# Testimony before the Senate Committee on Finance Subcommittee on International Trade, Customs and Global Competitiveness United States Senate

Hearing on "China's Belt and Road Initiative"

Testimony by Roy D. Kamphausen Commissioner U.S.-China Economic and Security Review Commission June 12, 2019 Chairman Cornyn, Ranking Member Casey, distinguished members of the Committee,

Thank you for the opportunity to appear before you today to share my views on the strategic as well as military and security components of China's Belt and Road Initiative (BRI), building on my colleague's statement. I want to recognize the Committee's vigilance for bringing to the public's attention this important issue, which is the subject of my testimony today. These views are my own and do not necessarily reflect those of the U.S.-China Economic and Security Review Commission, where I serve as a Commissioner, although they are informed by the Commission's body of past and ongoing work on this subject.<sup>\*</sup>

The perspectives I offer also reflect the studies we have undertaken at the National Bureau of Asian Research (NBR), including the seminal monograph on the BRI, titled *China's Eurasian Century*, authored by my colleague, Nadege Rolland.

## I. Overview of the Belt and Road

It is entirely fitting that the Senate Finance Committee Subcommittee on Trade, Customs, and Global Competitiveness invite testimony on the strategic intentions and implications of the BRI. The Chinese response to Trump Administration arguments that the U.S. is fully engaged in a strategic competition with China decry "Cold War" thinking on the part of the U.S., but do not deny that a competition is underway. Indeed, Beijing seems to have been waiting for the U.S. to join this competition well before our own acknowledgement of the process already underway. The perspectives held by Chinese leaders on the strategic and security dimensions of the BRI, as are readily available from their public statements and speeches, are thus as essential as PRC perspectives on the economic, trade and development dimensions of the BRI to grasping Beijing's overall intent. This understanding then is a necessary first step to informing Congress' own policy responses to maintaining American competitiveness.

A year and a half ago, in testimony before the House Committee on Foreign Affairs, I argued that the BRI represents a test case for China's vision for a new international order throughout Eurasia, and possibly even the world. The contours of that desired order are now more clear, and Beijing's ambitions even greater, than they were even that short time ago.

Today, China has demonstrated that it intends for the BRI to be not merely a regional initiative, but a global one, as the Chairman just stated. China has extended the BRI into the Western Hemisphere, Europe, and the Arctic, and has launched what it calls a "Digital Silk Road" and a "Space Silk Road," seeking influence not only around the world, but also in the key domains of cyberspace and outer space.

More broadly, China has used the BRI to promote its influence in revising the rules of global economic governance and, even more fundamentally, the international order itself. In a speech marking the fifth anniversary of the BRI in August 2018, Chinese Communist Party (CCP) General Secretary Xi Jinping declared that the initiative "serves as a solution for China to improve global economic governance [...] and build a 'community of common human destiny'"—a term used by Chinese leaders with increasing frequency to refer to a global order aligned to Beijing's liking.<sup>1</sup> Beijing has also used the BRI to support its ambition to construct a "new world media order" to stifle independent journalism and criticism of China around the world.<sup>2</sup>

<sup>\*</sup> The U.S.-China Commission published a chapter on the BRI in its 2018 Annual Report to Congress. The research and findings from that chapter are central to arguments made in this testimony, which draws heavily on that and other ongoing Commission analysis.

From the available evidence, it seems apparent that Beijing is trying to restructure the global governance system by realigning global supply chains, financial networks, technical standards, and internet networks and governance to conform to China's preferences.

Military implications of the BRI have also begun to emerge. In recent years, Beijing has tasked its military to protect China's overseas interests and spoken openly about the military utility of BRI investments and the need to extend its military reach to protect these commitments. Ports and airfields constructed by Chinese state-owned enterprises span the globe, which Beijing has used in conjunction with other debts, including those incurred from BRI projects, to pressure host nations to cede sovereign control over territory or even host a Chinese military presence.<sup>3</sup> For these reasons, it is likely that China will continue to increase its global engagement; People's Liberation Army (PLA) bases in Djibouti and Argentina are unlikely to be their last.

While China has signaled it may be willing to make some rhetorical or tactical adjustments to the BRI in response to the mounting global criticism it has received, there is no indication it will fundamentally alter the project's most problematic practices. As China continues to add new BRI signatories and reinforces the scheme's centrality to Chinese foreign policy, we should expect instead that China will only redouble efforts to establish the BRI, along with the political, economic, and military implications of the scheme, as enduring and accepted features of the international order.

For the purposes of this hearing, I will focus on the strategic component of the BRI, especially how Beijing is using the BRI to extend its political and military influence around the world.

## II. BRI as an Instrument of Grand Strategy

While China routinely denies any strategic motivation behind the BRI, the project's geopolitical significance is apparent. Chinese leaders view the BRI as evidence of Beijing's increasing global influence and as an instrument to promote China's political and economic development models as worthy of respect and even emulation. As such, Beijing uses its promotion of the BRI to raise China's international status, enhance the legitimacy of the Chinese Communist Party (CCP) both at home and abroad, and position China to lead global efforts to revise key features of the international order.

At its core, the BRI functions as a strategic instrument to shape and accelerate changes to the international order and balance of power. In Beijing's view, the world is currently experiencing epochal changes "not seen in a century," and the CCP is presently and must continue to play a central role in driving, and even leading, these changes.<sup>4</sup> According to CCP leaders, the BRI is a primary component of the "great struggle" China must carry out as it assumes a central role in global affairs and "takes the wheel" and provides a "Chinese approach" to revising global governance structures and norms.<sup>5</sup> The BRI is therefore both an important vehicle for China to promote these changes and a validation itself of China's progress toward achieving its goals.

