others, though no Chinese nationals were harmed.

Beijing's efforts to 'Sinicise' Islam

In recent years, Beijing has shifted its approach to its Muslim population and moved toward a more aggressive effort to counter cultural practices connecting Chinese nationals to the broader Islamic community. Stifling the freedoms of its domestic Muslim minorities, while drawing the condemnation of Western nations, provides Beijing with the ability to counter social and political problems that it believes threaten the authority of the state and the party.

Assimilating the entire Chinese nation has become a top priority for President Xi. While the Communist Party has long been intolerant of identities that come into conflict with allegiance to the state and party, in recent years Xi has placed increasing emphasis on the government's need to unify the country under one banner of the 'rejuvenated' Chinese nation. China's physical, cultural and ideological unification is a key element in 'Xi Jinping Thought', with an explicit call to promote the unification of the ancestral homeland.⁴² Embedded within this principle is the idea that not only do geographic areas like Hong Kong and Taiwan need to be reunified with China proper, so too do ethnic and religious minorities need to be more thoroughly enveloped

in the national identity, in order to prevent any challenges to the regime's legitimacy and authority. These efforts have contributed to increasing fervour among those populations seeking to retain some autonomous identity – be they in Xinjiang, Hong Kong or Taiwan. The sweeping victories by anti-Beijing forces in both the Hong Kong and Taiwanese elections in 2019 provide a glimpse into the challenges that Xi's efforts to re-establish a unified nation face outside the areas directly controlled by Beijing.⁴³

In early 2019, Beijing unveiled a comprehensive set of plans for the Sinicisation of religion at every level of society. These amount to a sprawling effort to bring all religions closer to the party. One initiative requires all mosques to integrate within their operations the Chinese national flag and anthem; China's state constitution, regulations and laws; the core values of Socialism; and the traditional culture of the Chinese nation.⁴⁴

The policy of religious Sinicisation is in full swing – now spreading from the border provinces of the Buddhists in Tibet and the Uighurs in Xinjiang to the ten-million-strong Muslim Hui community, who have historically been well integrated into mainstream Han Chinese society and lack many of the linguistic and cultural distinctions that the Uighurs possess. China's anti-Islam policies show little sign of slowing down.⁴⁵ Beijing believes that the benefits of an ideologically homogeneous society are considerable and lower the risks of challenges to its rule. However, taking drastic actions to

create this environment is drawing negative attention internationally that could prove detrimental to Beijing's larger ambitions for the BRI.

So far, Beijing's domestic treatment of Muslims has gained only limited attention in most Muslim-majority nations, the governments of which generally wish to keep it that way. But the potential for backlash against Beijing remains substantial, given that the BRI's strategically critical western route runs through countries in Central Asia and the Middle East that are fertile recruiting grounds for the Islamic State (also known as ISIS or ISIL), al-Qaeda and other terrorist organisations. Engaging through the BRI with more religiously diverse countries that are threatened by extremism and terrorism may force China to become entangled in security contexts wrought with uncertainty, instability and violence.

Abu Zar al-Burmi, an influential figure in the jihadist movement among Uighur militants, has openly called for attacking Chinese embassies, companies and nationals and has declared China a chief target in the global jihadist campaign. Increasingly, anti-China themes have been featured in ISIS's recruiting propaganda, which portrays China as an oppressor of Muslims. To this end, ISIS has produced content using Mandarin Chinese, targeting Uighur and other Chinese Muslim audiences. As China expands its global presence, its overseas assets have turned out to be high-value targets for jihadist militants. The budding danger to the BRI lies in the actions of local extremists who could see BRI-funded projects as a relatively easy-access target.⁴⁶

The case of Turkey reveals how sensitivities over Beijing's handling of its internal affairs regarding Muslims can impact the development of the BRI, and why the governments of Muslim-majority countries remain so quiet. In July 2019, Turkey became the most recent Muslim-majority nation to cease attacking China's policies in Xinjiang, even though Turkish President Recep Tayyip Erdogan had been one of the most vocal high-profile critics of the Sinicisation agenda. Erdogan previously described the ethnic violence toward the Uighurs, who share linguistic and ethnic Turkic roots, as a 'genocide'. In 2015, Erdogan offered shelter to Uighur refugees, and in February 2019 the Turkish foreign ministry condemned China's internment camps in Xinjiang.⁴⁷ But, as with many other

Muslim-majority nations, Turkey looked at the potential benefits from BRI investments and shifted to passivity on the Uighur issue.

Recently, Erdogan praised the BRI and expressed an interest in improving Turkish–Chinese relations despite the 'abuse' of those seeking to damage the relationship with the Xinjiang crisis. But the domestic politics of Erdogan's shift are complicated. It occurred in the context of a weakening relationship with the US and Europe and a downturn in his own political fortunes. A mistranslation of an ambivalent Erdogan statement on the status of people in Xinjiang drew a torrent of anger from the Turkish public, suggesting continued popular sympathy for the Uighurs, many of whom have sought refuge in Turkey.⁴⁸ While Erdogan no doubt sees his relationship with Xi as a balancing factor in the face of criticism from the West, the politics of the BRI in Turkey will remain challenging. The possibility for Erdogan to shift again on the Xinjiang issue cannot be discounted, given his penchant for shifting positions and the potential for his opponents to politicise the issue for electoral gain. A bigger vulnerability for Beijing is the possibility of a post-Erdogan government in the next few years that could view a tougher stance on China as a way to differentiate itself from the old regime.

Meanwhile, Uighur refugees and migrants in Turkey remain largely stateless, jobless and vulnerable to radicalisation. Jihadist recruiters often seek individuals who feel both disenfranchised and excluded and have nowhere else to turn to meet basic needs. With their Chinese passports revoked and without means to file for work permits or legal residency, Uighurs in Turkey fit into this category. Ankara has granted some residence permits to Uighurs but not a clear path to citizenship.⁴⁹

Given the importance of Central Asia – which is marked by vast expanses of ungoverned space – to the BRI, Islamic extremism and terrorism were inevitably going to present a challenge to Beijing. However, in pursuing its own aggressive counter-terrorism strategies domestically, China could end up exacerbating this challenge as the treatment of Muslims across China serves as fodder for jihadist recruiters and other extremist entities. China's relationship with the Muslim world remains ill-defined and thus vulnerable should anything undermine the economic expectations of the BRI's benefits.

3. The Maritime Silk Road and China's Security Interests in Southeast Asia

The Maritime Silk Road (MSR) is the seaborne counterpart to the land-based Silk Road Economic Belt. Formally announced in 2013 during Xi's trip to Indonesia, the MSR has been portrayed by China as an environmentally conscious endeavour seeking to better harness and manage untapped maritime resources, all in collaboration with participating countries. As is the case with the BRI more generally, China denies any strategic intent to the MSR. Rather, China characterises the MSR as creating a maritime footprint that knits together the many different component parts of the BRI into an interconnected commercial pathway from Oceania and the Arctic Ocean to the Indian Ocean, coastal Africa and the Mediterranean Sea.⁵⁰

While Beijing maintains that 'green development', 'ocean-based prosperity', 'maritime security', 'innovative growth' and 'collaborative governance' are the principal aims of the MSR, it acknowledges its intent to address non-traditional maritime-security concerns through the initiative.⁵¹ These challenges – maritime disaster relief, terrorism and law enforcement – have been framed as barriers to the vast potential of the maritime 'blue economy'.⁵²

However, the MSR's sprawling web of ports and construction of industrial and logistical facilities have prompted widespread scepticism of China's claim that the intentions behind the initiative are limited to economic cooperation. For analysts wary of China's underlying calculations, the MSR's focus on building or upgrading strategically located ports in various parts of the world is evidence of the fundamental gap between Beijing's self-professed aspirations and undisclosed ambitions. Landmark projects featured in the MSR – particularly the deep-sea ports in Kyaukpyu (Myanmar), Hambantota (Sri Lanka) and Gwadar (Pakistan) – have drawn warnings from policy communities in India and the West over the potential of tipping the geopolitical balance along the Indian Ocean coast in China's favour.⁵³ Moreover, questions about the ports' commercial viability have generated concerns that

