

M Saif ur Rehman *
M. Ihsan Qadir **
M Shafiq ur Rehman ***

Dynamics Of Establishing Maritime Silk Road: Prospects And Challenges

Abstract

This paper rotates around the notion of Maritime Silk Road, potential beneficiaries and challenges in the wake of Chinese drive towards its materialization. The 21st century is the century of initiatives and China is endeavouring to succeed in her plans. The objective of modern Maritime Silk Road strategy is to enhance trade and economic cooperation through massive investments in the projects facilitating seaborne trade. This venture will not only secure China's energy security rather regional connectivity and integration would be the byproduct of this initiative. Promotion of socio-cultural and politico-economic consolidation will lead to peace and prosperity at the region in general and globe in particular. Maritime Silk Road will also unveil the Chinese aspirations in the context of rising maritime power. Nevertheless, Chinese government has to be very mindful while calculating multiple risks and have to evolve a win-win strategy for various stake holders to achieve her stated ambitious agenda in the current century.

Keywords: *Maritime Silk Road, Trade and Economic Potential, Energy Security, SLOCs, ASEAN, Indian Ocean, Investment, Challenges.*

Introduction

The idea of 21st century Maritime Silk Road refers to a wider geographical region stretching from China and South China, South Asia, Southeast Asia, South West Asia, Europe and Africa. In total, there are sixty four countries with diverse socio-cultural, socio-political and economic potential from the stated regions at the

* former Director Research and Publications and faculty member at National Defence University, Islamabad.

** former Director National Centre for Maritime Policy Research (NCMPR) at Bahria University, Karachi.

*** Academician and recently awarded PhD from NDU, Islamabad in the discipline of Strategic Studies, respectively.

multiple locations of Maritime Silk Road (MSR). Therefore, the present Chinese imitative of modern MSR is in line with the ancient one. It is heading to restore the historical MSR with renewed efforts with the objective to enhance regional connectivity through trade and economic cooperation. There will be a gradual shift from the ancient silk route to the modern one and same will have complementary impact on MSR. The map of proposed 21st century MSR is shown as under.



The present Chinese project of MSR is not a new idea as the Middle Kingdom had already witnessed it in the 15th century as a sizable maritime power. The modern MSR is in fact ‘Renaissance’ in 21st century.¹ There will be two pillars of the new MSR, while linking China to the Indian Ocean via South Sea and the other beyond South China Sea to the South Pacific. This plan is equally in line with Chinese foreign policy towards Asia Pacific.² The motive is to encourage neighbouring states to cooperate in the domain of trade and commerce without attachment of any political strings.

The 21st century has embarked with new dimensions of international politics with liberalist paradigm, where geo-economics getting strength over other dimensions especially in the realm of geo politics. In other words geo-economics posing a serious challenge to geopolitics. The principles of International Political Economy will lead the world’s most vital decisions undertaken by the various powers and indeed China is going to make her mark in the present century due to her pragmatic approach. The key to success in this regard lies in the trade and commerce.

The political discourse is vulnerable to trans-border regional conflicts and multiple irritants. Nevertheless, the economic activities lead to the passage of prosperity and pro active economic diplomacy is going to decide the fate of politics in the long run since political diplomacy is quite time consuming and yet the victim of uncertainties in pursuit of projected goals.

The previous century is testimony to such like uncertainties, confusion and chaos both at the regional and the global level. Resultantly, mankind suffered in terms of men and material and its remnants are visible as yet. The contours of 21st century are quite obvious and the conception of MSR appears to be considerably appealing since its objectives are different from those of unbalancing the world order through hegemonic move in the garb of unipolarity.

Chinese scheme of integrating world through multiplied economic activities was conceived by the Chinese policy makers in late 2013³. The plan envisaged on creation of heavy infrastructure network facilitating economic and trade activities while linking East Asia with Europe and Africa. However, in this paper, the prime focus will restrict to the MSR only. The basic thesis is 'trade being engine of growth' can integrate the world with ultimate motive of achieving peace and prosperity. Thus, 2p (peace and prosperity) model is the hallmark of this project.

Implementation of MSR Strategy

The Chinese steady economic and industrial growth though going through phase of structural changes; yet aiming at meeting the future consumer requirements of the world and its materialization mainly through MSR. Chinese massive investments in establishing port facilities in Sri Lanka, improving relations with neighbouring countries, proactive role in various world fora is the manifestation of her forward looking policy. Thus, it's a kind of strategic shift in the thinking of Chinese foreign policy. The main contours of this shift are economic concentrations in which economic dimension will set the course of political order.

