Testimony before the U.S.-China Economic and Security Review Commission

The Geostrategic and Military Drivers and Implications of BRI

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Commissioner Shea, Commissioner Tobin, thank you for the opportunity to testify before this distinguished commission on “The Geostrategic and Military Drivers and Implications of BRI.”

I commend this commission for convening a daylong hearing on different aspects of China’s Belt and Road Initiative, or BRI. My testimony will focus on the geostrategic and military drivers and implications of BRI, while also touching on the larger elements of an American strategy intended to shape BRI to align with international rules and norms, cooperate selectively with China, and compete smartly where required.

What is BRI, and Why Does It Matter

China is making a trillion-dollar play to shape the economic and geopolitical future of the Indian Ocean rim and Eurasia. Unveiled by Chinese President Xi Jinping in the fall of 2013, what has since become known as the Belt and Road Initiative (though still sometimes referred to as “One Belt, One Road”) is a long-term effort by Beijing to link together parts of Asia, the Middle East, Africa, and Europe through building ports, rails, roads, pipelines, and telecommunications networks, and other types of infrastructure.

Geographically, BRI covers countries representing 65 percent of the world’s population and one-third of its economic output. China plans to spend a trillion dollars in support of the initiative, which at present encompasses two major parts: a “21st Century Maritime Silk Road” stretching from Southeast Asia across the Indian Ocean into the Mediterranean Sea; and, a “Silk Road Economic Belt” extending across Eurasia with branches terminating in Pakistan, Europe, and potentially additional locations. A “Digital New Silk Road” that

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overlays both the maritime and land corridors with communications technology infrastructure may eventually become a third major part of BRI.4

The primary drivers behind BRI ultimately relate to China’s domestic economy: the need to relieve surplus industrial capacity, the imperative to promote economic growth in China’s underdeveloped regions through greater international connectivity, and the ambition to transform state-owned enterprises into globally competitive companies. Yet BRI also reflects several geostrategic and military considerations. First and foremost is President Xi Jinping’s vision of national rejuvenation—a China predominant in Asia and the leading power globally by 2049.5 Longstanding concerns about China’s energy dependence on vulnerable sea lines of communication as well as a desire to stand up new China-centric international organizations also motivate BRI.6

Despite some recent high-profile setbacks to several BRI projects,7 China at present retains the initiative. And the United States should neither underestimate China’s ability to implement the vision articulated for BRI nor downplay the appeal of BRI to countries in dire need of investment in physical and digital infrastructure. In late 2013, a lack of imagination prevented the United States from anticipating the scope and consequences of Beijing’s land reclamation in the South China Sea, delaying a timely and vigorous response. By comparison, BRI is unfolding over a far larger land and maritime expanse, and could have more sweeping consequences for the United States.

**Geostrategic and Military Implications of BRI**

Given BRI’s enormous ambitions, even if many projects never fully deliver or fall through, it could still reshape the economic and geopolitical landscape of the Indian Ocean rim and Eurasia. Key geostrategic and military implications include:

**Accelerating the Demand for Chinese Power Projection.** BRI increases China’s need to project military power abroad. As Chinese investment and workers flow into far-flung and sometimes unstable regions, the demand for the People’s Liberation Army (PLA) to conduct noncombatant evacuations, humanitarian assistance and disaster relief (HA/DR), counter-terrorism missions, and other activities that Chinese strategists call “military operations other than war” will grow.8 So will the demand on the PLA Navy (PLAN) to protect sea lines of communication that connect the major nodes of the “21st Century Maritime Silk Road.”9 In turn, BRI will reinforce voices within the PLA calling for more investment in capabilities to project power abroad – though preferences for what form this investment takes will likely differ by service.10

**Facilitating the Supply of Chinese Power Projection.** Expanding the PLA’s presence overseas will require a dedicated logistics network that goes beyond “pit stops” at commercial ports. The dual-use infrastructure that China constructs through BRI – such as ports and airfields – can serve as the building blocks for a more robust logistics network that enables the PLA to deploy more regularly and at a larger scale into the Indian Ocean and beyond.11 Djibouti is a case in point, where China initially built a new commercial port and
subsequently secured agreement from the Djiboutian government to construct a nearby military facility.\textsuperscript{12}

**Enhancing China’s Diplomatic Leverage.** China’s lending practices associated with BRI at times deviate from global standards. In offering loans to countries at a level beyond their ability to repay, China has created debt traps that translate into financial leverage and permanently unequal diplomatic relationships. This in turn gives China an opening to parlay dual-use infrastructure constructed by its BRI investments into future military facilities that could provide a basis for projecting power in ways that go well beyond conducting non-combatant evacuations and counter-piracy.\textsuperscript{13} It also could enable China to compel indebted countries to support its larger geopolitical objectives on issues such as maritime disputes in the South China Sea and in multilateral forums like the United Nations.