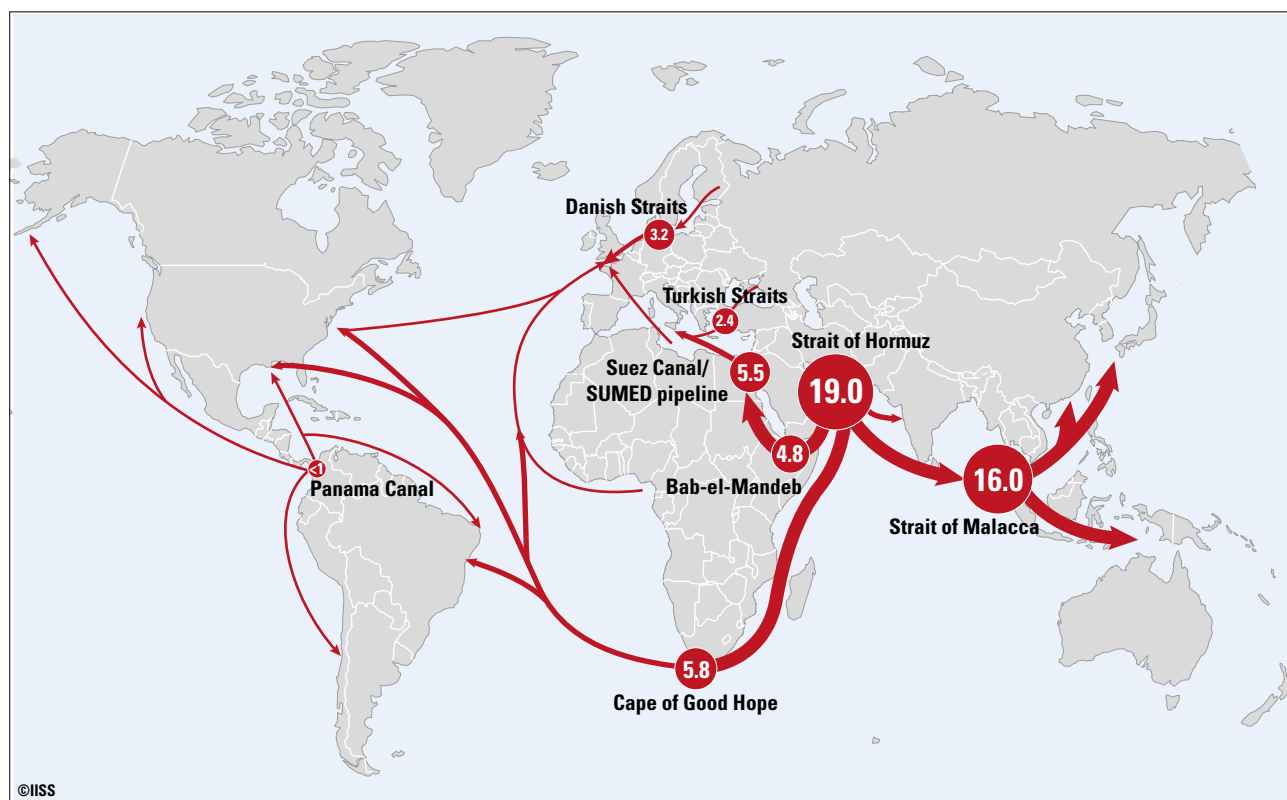
Beijing may be pursuing the geopolitical equivalent of a 'lend-to-own' real-estate financial strategy, with the goal of turning these facilities into military assets.⁵⁴

The MSR and China's maritime strategic confinement

The MSR initiative is unfolding in the context of China's continued maritime insecurity. Although China has a relatively open and long coastline (18,000 km) that allows access to the Yellow Sea, the East China Sea and the South China Sea, Beijing sees itself as tightly encircled in the boundaries demarcated by the US alliance system that underpins the region's existing security architecture. From Beijing's perspective, US domination of the so-called island chains in the Western Pacific essentially renders China's maritime surroundings 'semi-closed'.⁵⁵ As China became ever-more dependent on global trade – of which 90% is carried by container ships – and on crucial energy from foreign sources, its perception of economic vulnerability increased due to limited Chinese presence and influence along the vital sea lines of communication (SLOCs).

Despite the dramatically improved global energy landscape driven by US shale production, energy-security challenges remain critical to China's maritime interests and highlight the vital role Southeast Asia plays in Beijing's calculations. The US shale revolution has created structural abundance in global energy markets. As the world's leading energy importer, China benefits from the resultant lower energy price and more resilient supply, easing the path for its efforts to replace coal with cleaner natural gas.⁵⁶ However, the political geography from which China's energy-security concerns originate has not shifted. With the exception of Russia, energy imports from three of China's top four suppliers – Saudi Arabia, Iraq and Angola – need to travel through SLOCs in Southeast Asia.⁵⁷ As a result, China continues to fret about the US Navy's capacity to deny access to the straits of Malacca and Lombok, in which case China's energy and economic lifeline would be severely

Map 3.1: **Key maritime oil chokepoints and daily volumes (million barrels per day), 2016**



Source: US Energy Information Administration, 2016 data

disrupted. In a military conflict, such disruptions could amount to an existential threat to the PRC. This vulnerability was famously summarised as China's 'Malacca Dilemma' by former president Hu Jintao in 2003.⁵⁸ Indeed, international supply accounted for more than 70% of the country's crude-oil consumption in 2018.⁵⁹ In 2016, more than 80% of China's energy imports transited through the 2.7 km-wide Strait of Malacca, before entering the hotly contested South China Sea.⁶⁰

For decades, Chinese maritime strategies were dominated by the defence of the territorial waters immediately off China's east coast and in its near seas. The People's Liberation Army (PLA) Navy is now capable of protecting these waters, along with a large swath of the East China Sea. But beyond these zones, Chinese capacities diminish dramatically. In the words of Dr Christopher Yung of the Marine Corps University: 'The Chinese Navy remains unable to dominate the South China Sea, and much less so when it comes to protecting the vital SLOCs in maritime Southeast Asia, the Indian Ocean, and other distant maritime zones.' In maritime Southeast Asia, the PLA Navy currently and for the foreseeable future will not have the ability to

upend US naval domination. Unless China relinquishes the option to militarily reunify Taiwan, it will not have the resources to stage a predominantly military challenge to US presence in Southeast Asia. Therefore, to safeguard the arteries of its energy imports, China needs viable non-military workarounds.

This is where the BRI and the MSR introduce new strategic options for Beijing. The focus of the BRI on creating land-based infrastructure to link China with the Middle East and Europe mitigates Beijing's security concerns by reducing China's dependence on maritime routes for energy transports. At the same time, Beijing believes that the country is in a 'period of strategic opportunity' in Southeast Asia, a condition that would allow the MSR to be instrumental to addressing China's maritime security concerns. Much of this sanguine outlook rests on China's growing economic influence. China is the leading trade partner of both ASEAN as a bloc and each of its member states. With a trade value reaching US\$591 billion in 2018, the flow of goods and services between China and ASEAN exceeded the region's US\$272bn-worth of trade with the US, according to IMF data.⁶¹ Indonesia, Vietnam and Malaysia have

Figure 3.1: **Shipping in the Singapore Strait**



(Jerry Redfern/LightRocket via Getty)

been top recipients of BRI financing in gross numbers.⁶²

Ultimately, China hopes that through financing and building ports and other maritime infrastructures in Southeast Asia, the MSR will turn China into a key strategic partner of regional countries. This, in turn, would reduce its vulnerabilities by generating regional opposition to any US moves to block access of shipments to China through the straits. This approach permits China to gradually mitigate its security concerns without risking an untimely conflict with the US.

Beijing's new strategic objective: becoming Southeast Asia's dominant partner

Up until recently, Beijing aimed to offset the US alliance system in the Pacific by concentrating its efforts on Northeast Asia. It has now shifted its focus to Southeast Asia. Two factors have contributed to the adjustment. China's efforts to pressure Japan regarding the Senkaku/Diaoyu Islands backfired, resulting in the Japanese government and broader public becoming more supportive of a strengthened US–Japan security posture against China.⁶³ China's new outreach to Japan has not sought

to directly damage the Washington–Tokyo alliance. On North Korea, Kim Jong-un has proved to be a much less stable partner for Beijing than his father or grandfather. This has led Beijing to be much more cautious in trying to exploit what looks to be a somewhat faltering US–South Korea alliance under the Trump administration and a progressive government in Seoul. China's inability to influence the Kim regime makes changing the status quo on the Korean Peninsula a less favourable option for Beijing than maintaining the current delicate equilibrium.