Besides a very ambitious plan of actions, nevertheless, it is exposed to number of challenges. The foremost is, would China be a competitor or collaborator for the rest of the countries? For instance, in South Asian context, Indonesia stands prominent with immense potential coupled with common interests and aspirations matching with those of Chinese have in the new MSR drive.⁴

Building of transport infrastructure and security are the identified areas of cooperation between China and Indonesia. Demonstration of the same was also reflected in the speech of President Xi Jinping delivered to Indonesian Parliament in October 2003. He said, the plan would envisage bilateral trade \$US 1 trillion between China and member states of Association of Southeast Asian Nations (ASEAN) within seven years. Whereas, trade between China and ASEAN had already touched increase 600% with \$US 440 billion up to 2012.⁵

The very first destination of Chinese investment would be Malaysia's part of Kuantan, with huge investment of 5.5 billion Malaysian ringgit. The terminal at Kuantan will have the capacity to handle yearly 1.5 million containers. The interesting part of MSR is not just maritime operations. Beijing is pursuing

formulation of ‘Shipping Insurance Association’ to emerge globally as a financial and logistic hub.⁶ The major Chinese insurance groups are equally working to attract international leading players rather than depending only on Chinese shippers and vessel operators.

In order to implement her ambitious agenda, China has to handle irritating factors in South China Sea with four ASEAN member countries including Philippines, Vietnam, Malaysia and Brunei. The sensitivity can be gauged due to the geostrategic location as over half of world’s bigger tankers pass through this region. A map in this regard is given below.



Beijing has equally paid attention to the strengthening of bilateral relations (through MSR strategy) with friendly countries like Sri Lanka, Pakistan, Maldives, Cambodia and Malaysia. China particularly since year 2013 has emerged as the largest investor in Sri Lanka by replacing India.⁷ Construction of an artificial island off Colombo worth \$US 1.3 billion by China is quite meaningful. Through this investment China has ensured a major stop at her maritime route. Chinese submarines docked twice in 2014 at newly constructed (worth US \$ 500 million) Colombo south container terminal. The same has been developed by the state owned and run China Merchant Holdings.⁸ Economic and financial incentives will play a crucial role through trade agreements and the infrastructural progression.

The MSR project will also facilitate frequent deployment of People Liberation Army Navy (PLAN) in the Indian Ocean and beyond. Provision of a reliable and smooth chain of logistics to PLAN is the most essential prerequisite for its

operational commitment. This becomes further a daunting task across the Sea Lines of Communications (SLOCs) leading to Southeast Asia and South Asia. Nonetheless, the US Navy and allied forces will keep on maintaining an upper edge in the region in the foreseeable future.⁹

So far Pakistan is concerned, its unique geostrategic location is the main factor in geopolitical alliance with China. Pakistan provides a role of gateway to China being just 386 km away its Gwadar port from strait of Hormoz¹⁰. Pakistan's ports of Karachi and Gwadar are situated at the busiest SLOCs. Thus, Pakistan is the most crucial element in implementation of China's strings of pearls' strategy that is, linking South China Sea, South Pacific Ocean and the Indian Ocean.¹¹ The key Chinese objective is to safeguard smooth energy supplies to meet her growing industrial needs. Also to discontinue her reliance on the long, uneconomical sea route, vulnerable to partial disruption by the US Navy at Malacca straits.¹²

In order to materialize New MSR project, China has strategized its implementation while focusing on ten leading destinations around the globe starting with Gwadar (Pakistan). Beijing's strategic focus is to develop linkage of Western China with Middle East and Europe. The second investment destination is Bagamoyo (Tanzania).¹³ It can help link with East-Africa and Asian markets. The third project 'Golden Water Ways' is the highly controversial potential project in Thailand. This project has local and international criticism and could not succeed so far. However, it proposed construction of a canal (Approximately 30 km) through Isthmas of Kra in Thailand; by cutting narrowest part of Thailand and allowing ships a short passage from China to Europe, hence avoiding Malacca straits.¹⁴ Map below depicts the same route.



Humbantota (Sri Lanka) port project worth Chinese investment of US\$ 1.7 billion aims at developing international airport and export processing zone.¹⁵ Though Sri Lankan government is inclined towards this project, nevertheless, New Delhi is apprehensive of this development on pretext of Beijing's move to establish a naval base in the middle of Indian Ocean. However, China has denounced the Indians accusations in this regard.

Djibouti is the next destination for safeguarding MSR project from the risk of piracy. In this context, a naval base is being constructed to ensure anti piracy naval operations. This development will provide China an opportunity to increase her strategic overtures by expanding military outreach and protection of global commercial interests.¹⁶ Bay of Bengal is another option for China to avoid Malacca straits. Kyaukphyu port of Myanmar can provide this option on the MSR. China has inked a deal to establish an Industrial Port at this location. However, Indian pressure through the tool of creating delaying tactics cannot be ruled out.