**Complicating U.S. Military Operations.** The expansion of the PLA’s presence overseas that BRI both accelerates and enables will pose new challenges for the U.S. military. In peacetime, the United States and China will operate in close proximity, not only in new maritime locations such as the Indian Ocean, but also in new ways, such as conducting missions from bases in Djibouti that are less than 10 miles apart,\textsuperscript{14} increasing the possibility of accidents in a space that the “Rules of Behavior for Safety of Air and Maritime Encounters” concluded by the U.S. Department of Defense and China’s Ministry of National Defense in 2014 likely does not cover.\textsuperscript{15} To the extent that BRI paves the way for China to station its submarines in the Indian Ocean region,\textsuperscript{16} it will increase the undersea threat to U.S. warships operating there. Lastly, China could ultimately seek to deploy destabilizing capabilities such as long-range anti-ship missiles to the bases or military access points that BRI facilitates. This would create on a small scale the type of anti-access and area-denial (A2/AD) challenge confronting the United States in the Western Pacific, and elevate the risk to U.S. naval assets in the event of conflict.

**Improving China’s Energy Security.** Roughly 80 percent of China’s oil imports pass through the Strait of Malacca.\textsuperscript{17} BRI presents China with an opportunity to improve its energy security over the long term through creating a web of pipelines and ports that bypass this potential maritime chokepoint. Key projects include the China-Pakistan Economic Corridor (CPEC), which will allow China to transport Middle East oil from Gwadar to its western provinces, as well as a trans-Burma oil pipeline.\textsuperscript{18} Coupled with a growing PLA presence in the Indian Ocean, these new pipelines and ports will likely give Chinese leaders greater confidence in their ability to weather a maritime economic blockade in the event of a conflict.

**Bolstering China’s Digital Influence.** International attention has primarily focused on China’s efforts to build roads, rails, and ports across the Indian Ocean rim and Eurasia, yet digital infrastructure has emerged as a major element of BRI. Beijing has begun including communications connectivity in its investment plans. Digital infrastructural investment by China could pose a unique set of challenges, as Chinese companies have few qualms about exercising censorship, eroding online privacy, or intercepting trade secrets at the behest of the government in Beijing.\textsuperscript{19} Moreover, in its Next Generation Artificial Intelligence Development Plan, China has announced its intent to “accelerate the broad application of AI technologies in
countries along the ‘One Belt, One Road.’” China could potentially glean large amounts of data from the digital infrastructure constructed by BRI. This data could help to fuel China’s AI industry, and also give its companies a potential edge engaging consumers in markets across the Indian Ocean rim and Eurasia.

**Antagonizing India – and Irritating Pakistan.** BRI has amplified longstanding Indian concerns about Chinese encirclement. India has objected in particular to CPEC, which runs through Kashmir, territory that both it and Pakistan claim. For India, the development of the Gwadar port – a flagship project of CPEC – also raises the prospect of a Chinese military foothold along its western approaches. As Indian anxieties about BRI have increased, it has accelerated efforts to strengthen ties with the United States and Japan. From a U.S. perspective, this development reinforces regional stability; viewed from Beijing, it fuels fear of regional containment. While antagonizing India, BRI has also begun to create irritations in the China-Pakistan relationship. China has brought its own workers and companies into Pakistan, doing comparatively little to build local capacity. And China has at times attempted to impose strict conditions on lending that would undermine Pakistani sovereignty. Over time, BRI could make China an increasing target for local antipathy in Pakistan, perhaps reducing the level of popular dislike directed toward the United States.