In contrast to the caution it is now displaying in Northeast Asia, Beijing sees opportunity in Southeast Asia, where the US has struggled to identify and implement a coherent approach. The US withdrawal from the Trans-Pacific Partnership (TPP) was seen by the Southeast Asian countries as an early indication of their region's declining salience to the Trump administration.⁶⁴ In contrast to a US in retreat, by the end of 2019 China had made substantial progress in convincing all ASEAN countries to sign on to the Regional Comprehensive Economic Partnership (RCEP), an

alternative free-trade initiative that was originally conceived by ASEAN and does not include the US. At the same time, Washington's demands on third countries to limit their ties with China have not been well received in Southeast Asia, where virtually all countries seek to collaborate with both Washington and Beijing.

Beijing has pledged to spend scores of billions of dollars through the BRI and the MSR. As of yet, nowhere has the US demonstrated a similar style of engagement. Ongoing US initiatives in the region, including a renewed Lower Mekong Initiative (LMI), take place 'largely behind the scenes'.⁶⁵ While US military ties with regional allies remain robust, a 2019 survey conducted by Singapore's ISEAS-Yusof Ishak Institute found that 68% of respondents believed that US engagement with the region was declining and were not confident in the US as a strategic partner.⁶⁶

At the same time, China is establishing a firmer security foothold in the region, embracing a more assertive approach to territorial disputes in the South China Sea by building artificial islands and sending both military and civilian instruments to the disputed areas. This has created a new geopolitical status quo and a veneer of de facto sovereignty. Moreover, Beijing has pursued coercive economic statecraft more frequently as a foreign-policy tool against Vietnam and the Philippines, when traditional diplomacy proved inadequate in resolving tensions that strained the relationships. To some extent, ASEAN countries have become the 'testing ground' for China's emerging great-power aspirations.⁶⁷ As Beijing learns to project itself as a regional great power, it is employing an array of foreign-policy tools that oscillate between reward and coercion.⁶⁸ China has incorporated the ASEAN countries into its notion of a 'community of shared future for mankind'.⁶⁹ The ASEAN-China Strategic Partnership Vision 2030, signed in 2018, places discussions on 'political and security' before 'economic cooperation', indicating the growing importance of the security aspect of the ASEAN-China relationship.⁷⁰

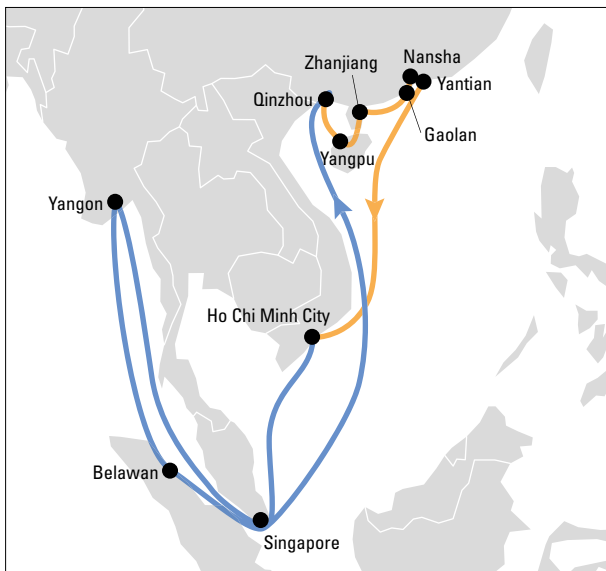
Against this backdrop, the MSR widens the scope of engagement for China in Southeast Asia. And, unlike China's island-building activities that risk conflicts in the South China Sea, the MSR enables Beijing to expand its influence in a significantly less confrontational manner. At the core of the MSR's strategic ambition

in Southeast Asia is minimising the likelihood of the region condoning any possible US embargo of China-bound energy shipments. To this end, Beijing hopes to transform its engagement with the region into one that is multidimensional, encompassing both strong economic linkages and a new emphasis on maritime-security cooperation. Meanwhile, Washington's ambivalence toward both its treaty allies and its partners in Southeast Asia creates a strategic opening for Beijing.

From an economic standpoint, Southeast Asia's projected growth and its moderate level of indebtedness makes the region a substantially less risky investment target than other BRI geographies. This provides confidence to a Beijing increasingly concerned with the financial sustainability of its overseas expenditures.⁷¹ Central to upholding this rapid growth rate will be Southeast Asian countries' sweeping urbanisation, the expanding consumer class and growth spurred by emerging technologies.⁷² There are around 300m people in the region under the age of 30, providing an important source of workers, particularly in labour-intensive sectors that drive the export of manufactured goods.⁷³ The Organisation for Economic Cooperation and Development (OECD) expects the average GDP growth in Southeast Asia to be 5% for the 2020–24 period, continuing the region's status as one of the fastest-growing economies in the world.⁷⁴ To maintain the growth momentum, however, more infrastructure investments are necessary. The Asian Development Bank estimates that, in aggregate, Southeast Asian countries need to spend 5.7% of their GDP through 2030 on infrastructure to meet development goals, taking into account the consequences of climate change.⁷⁵ By contrast, the region faced a considerable infrastructural gap prior to the BRI, with the lowest infrastructure-investment-to-GDP ratio (2.1%) across Asia in 2011.⁷⁶ In this regard, BRI projects boast the potential to complement the infrastructural need of the Southeast Asian economies.

Despite these powerful economic and strategic rationales, Chinese investments have been frequently caught up in the shifting politics of the region. China-funded infrastructure projects have become embroiled in domestic politics and leadership changes. In Malaysia, former prime minister Mahathir Mohamad secured his election victory in 2018 after casting himself as a

Map 3.2: The Maritime Silk Road shipping routes focused on Southeast Asia



China–Southeast Asia route: China–Vietnam, Myanmar



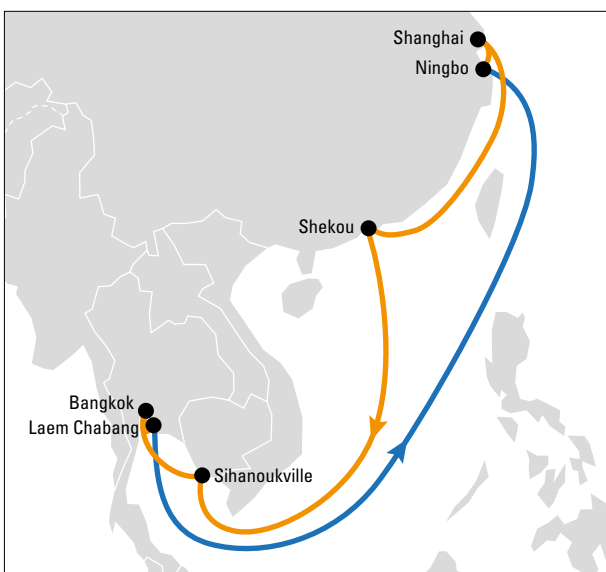
China–Southeast Asia route: China–Philippines



China–Southeast Asia route: China–Singapore, Malaysia



China–Southeast Asia route: China–Indonesia



China–Southeast Asia route: China–Thailand, Cambodia

Sources: Xinhua; Baltic Exchange

vigorous critic of the BRI deals established under his predecessor's mandate.⁷⁷ Vowing to repeal BRI projects that he characterised as 'unequal treaties', Mahathir rode to power by trumpeting long-standing fears of Chinese domination. In Indonesia, the 2019 election featured opposition candidate Prabowo Subianto attacking incumbent President Joko Widodo's (also known as Jokowi) support for the BRI and promising to review the problem-ridden Jakarta-Bandung railway project.⁷⁸ Prabowo's presidential bid failed, but it did force Jokowi to cautiously distance himself from Chinese investments on the campaign trail.⁷⁹ In Myanmar, a potential resumption of the stalled Myitsone Dam project drew vehement protests on environmental and social grounds, at a time when Aung San Suu Kyi's government is increasingly dependent on Beijing's political and economic support.⁸⁰