Woody Island (a disputed territory in (East Asia) has a strategic relevance for China to establish its air and naval bases. The US is in the main obstacle in capitalization of this project. Indonesian ports are the focus of Chinese strategy of new MSR. However, Jakarta is hunting for other options as well mainly Japan to develop her port facilities in number of islands, hence, posing a serious challenge to China for devising plausible strategy in this connection. Piraeus port of Greece is quite lucrative for Chinese outreach, however, it remained under develop. One of the leading Chinese companies – China Ocean Shipping Group had made a projected investment of € 1 billion for up gradation and improvement of the port facilities.¹⁷ China will be benefitting from this logistical hub for getting connected with Eastern Europe by rail and at large Asia through Sea.

Lastly Suez Canal is the zone of utmost importance for Chinese strategic interests as bulk of China's trade pass through this canal. Egypt enjoys pivotal position rather a key plank of the MSR. Number of Chinese companies investing in Egypt, besides helping in construction of a new capital situated in between Cairo and Suez Canal.¹⁸

Analysis

Indian Ocean region plays a pivotal role in the gambit of MSR strategy. Incidentally neither Chinese growing interests in the region has been satisfactorily addressed nor could averse the challenges it facing. In the realm of Indian Ocean, China is exposed to a few risks as following:-

- Chinese policy is misunderstood by the outer world especially Chinese 'string of pearls' policy is viewed with suspicions.¹⁹

The analyst at New Delhi and Washington viewed the Chinese move as an effort to dominate the Indian Ocean.

- Foolproof protection of its interests, as this ocean in military perspective, known as a "Distant Ocean" , considering long term deployment of naval forces.
- Geopolitical conflicts and big players competition leading to security dilemma, since this ocean has become a favourite region for geopolitical domination and tug of war between the regional and the extra regional players.
- Lack of clarity regarding the definition of the Indian Ocean as a geographic entity and its coastal areas. Maritime safety and capacity is another area of risk for the entire ocean. China has to evolve interests' projection mechanism on the perpetual footings.

Apart from the economic and trade benefit, energy security is an important contour of MSR. In China's context, not only diversified energy resources are to be accessed but also cost effective, uninterrupted energy supplies are to be ensured.²⁰ The Chinese perspective of energy security – diversification of energy based on both traditional and renewable mix, is equally crucial in MSR context. Nevertheless, real dependency of Chinese industrial set up is on the oil, hence, smooth transportation of oil supplies is the real concern of China. Therefore, MSR strategy cannot be evaluated without addressing smooth energy supplies from the main oil producing countries ranging from Africa to Middle East etc.

In this premise, SLOCs are considered to play a crucial factor. That is why China is well aware of the strategic significance of SLOCs, because bulk of Chinese oil and trade deliveries are seaborne and pass through the Indian Ocean and the South China Sea. The Chinese government is expecting enhanced consumption of energy that went up 108 billion cubic meters (bcm) in 2010, 230 bcm in 2015 and 400 bcm by 2020 respectively.²¹ Therefore, the ever rising energy demand is depending on the seaborne trade as the 80% of oil imports prior to reach China, has to pass through SLOCs.

Disruption of oil supplies at maritime choke point is the serious vulnerability to the international energy transportation system. The disruption may lead to shortages, prices hike and security risks as well. Thus, security of SLOCs matters a lot for China and MSR is a factor to address such like eventuality. This could be linked to communist party of China report in 2012 regarding maritime security. As

per this report, China has to devise capability for securing her maritime interests.²² China has a plea to deploy PLAN for operations in the domain of maritime security, including strategic bottleneck at SLOCs and vassal protection and foreign based energy resources.

Creation of blue water navy is a case in point in this backdrop. Safe evacuation of 35000 Chinese workers from the 2010 Libyan civil war through a PLAN frigate was the first ever successful operation to Africa and the Mediterranean.²³ The successful PLAN's operation is the manifestation of its robustness and professional competence to handle any future untoward situation.

Though China's Asian Infrastructure Investment Bank (AIIB) and Asian Development Bank have carried out an estimation of US\$ 8 trillion up to 2020 to meet the Asians' infrastructural development with the support of MSR.²⁴ Nevertheless, yet it is facing two dimensional serious challenge while pursuing her investment agenda. This include suspicious outlook towards China by a few Asian states coupled with vulnerability of Chinese massive investments attributed to the political peril. The strategic skepticism is mainly from the Indian side. Chinese investments in South Asian and East Asian countries adding anxieties for Indian strategists who view their investments as promotion of PLAN's outreach alongwith SLOCs.