**Weakening European Cohesion.** Chinese investment into Europe associated with BRI has exacerbated existing divisions pitting Western European states and Brussels – the seat of the European Union (EU) – against the less wealthy countries of Central and Eastern Europe. The EU’s leadership has displayed a cautious approach toward BRI, underscoring that it must “adhere to a number of principles including market rules and international standards.” However, states in Central and Eastern Europe have embraced BRI, and in Hungary’s case, may have ignored European public tender requirements when awarding China with a high-speed railway contract. Chinese investment into Central and Eastern Europe has also translated into diplomatic leverage, rendering European unity on key questions like how to manage China’s investment in high-technology industries more challenging. Overall, BRI will likely reduce Europe’s capacity to function as a unified partner in any American response to address China’s mercantilist trade and investment practices.

**The United States and BRI**

The United States has yet to develop a coherent strategy toward BRI. During President Obama’s tenure in the White House, BRI occupied a minor place in the hierarchy of issues that made up U.S. China policy. Other issues dominated the Obama administration’s focus on Beijing. On the cooperative side, addressing climate change, promoting global economic development, and ensuring support for UN Security Council sanctions against Iran received priority. On the competitive side, countering Beijing’s construction and subsequent militarization of artificial island outposts in the South China Sea absorbed the attention of senior officials. Consequently, the Obama administration never formalized a view of BRI. Even so, its commitment to strengthen regional connectivity – as manifested in multiple initiatives spanning Central, South, and Southeast Asia – and drive to boost U.S. investment across the Indo-Pacific functioned as a de facto response.
Although the Trump administration has yet to unveil a systematic response to BRI, it is clear that over the coming years, BRI will occupy a comparatively prominent place in U.S. policy toward China on the competitive side of the relationship. Senior administration officials including the Secretaries of State and Defense have publicly criticized BRI. President Trump has yet to directly address BRI in public remarks. However, in his speech at the APEC CEO Summit in November 2017, he delivered a thinly-veiled critique, calling for alternatives to “state-directed initiatives that come with many strings attached.” Without referencing BRI by name, the Trump administration’s new National Security Strategy acknowledges a “geopolitical competition between free and repressive visions of world order taking place in the Indo-Pacific region,” calling out China’s role in using economic inducements and infrastructure investments to pursue its geopolitical aspirations.

The Trump administration has started to sketch out limited elements of a U.S. approach toward BRI. At the APEC CEO Forum in November, President Trump announced that the United States would reform its development finance institutions to create new incentives for private sector investments. He has also urged international financial institutions (IFIs) to dedicate greater resources to large-scale infrastructure projects.

Thus far, the most promising aspect of the Trump administration’s evolving response to BRI is growing cooperation with allies and partners. During the president’s November trip to Asia, his administration announced that the U.S. Overseas Private Investment Corporation (OPIC) would join with Japanese partners “to offer high-quality United States-Japan infrastructure investment alternatives in the Indo-Pacific region.” Moreover, BRI appears to have been a topic of discussion in recent senior level meetings with India, as well as the revived US-Japan-Australia-India four-way talks, also known as the Quad. Overall, the Trump administration appears inclined to develop a robust strategic response to BRI.

Yet whether the Trump administration can fully execute a response to BRI is uncertain given its budgetary priorities and predisposition against multilateral organizations.

**Guidelines for a U.S. Strategic Response**

Ultimately, a U.S. response toward BRI must occur within the larger context of a positive American strategy to sustain the rules-based international order that since the end of World War II has underpinned global peace, prosperity, and democracy expansion. Recognizing this, the United States should seek to shape BRI to align with accepted international norms and standards; pursue opportunities for selective cooperation with China; and compete where required.

The following guidelines provide a basis for developing a U.S. response to BRI:

**Avoid a purely oppositional approach.** The United State should learn the lesson of its failed opposition to China’s Asian Infrastructure Investment Bank (AIIB): countries need new sources of investment, and are unlikely to be persuaded that they should reject additional opportunities for economic development based on abstract arguments over international principles. BRI fills a void left by traditional international financial institutions. Moreover, BRI’s activities run the gamut from predatory lending to investments that would pass muster...
under global norms. BRI is not a monolith, and treating it as such will make it more difficult to impose necessary scrutiny on those investments that deserve careful review.