These pushbacks against China's expanding influence illustrate Southeast Asia's ambivalence toward a deeper alignment with Beijing. Every country in the region wants to expand its economic ties with China. At the same time, almost all are wary of China becoming an unchallenged regional hegemon. Beijing's geopolitical ambition to incorporate the region into its sphere of influence does not translate well into a shared vision with Southeast Asian governments and the populace. Alongside the perception of declining US influence, the ISEAS-Yusof Ishak Institute's 2019 survey shows that 45% of respondents believed China held a revisionist intent for the region, while an overwhelming 70% thought their governments should be cautious about BRI 'debt traps'.⁸¹

Although President Donald Trump's impulsive policies have introduced doubt about the US, Southeast Asian countries do not wish to replace Washington with Beijing. The predominant desire in the region is simultaneously to cooperate with China economically and to balance against China's potential military dominance. So far, Southeast Asian countries have sought to build stable partnerships with Beijing, but only to the extent that such adjustments do not constitute a

disruption of the strategic equilibrium between China and the US.

Building military partnerships to protect and advance the MSR

As China works to achieve its ambitious MSR objectives in Southeast Asia, Beijing is focused on forging expanded military-to-military ties with each of the Southeast Asian countries. China already has strong military ties to a number of regional states. In particular, the PLA has maintained an active engagement with the Thai military since the latter's coup in 2014.⁸² At the same time, countries including Myanmar and Cambodia have been major clients of China's arms industry.⁸³

In reinforcing existing military relationships and promoting new ones, China has bolstered senior-level military communications with Southeast Asian countries. Dialogues between senior defence officials have in the past played a crucial role in defusing tensions for Beijing. In 2014, for instance, meetings between the Chinese and Vietnamese military leaderships helped normalise the bilateral relationship in the aftermath of a contentious dispute over the deployment of a Chinese maritime oil rig. China is also expanding the destinations and frequency of port calls. While the PLA Navy's previous port calls in Southeast Asia have been driven by anti-piracy missions and humanitarian assistance, China now appears interested in pushing for privileged access to naval bases, such as the ones in Changi, Singapore, and Subic Bay in the Philippines, in a bid to further substantiate its military presence.

China's goal is to put itself at the centre of Southeast Asia's military development, as well as its economic and commercial life as – over the next few decades – the region is projected to become the world's fourth-largest economy after the US, China and the EU.⁸⁴ From Beijing's perspective, these economic and military partnerships will make it progressively harder for the US to gain the political acquiescence needed for any effort to interdict the narrow maritime pathways, on which China will continue to depend for its energy security.

4. The BRI's Cyber Dimension – the Digital Silk Road

China's National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs (MFA) and the Ministry of Commerce first announced the extension of the BRI to the virtual frontier in 2015. The inclusion of the Digital Silk Road (DSR) in the BRI reflects the vital role technology plays in Beijing's overall strategic-development vision. In 2006, the Chinese leadership set the goal of building an 'innovation nation' as a national policy priority. In subsequent years, China redoubled its efforts to develop China's domestic technology sector, implementing among others a set of ambitious industrial policies facilitated by substantial government subsidies and protection from foreign competition.

Xi has elevated the development of China's cyber and broader technological capacities to a core national interest, emphasising the importance of indigenous technologies and the need to transform China into a 'cyber power'.⁸⁵ In Xi's own words, 'no Internet safety means no national security'.⁸⁶ While China has deliberately subdued the fanfare surrounding its 'Made in China 2025' policy in the wake of widespread international push-back against the programme's protectionist agenda, the pursuit of technological advancement remains a top priority. As an example of this steadfastness, and in the face of growing American pressures, in October 2019 China launched the second phase of its national semiconductor fund, with US\$28.9bn in support.⁸⁷

The DSR and China's ambitions for technological power

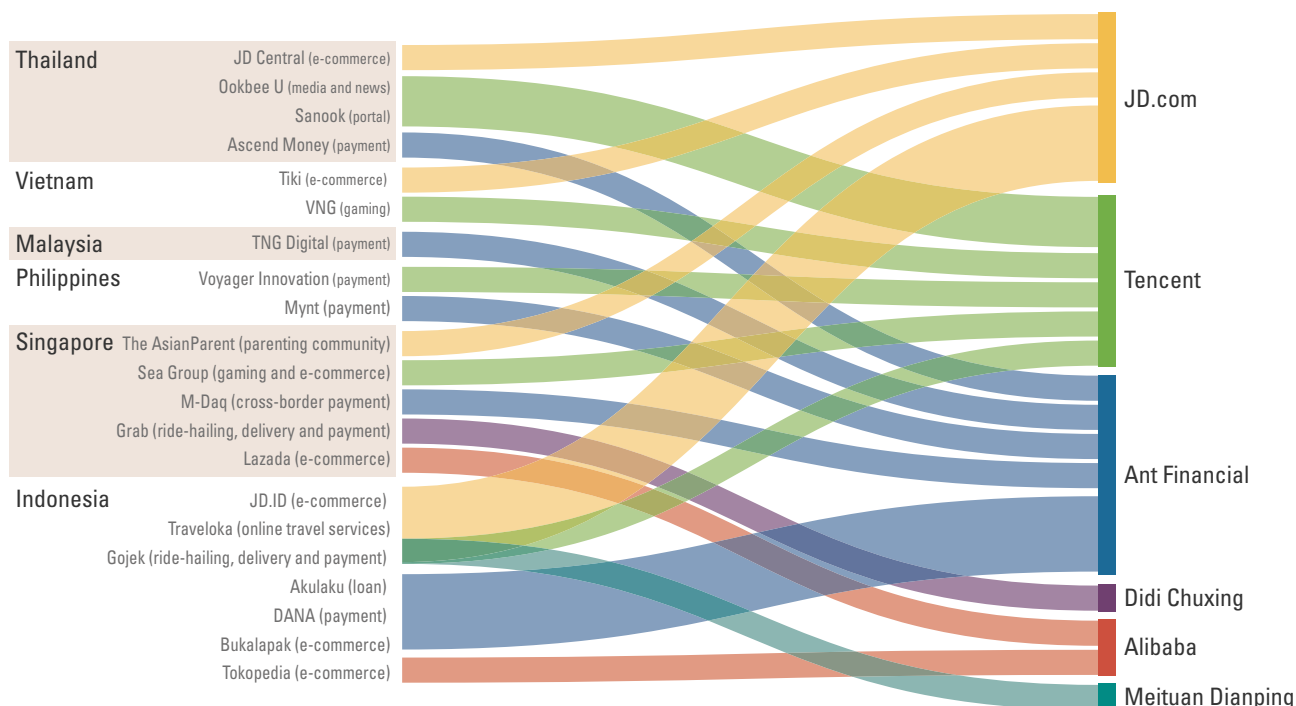
Given China's vast technological ambitions, the DSR provides an important pathway for expanding China's global influence in the digital realm. If substantively realised, the DSR could synergise China's goal of becoming a cyber power both regionally and globally. While the DSR is nominally a component part of the BRI, its organisational model appears quite different from the larger BRI enterprise, which has engaged an enormous range of provincial and local governments, SOEs and private-sector firms. The BRI's hard-infrastructure programme

lacks a coherent organisational structure, oversight and boundaries. In contrast, the DSR appears to be a much more focused campaign involving far fewer companies. Among them are most of China's technology 'national champions' – corporates that enjoy sizeable state support, a hallmark of the East Asian development model – who are at the leading edge of China's growing presence in global technology markets.

DSR projects can be categorised into three groups, each of which is dominated by Chinese companies that form the linchpin of Beijing's technological ambitions. Huawei and ZTE spearhead projects focused on basic ICT infrastructure, building fibre-optic cables and smart-city projects that are the foundation for enhanced digital connectivity.⁸⁸ State-owned telecommunication companies, such as China Mobile, China Telecom and CITIC Telecom, are primarily responsible for DSR projects related to carrier services, which allow for improved telecom coverage and broadband availability. Finally, private companies including Alibaba, Tencent and JD have been involved in the development of over-the-counter services, leveraging their respective specialties to build data and cloud centres and promote e-commerce models in recipient countries.