Safeguarding Chinese investments and avoiding political risks is an area of anxiety towards implementation of MSR agenda. Cancellation of a few projects by the host countries due to changed regimes has raised serious questions about the political security of the investment projects. There have been 120 failed outbound deals from 2005 to 2014 and 25% out of those were due to the political factors;²⁵ specifically in Philippines and Myanmar and now Sri Lanka as well. The Chinese strategists have also to pay attention about the speedy implementation plan of MSR through multiple plans including:-

- Participating actively in the intraregional multilateral security cooperation.
- Enhancing collaboration with the prominent players in the Indian Ocean.
- Extending support to UN in implementation of its role.
- Supporting creation of new multilateral mechanisms in the domain of security.
- Paying attention and handling political risks and uncertainties and obstacles implementation of MSR agenda.

Conclusion

The Chinese agenda of establishing MSR is quite demanding and ambitious as well. China concurrently facing the queries regarding potential impact of MSR in Southeast Asia. The unstable situation in South China Sea, disputes among some ASEAN member states leading to skepticism that China may use her financial investments as a political leverage during negotiations, to rejuvenate her status of maritime power.

In view of the significance of the trade and commerce, the cooperation between China and the countries on the route MSR will be the key factor in developing the 21st century MSR. This will have far reaching dividends from the global as well as regional perspective. Flow of Foreign Direct Investments in building seaport facilities and allied infrastructure would lead to address the question of unemployment, poverty and reduce the risks of economic uncertainties at both global and regional ends. Chinese economy will be the direct beneficiary of accelerated growth as a result of cooperation with the countries along the MSR route in the long run. Establishment of people to people contacts, enhanced connectivity will create positive atmosphere leading to harmony and an urge for a peaceful prosperous world.

However, the economic and trade cooperation is fraught with the risk of economic slump rather slow economic growth of various regions on MSR. A tangible recessionary downward economic and trade outlook coupled with imbalanced regional development and widened gap between economic development and trade cooperation with China. Thus China needs to chalk out a renewed foreign investment policy friendly towards the host countries.

In nutshell, MSR is an investment driven regional integrated strategy initiated by China in the backdrop of US moves towards rebalancing Asia strategy. In the ambit of economy, it aims at creating more opportunities for China vis-à-vis littoral states in Asia. On diplomatic ground, China is endeavouring to improve her dispute towards South China. On strategic front, China is making concerted efforts to enhance outreach to the SLOCs with the strategy of developing infrastructure, facilitating maritime networks in both Indian and West Pacific Oceans in the long term.

Endnotes

¹ Chinas' New Maritime Silk Road: Implications and Opportunities for Southeast Asia. Online available at <http://www.cn-asiacentre.en/pub>.accessed on October 8, 2016.

² Ibid.

³ Down the Maritime Silk Road, *The Australian Review*, December 6, 2013 online available at <http://www.theaustralian.com.au/business>. Accessed on October 8, 2016.

⁴ Ibid.

⁵ Ibid.

⁶ Dr. Peter Roell, '*An Ambitious Understanding. A View from Europe*', *ISPSW Strategy Series*, Issue No 411. March 2016.

⁷ Ibid

⁸ Ibid

⁹ Ibid.

¹⁰ Beijing's Maritime Silk Road Passes through Islamabad *Yale Global outline*, July 21, 2015. <http://www.yaleglobal.yale.edu/content>

¹¹ Ibid.

¹² Ibid.

¹³ Merlinlinehan, 'Ten Projects that will define Chinese Maritime Silk Road initiative, June 3, 2016. Online available at <http://rising-powers.com/2016/06/03>. Accessed on October 8, 2016.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ "China builds up strategic sea lanes". *Washington Times*, January 17, 2005. <http://www.washingtontimes.com/new/2005>, accessed October 9, 2016.

¹⁹ Christopher Len, '*China's 21st Century Maritime Silk Road initiatives*, *Energy Security and SLOC*, Vol.II: No. 1 Summer 2015, p.2.

²⁰ Ibid.

²¹ Ibid. p.4

²² Ibid. p.5

²³ Gabe Collins and Andrew, S. Erickson, "*Implications of China's Military Evacuation of Citizens from Libya*", *China Brief*, Issue II, No. 4, March 10, 2010.

²⁴ ²⁴ Christopher Len, '*China's 21st Century Maritime Silk Road initiatives*, *Energy Security and SLOC*, Vol.II: No. 1 Summer 2015, p.8.

²⁵ Ibid. p.11.