**Offer a positive vision – one that includes China.** The United States should advance an affirmative vision of high-quality physical and digital infrastructure linking together Asia, Africa, the Middle East, and Europe in shared growth and preparation for the economy of the future. Washington should emphasize that development financing should expand opportunities – not constrict national choices through unsustainable debt or degrade national sovereignty through terms that ultimately compel countries to cede control of critical infrastructure. American officials should articulate that they welcome a more connected Indian Ocean rim and Eurasia in which China serves as one of multiple major nodes in a network of physical and digital infrastructure constructed not only by China, but also by a diverse set of states.

**Place U.S. allies and partners at the center.** The United States should seek to incorporate key allies and partners into the planning and execution of a strategy toward BRI. Their interests and concerns should inform and undergird a U.S. approach, not least because the United States alone cannot effectively respond to BRI given its vast geographic and financial scope. When identifying the most promising countries to involve in this effort, the United States should focus on allies and partners with sufficient resources and stature to chart their own approach toward BRI regardless of Chinese economic inducements or coercion. Here, Japan, India, Europe, Australia, and Saudi Arabia stand out. This collection of allies and partners will naturally have different perspectives and equities when responding to BRI, and the United States should provide a platform to facilitate information exchange and an alignment of approaches where possible.

**Shape Chinese overseas basing.** With BRI both accelerating and enabling the PLA’s operations abroad, the United States and its allies and partners should identify where a Chinese military presence would be most destabilizing and take action to prevent it or at least mitigate the consequences. For the United States, this will likely mean focusing more on BRI investments along the Indian Ocean rim than those in Central Asian states. The United States and its allies and partners should convey to countries considering granting China military access the potential consequences for their sovereignty, as well as types of PLA capabilities that would prove most disruptive. Congressional Delegations could play an important role in communicating these concerns to political decision makers in states where China is pursuing military access.

**Ensure the U.S. military can operate in A2/AD environments.** To the extent that BRI eventually paves the way for a network of overseas Chinese military facilities that feature some offensive capabilities, the United States could in the future confront on a limited scale the type of A2/AD challenge that today defines the Western Pacific. It is therefore essential that the Department of Defense (DoD) continues to invest in new capabilities and develops new operational concepts that will allow U.S. forces to effectively operate in A2/AD environments. A U.S. military designed to fight and prevail in the Western Pacific will be able to handle the comparatively modest A2/AD capabilities that China might deploy to future facilities in the Indian Ocean. Congress can play an important role in ensuring that the DoD
maintains an adequate focus on the force modernization required to prepare the U.S. military to operate in a highly contested environment.

**Focus on digital infrastructure.** U.S. companies have a comparative advantage in the digital domain, and the potential implications of the information technology dimension of BRI are most uncertain – and potentially most consequential over the long term. The United States and its allies and partners should consider launching a Digital Development Bank that would specialize in digital infrastructure and ensure that countries in the Indian Ocean rim and Eurasia have alternatives to a Faustian digital financing bargain with China.

In recent years, ambitious Chinese initiatives have too often caught the United States flatfooted. Now is the time to develop a strategic response to BRI. In the absence of a coordinated approach that brings together the United States and its allies and partners, large parts of the Indian Ocean rim and Eurasia could become the core of a new China-centric order in which many states have little choice but to follow Beijing’s lead.

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6. Johnson, “President Xi Jinping’s ‘Belt and Road’ Initiative.”
11. Yung et. al., “Not an Idea We Have to Shun.”
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24 When testifying before Congress, Secretary of Defense James Mattis bluntly observed: “in a globalized world, there are many belts and many roads, and no one nation should put itself into a position of dictating ‘one belt, one road.’” Speaking at the 2017 Atlantic Council-Korea Foundation Forum, Secretary of State Tillerson issued a public broadside against BRI: “China’s economic development, in our view, should take place in the system of international rules and norms, and One Belt, One Road seems to want to define its own rules and norms.” James Mattis in “Political and Security Situation in Afghanistan,” Stenographic Transcript Before the Committee on Armed Services of the United States Senate, October 3, 2017, https://www.armed-services.senate.gov/imo/media/doc/17-82_10-03-17.pdf; Rex Tillerson, “Meeting the Foreign Policy Challenges of 2017 and Beyond,” December 12, 2017, https://www.state.gov/secretary/remarks/2017/12/276570.htm.