The DSR's technology-centred approach has created a fairly clear division of labour among the participating Chinese companies, which has led to better-defined goals than is the case with the hard-infrastructure dimensions of the BRI. It looks as if there was a deliberate government effort to keep the DSR more focused, with much more explicit guidelines. China's Ministry of Industry and Information Technology (MIIT) has promulgated multiple guidance documents on the issue of standardisation in the DSR. In 2018, the MIIT's 'Implementation Opinions on Standardisation Work in Industrial Sector and Communications Industry Serving Belt and Road Initiative' clearly defined six areas of focus for the DSR, including fifth-generation mobile network technology (5G), smart cities, the Beidou satellite and telecommunications projects.⁸⁹ In contrast to the

Figure 4.1: The footprints of Chinese tech companies in Southeast Asia



Sources: Caixing Global; IISS

BRI's hard-infrastructure efforts, for which no government institution yet plays a coordinating role, the DSR appears to have been more closely tethered to Beijing's decision-making from the beginning.

Through exporting state-of-the-art technologies, China promises to provide high-demand digital public goods to various parts of the world, primarily in the form of physical infrastructure, telecommunications equipment and an e-commerce model. The rapid expansion of the digital economy has left existing digital infrastructure in many developing countries outdated and inadequate for fulfilling the market's growing appetite. At the same time, the financing gap in digital infrastructure is particularly pronounced in these economies. It is these gaps that China seeks to fill through the DSR.

Innovative economic models driven by ICT have found an eager market among younger populations, including in the developing world. It is estimated that in ten years, as much as 25% of the world's GDP will originate from derivatives of the digital economy.⁹⁰ Despite that vast potential, developing countries face enormous financial constraints to full participation in the global digital economy.⁹¹ While China is not the only country interested in, and capable of, building digital infrastructures, it offers the prospect of acquiring

quality products at a much lower price than its Western counterparts currently can.⁹² The cost advantage, combined with financing arrangements offered through the DSR, have created a unique opportunity that recipient countries have found difficult to reject.

In turn, through the DSR, China seeks to secure new overseas markets for its technology companies in need of profits and talents to grow. The Digital Silk Road could enable China to become the world's leading supplier of the physical infrastructure for next-generation digital networks. China has devoted significant resources to building 5G technology, fibre-optic cables and data centres in collaboration with DSR recipient countries. Through early 2019, around 80 DSR projects were in progress, with a total investment value amounting to around US\$79bn.⁹³

China's interest in exporting its innovative e-commerce models is another manifestation of its desire to recreate the virtuous cycle of development and stability that motivates the broader BRI. China's logic is empirically supported by the correlation between a country's digital capacity and economic development. The World Economic Forum has argued that a 10% growth in internet penetration can lead to a 2.8% growth in GDP.⁹⁴ China is hopeful that countries involved in the DSR will

benefit both economically and politically as e-commerce opens up new markets and optimises trade relations.

For Beijing, a range of economic benefits could derive from the DSR. As is the case with the BRI's traditional infrastructure, the DSR helps China address the over-capacity challenges in its ICT sector, particularly with regard to the production of fibre optics.⁹⁵ At the same time, Beijing is using the DSR to establish new digital commerce markets that could ultimately become inter-connected China-centric digital trade zones. Building a web of e-commerce markets unrestricted by state borders, according to officials from China's cyber and information apparatus, is key to the DSR's vision.⁹⁶

Southeast Asia – with its steadily growing economy, vast growth potential and increasing geopolitical salience for Beijing – has been the primary testing ground for ICT market expansion in the DSR. To cite only a few examples: in 2019, China Mobile began operating its first overseas data centre built in Singapore; Alibaba is providing blockchain services for Pakistani nationals sending home remittances from Malaysia; JD is offering drone technologies to power logistics industries in Indonesia; and Huawei, while being front and centre of the US–China technology-trade competition, has been making substantial progress in the construction of 5G networks in countries like Cambodia and the Philippines.⁹⁷

Security concerns generated by the DSR

In the context of growing global geopolitical competition, the Digital Silk Road is increasingly perceived by many through the security and strategic lenses. The United States and many of its key allies have become mobilised around the risks that they believe are embedded in the proliferation of Chinese-built critical infrastructure. For the US, the continued maturation of the DSR poses three challenges. The first is information security, as the DSR might eventually allow Beijing to gain access to critical information. The second is that the DSR might enable China to carry out disruptive cyber attacks against a growing list of countries through manipulating digital infrastructures that China would help construct. The third is that the DSR raises the prospect of existing technological standards and established doctrines of internet governance being challenged and subverted by China's increasing cyber influence.

With regard to information security, the US has argued that the DSR could be a force multiplier for Beijing's espionage capabilities, and that the Chinese government would be able to seize an enormous amount of personal data, business information and both government and military intelligence. Even in the West, such cyber-security concerns remain a subject of contention. While some analysts maintain that the builders of fibre optics are well positioned to undertake malicious cyber operations, others argue that the nearly universal employment of data encryption and security enhancement tailored for public networks would effectively neutralise the risk.⁹⁸ For its part, Beijing makes the opposite case – that US tech companies dominating the market of online applications, and by extension the US government through regulating these companies, retain the best access to user data and the ability to utilise that access for geopolitical ends.⁹⁹

Reinforcing Washington's suspicion is the advent of the Beidou Navigation Satellite System – China's own version of the Global Positioning System (GPS). The Beidou system marks by far the apex of the country's mission of realising advanced technology with dual-use capacity.¹⁰⁰ According to China's State Council Information Office, the construction of the Beidou system is to fulfil the need for national-security and economic growth and to serve the development of the BRI.¹⁰¹ By June 2019, the Beidou system had been equipped with 35 active satellites, which surpassed the 31 active satellites that support the GPS.¹⁰² Beidou's rapid development was made possible by China's launching of 30 satellites in 25 months.¹⁰³ The director of the Beidou programme has stressed China's interests in facilitating Chinese companies' 'going out' as the BRI progressed, along with the goal of building a web of commercial products that use the Beidou service.¹⁰⁴ For the US, China's development of a competitive positioning service system heralds the end of the GPS's monopoly as the dominant provider of real-time location information around the world.

Another security concern relating to the DSR stems from the advent of 5G – a top priority in China's technological ambition. The telecommunications-capacity upgrades driven by 5G will lead to many elements of economic and social life being redefined by features

such as high data speed and ultra-low latency communication, expanding the boundaries that previously determined how devices could be utilised both by private users and by governments. However, the sprawling 5G network will further blur the boundary between 'regular' and 'security sensitive' functions and exacerbate the risks associated with the surge in security and military components powered by the new technology. In theory, as reliance on 5G networks deepens, so too will targeted entities' vulnerability to espionage and sabotage activities.¹⁰⁵

China already has attained some crucial comparative advantages in the development of 5G and leads the world in the technology's deployment. At the forefront of China's technological ascendancy is Huawei. The Chinese firm is believed to have 12–18 months' lead time over its two main competitors – Nokia and Ericsson – in terms of developing 5G infrastructure.¹⁰⁶ In addition, Huawei has a much broader capacity to cover the full range of 5G products than do its Western rivals.¹⁰⁷

Perhaps the biggest fear in Western security circles concerning the DSR is that China is well positioned to promote the broad international acceptance of its technical requirements, as a growing number of Chinese technology companies form an exclusive alliance within DSR projects to establish and dominate new market supply chains. The formal standard-setting negotiation is a multi-round process largely led by technical experts affiliated with technology companies, and the ability to influence the formation of telecommunication standards is often rewarded with long-term market advantage. Chinese companies have been a vital voice in the ongoing negotiations of 5G's standard. The relevance of the 5G standard will extend well beyond the construction of digital infrastructure, which marks only the beginning of the 5G ecosystem. Technology companies with the capacity to define new rules are likely to gain lasting dividends, particularly in the form of royalty payments, patent licensing and hardware sales from latecomers.¹⁰⁸

Beyond facilitating influence at the negotiating table, the DSR's global scope lends itself to promulgating the 5G standards that Chinese companies prefer. By deploying 5G domestically on a large scale, Chinese companies will be able to demonstrate their reliability to win the favour of overseas markets.¹⁰⁹ With China's enormous

consumer market, these companies could simultaneously promote a wide variety of products that are technologically derivative of and commercially symbiotic with 5G, including smart cities, artificial intelligence and the Internet of Things.¹¹⁰ Under the DSR umbrella, Beijing foresees a cascade of China-driven 5G standards being adopted by BRI countries.

Aside from the risks that originate in hardware and in standards, there are also a range of concerns about the DSR's impact on global internet governance. Beijing has openly stated that the prevailing cyber-domain system, built largely by the US, is a tremendous threat that needs to be curbed.¹¹¹ From its reluctant embrace of the internet in the mid-1990s to the increasingly sophisticated and ubiquitous digital censorship of recent years, Beijing has sought to maintain a grip on online content in China. At the same time, however, Beijing remains hungry for the economic and social development enabled by global digital connections. China's expansive trading relations with the world cannot be maintained without a huge flow of information. In an effort to manage this tension, China has promoted the concept of 'cyber sovereignty', which allows governments to selectively open their digital border and regulate the cyber domain with measures they deem necessary.¹¹² In China's Cybersecurity Law, which went into effect in June 2017, sovereignty and security in cyberspace are cited as the legal foundation for conducting security checks on individuals and companies operating in China's domestic network.¹¹³

China's sovereignty-conscious principles compromise the internet's original vision of information fluidity unbound by state borders. But as societies have become increasingly vulnerable to data breaches and disinformation campaigns, the laissez-faire approach to internet management has also come under scrutiny in democratic countries.¹¹⁴ The DSR's arrival has coincided with the moment when idealistic features of the internet are being tempered with the need for more realistic governing strategies.¹¹⁵ But the debates between European countries and the US over privacy issues reflect the difficulty democratic states are having in generating consensus for internet governance. Amid these debates, Beijing appears to be positioned to leverage the DSR as a vehicle for normalising China's alternative cyber-governance

model on a global scale, especially through working with those BRI governments that share Beijing's disapproval of the US-led cyber institutions.

Integral to China's exercise of cyber sovereignty are the digital tools used for various law-enforcement and control purposes. Beijing has forged ahead to build a comprehensive domestic surveillance system with the help of artificial intelligence.¹¹⁶ China's incorporation of facial-recognition technology in the 'stabilisation' campaign in Xinjiang province is an example of how advanced technologies can be exploited for repressive political ends. This has heightened the geopolitical tensions around advanced technology. In October 2019, the Trump administration took steps to ban several Chinese companies that provided surveillance technologies for the Xinjiang campaign from conducting business in the US.¹¹⁷ China's domestic use of high-tech surveillance has generated fears that the DSR could replicate this capability elsewhere in the world.¹¹⁸

Among the BRI's partner countries are a substantial number of authoritarian-leaning regimes and weak democracies that could provide fertile ground for the expansion of digital authoritarianism. Several countries – not only authoritarian ones – involved in the DSR have displayed an interest in strengthening the governance of their digital domains by largely following in Beijing's footsteps. Amid social and political repercussions of unsuccessful democratic transitions, countries in North Africa have emerged as major recipients of China's surveillance technologies. Under the banner of the DSR, China has hosted training programmes focused on surveillance and censorship tailored for state media officials from Egypt, Libya and Morocco.¹¹⁹ Egypt, in particular, has been eagerly modelling its cyber governance on the Chinese paradigm. During the Second Belt and Road Forum in April 2019, the Egyptian delegation signed cooperation agreements with ten leading Chinese ICT companies.¹²⁰ Apart from investment opportunities for Chinese companies, the agreements indicate a clear focus on collaboration in cyberspace governance, including strategies for 'content management and localization' and transfer of AI technology.¹²¹ iFLYTEK, a company included in the deal, is among the eight Chinese entities blacklisted by the US for aiding the construction of surveillance systems in Xinjiang.¹²²

On a broader scale, the DSR has allowed China to tap into many developing countries' desire to make breakthroughs in economic development by seizing opportunities to leapfrog technological barriers, an aspiration that is especially true of development strategies in Africa.¹²³ For years, the footprint of Chinese technology companies has been expanding in Africa, and emerging strategic partnerships centred on China's export of innovative digital technologies have helped reinforce Beijing's influence on the continent.¹²⁴ Huawei alone undertook projects in 23 African countries between 2000 and 2017, mostly financed by China's Exim Bank and the China Development Bank.¹²⁵ Most of these have been carried out in at least partially democratic countries, a pattern that leads to fears of fledgling democracies being undermined. There is some evidence for the erosion of democratic practices in countries benefiting from Chinese technology know-how, especially in East Africa. For example, both Uganda and Tanzania have introduced cyber-control measures that closely resemble the original Chinese model.¹²⁶ On the other hand, China's closest partner in East Africa – Ethiopia – appears to be moving in a more democratic direction even as it deepens its BRI ties with Beijing.

In appealing to a range of states seeking efficient digital development, the DSR has been able to expand into many countries where democratic institutions are the norm, indicating that efforts to steer countries away from the BRI and the DSR are not gaining much traction. According to the Australian Strategic Policy Institute's tracking of China's overseas digital projects, Chinese technology companies have undertaken 115 'Smart City–Public Security' projects across the globe as of August 2020. Notably, 19 such projects have been rolled out in EU member countries.¹²⁷ Both China and recipient governments highlight that these efforts are focused on citizen safety, energy efficiency and pollution control.¹²⁸ However, critics argue that there is a fine distinction between enhanced governance and suppressive control, and that such programmes could still undermine democratic institutions in the context of rising authoritarian incentives. While the trajectory of the DSR remains uncertain, the future of the global cyber domain will be drastically different as China seeks greater influence through its digital ascendancy.

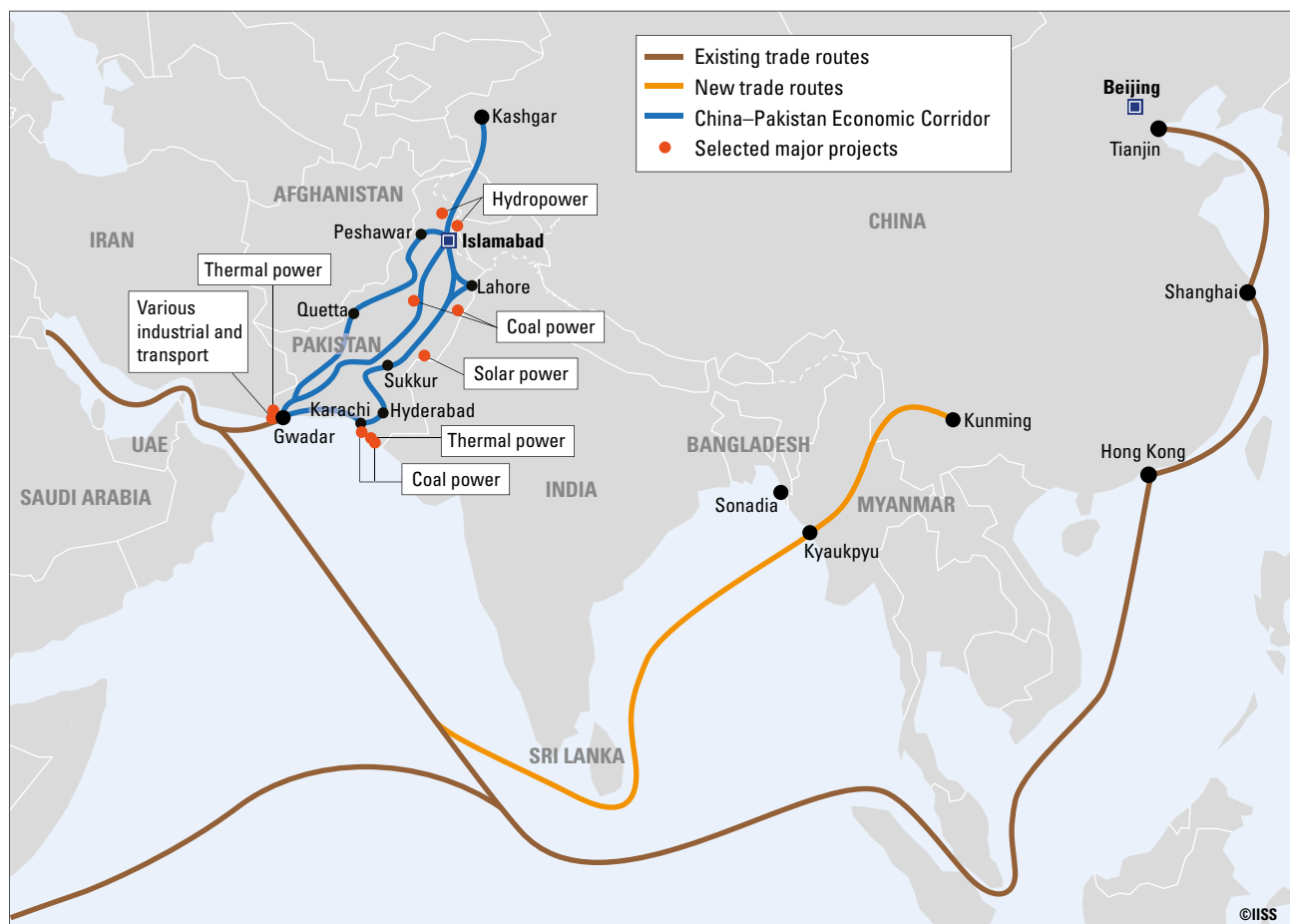
5. Case Study – Pakistan

The China–Pakistan Economic Corridor (CPEC) in many ways is the flagship country programme in the BRI. Through enhancing the connectivity of physical infrastructure – transnational highways, railroads and pipelines – the programme is intended to promote trade and generate economic growth across Pakistan and western China. The key element of CPEC is building infrastructure from the port city Gwadar, through the heartland of Balochistan and Gilgit-Baltistan, through the Karakoram Highway and finally into the Kashgar region in Xinjiang. With CPEC, China seeks to open its underdeveloped Western hinterlands to new trading routes through and with its southern neighbour. In addition, the programme is aimed to enable Beijing to at least partially circumvent its Malacca Dilemma,

as detailed above, by transporting maritime energy imports directly via land-based infrastructure.

For Pakistan, CPEC presents an opportunity to embed itself more deeply into global trade and promises direct investments to stimulate much-needed economic growth. Pakistan has long struggled with challenges rooted in the country's weak economic performance and government mismanagement. When launched in 2015, CPEC was broadly welcomed by Pakistani stakeholders as an opportunity to transform the country into what then-prime minister Nawaz Sharif called 'a regional hub and pivot for commerce and investment'.¹²⁹ Strategically, CPEC would help bolster the economic dimension in the China–Pakistan relationship – which has for decades been defined by security cooperation

Map 5.1: **China: new trade routes**



Source: IISS

– and would offset the pressure stemming from the US stepping away from its position as Pakistan’s strategic partner by securing a parallel commitment from China.

Although CPEC is exposed to a wide spectrum of security risks, it is the most important country programme in the BRI because of its direct link to China’s security goals in its western region and the potential to develop into a route for energy transport that bypasses the Strait of Malacca. Beijing hopes that economic growth spurred by new investments will bring long-term peace to unstable Pakistani regions, where local extremists with connections to the Uighur separatist movement are based. However, Beijing needs to overcome substantial hurdles before achieving these goals, as the programme has encountered and will continue to face a set of security challenges that are precisely what it was conceptualised to help eliminate. Whether and how Beijing and Islamabad can address these risks will have a decisive impact on the evolution of CPEC, with broader implications for the BRI as a whole.

As mentioned above, Baloch separatists have thus far presented the most high-profile security threats to CPEC projects. On 11 May 2019, four heavily armed gunmen from the Majeed Brigade of the BLA attacked the prominent Pearl Continental Hotel in Gwadar. The luxury resort had in recent years been frequented by Chinese officials, investors and employees associated with CPEC. Despite the presence of extensive state security in the area, it reportedly took more than 12 hours to subdue the militants, and among the dead were four members of the hotel staff and one Pakistani military officer.¹³⁰ The assault marked only the most recent violence involving China’s growing presence in Balochistan.

Prior to the siege of the Pearl Continental Hotel, the BLA forces had attacked convoys carrying Chinese engineers, causing numerous casualties. In an assault in November 2018, the Chinese consulate in Karachi came under attack. Three BLA militants detonated explosive vests, opened fire and attempted to charge into the consulate compound before being stopped by the state security force. The attack resulted in the deaths of two Pakistani civilians and two police officers. Earlier in 2018, a suicide bomber had targeted a bus travelling in southwest Balochistan with Chinese engineers

on board. It was reported that three Chinese nationals working on a joint natural-resource extraction project were injured in the event.¹³¹ Taken together, these attacks indicate that Chinese targets have become the primary objectives for terrorist attacks in key CPEC geographies within Pakistan.

Baloch insurgents’ animosity toward Chinese investments appears to be increasing. A major portion of CPEC passes through Balochistan, where regional nationalism and violence-prone separatism run deep. Ethnic nationalism and a sense of economic exploitation fuel the insurgents’ enduring tensions with Pakistan’s national authorities. For example, despite having rich reserves of gold and copper and being a major supplier of natural gas to other parts of the country, Balochistan has continually suffered shortages of gas and electric power.¹³² Spearheaded by the BLA, violent elements in the Baloch separatist movement have engaged in a series of armed revolts against the Pakistani state. These groups increasingly consider China as the national government’s accomplice in the ‘colonisation’ of their land.

This was not the case in the early days of CPEC. When it was initially proposed, Baloch politicians welcomed CPEC as a source of both development and political reconciliation with Islamabad.¹³³ As CPEC developed, however, the federal government’s tight control over the benefits from early projects diminished the hopes of Baloch nationalists. Baloch opposition to the BRI quickly evolved to a narrative that Chinese investments will generate a demographic and political dynamic similar to the movement of ethnic Han Chinese into Xinjiang province.¹³⁴ For these reasons, the BLA has used phrases such as ‘genocide of Baloch people’ to characterise what it sees to be the tragic impact of CPEC on local lives.¹³⁵ In deliberately targeting CPEC, Baloch militants seek to attract greater international attention to their cause and political demands.

Furthermore, CPEC’s growing presence in Balochistan and the robust Pakistani security forces tasked with protecting Chinese interests risk provoking the already alienated Baloch population. Following the initial attacks on Chinese personnel, the Pakistani military has progressively intensified its security presence in Balochistan, including the deployment of new forces reportedly comprising 17,177 soldiers to

safeguard Chinese nationals working in the region.¹³⁶ However, the regional militarisation over the past few years has partially backfired on the Pakistani authorities, leading to more radicalised tactics being embraced by the BLA, including a surge in the number of suicide attacks.

While China's official narrative has acknowledged the existence of significant barriers in the region, Beijing has largely denied that CPEC has played any part in compounding local grievances and the related violence. Through non-public channels such as back-door diplomacy, however, China appears to be actively exploring possible ways to mitigate the security threats beyond what the Pakistani military has to offer. In a departure from its 'non-interference' foreign policy, China has reportedly been re-engaging in direct talks with different Baloch militant groups.¹³⁷ Chinese officials have also personally courted influential Baloch leaders. As of 2019, numerous delegations comprised of political and tribal chiefs from Balochistan have travelled, at Chinese expense, to meet with senior leaders in Beijing.¹³⁸ These activities indicate that Beijing recognises the challenges that Pakistan's internal politics create for CPEC's security and successful implementation. Nevertheless, whether or not Beijing's revised approach to security concerns in Balochistan will engender the desired outcome remains to be seen, and the impact of such an interference-based strategy on China's relationship with Islamabad is also uncertain.

In addition to the BLA, Islamic extremist terrorist groups in Pakistan – including the Islamic State in Khorasan Province (IS–KP), along with the Tehrik-e-Taliban Pakistan (TTP, the Pakistani Taliban) and its allied al-Qaeda militants – present another prominent threat to CPEC. China's intensified suppression of Uighur Muslims in Xinjiang has in turn provided a vigorous rallying cry for ISIS and al-Qaeda, both of which have in recent years identified China as an enemy to be overcome.¹³⁹ In June 2017, two Chinese nationals were kidnapped in Quetta, the provincial capital of Balochistan, by the IS–KP and were later executed in what militants described as 'retaliation' for the Pakistani army's raid that failed to rescue the Chinese hostages.¹⁴⁰ A particularly noteworthy development over the past few years has been a confluence of the IS–KP and the

TTP in Balochistan, where a number of ethnic-Baloch Islamist militants previously operating under the TTP mandate were welcomed into the IS–KP.

Therefore, CPEC remains in a precarious position amid the threat of religiously motivated terrorism now increasingly targeting China's economic interests in Pakistan. Given the Pakistani military's history of endorsing jihadist militants within the country and its inability to effectively curb the security fallout, the challenge of religious extremism faced by CPEC could become progressively pronounced in the coming years. The potential challenges to China are twofold. Firstly, terrorism threatens to compromise the progress and legitimacy of CPEC. Secondly, the threat of transnational terrorism spilling across China's border cannot be discounted. The combination of Chinese investments seen as provocative in Pakistan and the mistreatment of China's own Muslims in Xinjiang could further spur unrest, giving rise to stronger ties between Pakistani extremist groups and the ETIM. Although the Pakistani military has declared the elimination of ETIM's presence in the country, evidence shows that combative elements from the movement have continued to seek refuge in Pakistan's less-governed regions, and some have transitioned into Afghanistan in the wake of the state's military campaign in the former Federally Administered Tribal Areas (FATA), now part of Khyber Pakhtunkhwa province.¹⁴¹

Such persistent threats deriving from the extremist and terrorist networks scattered across Pakistan might have prompted Beijing to recalibrate its stance toward the Pakistani military apparatus. In 2018, China withdrew its blanket support for Pakistan during the Financial Action Task Force's (FATF) deliberation process. The decision resulted in the organisation blacklisting Pakistan as a country with policies inadequate to counter the financing of terrorism. Beijing's frustration with existing Pakistan-based terrorist groups probably played a key role in its action.¹⁴²

The evolution of CPEC is also subject to the geopolitical vagaries of South Asia. Part of CPEC's exit section in Gilgit-Baltistan passes through lands claimed by India. While Pakistan ceded the territory to China pursuant to a border agreement reached in 1963, India refuses to recognise the concession.¹⁴³ This reinforces New Delhi's

negative view of the BRI as Beijing's scheme to 'encircle' India, and CPEC in particular as an encroachment of sovereignty in the guise of economic connectivity. The crisis over Kashmir, following a terrorist attack in February 2019, has exacerbated the tension between Pakistan and India. Notably, the military operations carried out by both sides in 2019 were much more aggressive than the limited border skirmishes that had come to define the two countries' military engagement for the past half-century.

The Modi government's decision to revoke Article 370 of India's constitution, which had for decades ensured a considerable degree of autonomy in the India-controlled Kashmir region and protected the Muslim majority, has introduced a new layer of tension to the already unstable bilateral relationship. Currently, four CPEC projects

are under way in the Pakistani-controlled territory of the disputed Kashmir region. Although the possibility of an Indian military strike intentionally targeting CPEC projects is low, Chinese assets and personnel in Gilgit-Baltistan could find themselves in the cross hairs of punitive strikes when tensions between Pakistan and India run high. In June 2020, deadly clashes between Chinese and Indian troops in a disputed stretch of land, along the Line of Actual Control in the middle of Aksai Chin and Ladakh, brought the China-India relationship to a new low. While the immediate impact of the military stand-offs on CPEC is not clear, India's banning of 59 Chinese technology products, along with other possible actions against Chinese goods and nationals, could well be the prelude to a more affirmative anti-CPEC stance for New Delhi.¹⁴⁴

6. Looking Ahead: Uncertainties on the Rise

What are the big takeaways from this examination of a wide range of security challenges to the BRI and security issues arising from the BRI, both for China and for other states? Firstly, the BRI is upending Beijing's traditional approach to international affairs across several important dimensions, and the regime's rhetoric is finding it challenging to keep up. The BRI is acknowledged to be the centrepiece of President Xi's decision to graduate from paramount leader Deng Xiaoping's 'hide your capacities and bide your time' approach to China's international role. It is big, ambitious and out in the open. But at the same time, Beijing continues to insist that the BRI has no geopolitical motivations or ambitions and to frequently contrast it in this dimension with the US Marshall Plan for the reconstruction of Europe after the Second World War, which it describes as 'imperialist'. China is correct to highlight that the BRI is quite different from the pattern of 'commerce follows the flag' that marked the European powers' (and, in some way, the US) approach to the relationship between military power and economic expansion. However, even many Chinese experts see similarities between the Marshall Plan and the BRI, in the sense that both represent ambitious efforts to create a stable external environment conducive to the interests of both the external power and the recipient states.¹⁴⁵

Secondly, promoting the notion of China as a great power without geopolitical ambitions is not an easy sell for Beijing, and continuing to do so will only feed the suspicions around the BRI. It is hard to argue that the BRI is not connected to at least three big geopolitical concerns of China: stability in its western regions and the borderlands beyond; its ongoing quest for energy security and efforts to minimise its vulnerability to the US in the narrow SLOCs of the Malacca and Lombok straits; and its effort to take advantage of an apparent lessening of interest from the US in Southeast Asia. Stating that these are in China's geopolitical interest would not undermine the legitimacy of the BRI in the eyes of participating states, other countries and even

China's rivals. If the world is indeed becoming more geopolitically contentious, denying any geopolitical drivers or aims in the BRI looks like a losing public-relations strategy.

Thirdly, the BRI is also calling into question China's commitment to the principle of 'non-interference' in the domestic circumstances of other nation-states. The BRI is generating a huge outward flow into BRI partner countries of material, companies and state-owned enterprises, and people. All of them need to be secured and protected, especially given the uncertain environments in many of the participant countries. Non-interference is a good starting point for China's efforts in this direction, but in many cases it can hardly be the end point. Non-interference as a point of principle has already been shaken in Pakistan, where China is undertaking its own diplomacy with Baloch militants, and in Myanmar, where Beijing is directly engaging with several of the ethnic armies that hold effective sway in the border region.

Fourthly, unless Beijing changes its approach with regard to its Muslim population, especially the large Uighur community in Xinjiang province, it is almost inevitable that Beijing will become an increasing target of Muslim extremists in both Central and South Asia and in Southeast Asia. Nor will Beijing be able to count on the continued passivity of virtually all the governments of Muslim-majority countries. In many such BRI countries, Beijing will be increasingly dependent upon the ability of host governments to avoid becoming domestically isolated around this issue. By far the most important country to watch in this regard is Turkey, given that the Uighurs are a Turkic people and that Xinjiang is still often referred to as East Turkestan in the vast Turkic regions of Central Asia. Will a post-Erdogan government see a need to distance itself somewhat from the old regime's policy? What role will the large Uighur diaspora in Turkey play?

Finally, Southeast Asia appears to be the one region in which China is seeking to utilise the BRI as part of a broader effort to reorient the region away from its

long-standing linkages with the US and its Asian allies. The US rejection of the Trans-Pacific Partnership and the growing sense of unease among US allies and partners in the region concerning the longevity of US commitments to an active approach to the region is generating a range of hedging behaviours that, collectively, expand China's opportunity set with a wide range of countries. But Beijing faces a tough challenge in calibrating its actions. Much like the current US administration, China would like to have regional states make a definitive

choice of partners and is seeking leverage for achieving this end. Paradoxically, continuing an assertive approach to sovereignty issues in the South China Sea might very well be counterproductive to what appears to be Beijing's increasing desire to become the 'indispensable' economic partner for regional states. It quite simply might push regional states too hard, generating resentment and backlash. Focusing on the economic realm, which is more open to win-win outcomes, could well be a better approach.

Notes

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