In moves reflecting the project's strategic importance, the CCP enshrined the BRI in its constitution and as an official pillar of China's more assertive diplomacy under Xi Jinping.<sup>6</sup> The CCP traces the origins of the BRI to Xi's "profound reflections on the future of human destiny," which also produced the other signature component of China's foreign policy under Xi Jinping, the aforementioned "community of common human destiny." CCP leaders describe the BRI as the key test bed for the latter effort, which derives in turn from what the CCP identifies as its "historic mission" to not only govern China, but to profoundly influence global governance as well.<sup>7</sup> In a

speech marking the fifth anniversary of the BRI in August 2018, Xi Jinping described the BRI both as a platform for economic cooperation and an "avenue [...] for perfecting the global development model and global governance."<sup>8</sup> In a further turn of phrase that could be considered absurd had it not come from China's highest leader, Xi went on to claim that the BRI "occupies the commanding height of international morality and justice."<sup>9</sup> As such, it should be clear that Beijing views the BRI not only as providing other countries with an economic and political model worth emulating, but as a morally justified endeavor.

In tandem with the BRI's problematic economic components, a number of the political and social initiatives China has advanced through the BRI offer a troubling preview of what a world reflecting the interests of China's political system might resemble. For instance, China has used the BRI to advance the CCP's broader and longstanding effort to export its state-controlled, authoritarian model for media and political discourse. In countries from Africa to Europe and the Western Hemisphere, China-ranked 176th out of 180 countries in the 2018 World Press Freedom Index compiled by Reporters Without Borders (RSF)—has used BRI partnerships to expand its influence into local media markets to establish what it has termed a "new world media order."<sup>10</sup> According to a landmark 2018 RSF study, this effort represents Beijing's determination to stifle independent journalism and international criticism of China while legitimizing China's own "repressive vision of how media should function."<sup>11</sup> In April, China hosted the inaugural meeting of the Belt and Road News Network-an association consisting of 182 media outlets from South Africa to France—where Xi Jinping exhorted countries involved in the BRI to produce news stories boosting public support for the project.<sup>12</sup> The establishment of this network builds on the investments described in the RSF study that China has made to fund foreign journalists travelling to China for training in Chinese state-run media practices, purchase controlling stakes in foreign Chineselanguage and other media, and promote China's concept of cyber sovereignty that would give governments the right to control internet users and content within its territory.<sup>13</sup> The new media order is just part of a broader united front strategy-including in foreign academic circles-to shape the mindsets and perspectives of elites in the developing world and even in developed countries.

## III. Military and Security Component of the BRI

On the military and security side, while the BRI was not conceived to serve purely military objectives, it does serve strategic ends that include military purposes. Beijing has made clear it intends to guarantee the security of BRI projects, although the exact methods it might employ to do so remain under development. In private discussions, PLA officers have told me that the responsibility for security lies solely with the state owned enterprises which develop the projects. Such an argument rings hollow, however, when contrasted with the statements and acts of a PLA that is much more outwardly focused on defending Chinese interests and personnel abroad.

What is not known at present is whether China intends to protect the BRI through enhanced security cooperation with partner militaries, capacity building of host nation security forces, outsourcing of security to private security providers, or potentially through the deployment of active PLA forces in certain circumstances. Still, recent statements and writings from Chinese leaders reinforce the military significance of the BRI and suggest that serious deliberations are now underway about extending formal military protection for the BRI and China's other overseas commitments.

In recent years, Beijing has been increasingly open about its intent to regularize overseas military deployments to protect its expanding global interests. In its 12th Five-Year Plan issued in 2011, China publicly obligated the state to protect its "overseas interests," which built on the CCP's instructions since the discussion in the early 2000's of "new historic missions" for the PLA so as to assume a more active global role. Beijing formally codified this mission for the PLA in its defense white paper issued in 2015.<sup>14</sup> The PLA has also established at least one, and potentially more, overseas military bases, including a naval base in Djibouti and a PLA-operated space station in Argentina.<sup>15</sup> In so doing, China has shut the door firmly on its previous claim—notably expressed in its first defense white paper, issued in 1998—that China "does not station any troops or set up any military bases in any foreign country" as a matter of policy.<sup>16</sup> In addition, authoritative publications on China's military strategy have discussed the need for the PLA to achieve effective "forward defense" to protect China's expanding national interests and extend the country's strategic depth.<sup>17</sup>

In January, Xi Jinping called on China to improve the protection of its overseas economic interests, including through building what he called a "system of security guarantees" for the BRI. While he did not specify a role for China's military in this effort, the language Xi used was similar to a statement from China's minister of defense in 2018 announcing the PLA's interest in working with Pakistan to provide a security guarantee for BRI projects.<sup>18</sup> In publications in military journals, the PLA has described the BRI as itself an effort to expand China's strategic depth, which has generated new requirements and options for Beijing to use and station military forces overseas. In a recent article by several PLA Air Force officers, the authors reveal the existence of a military "going global" strategy that requires the PLA to routinize military activities outside China's borders while encouraging the use of BRI investments-especially in ports, airports, and railways—to support overseas power projection.<sup>19</sup> By developing a force that can rapidly deploy overseas, the authors claim, the PLA will be able to provide the "national security conditions for the ultimate fulfillment of the strategic objective of the BRI."<sup>20</sup> In an article published in 2018, a high-ranking PLA Navy officer similarly described the BRI as a justification for China to increase its overseas military presence and expand its strategic depth, including by establishing additional overseas military bases.<sup>21</sup>

Not all BRI projects have dual civilian and military purposes, and many provide some necessary resources for urgent infrastructure shortfalls in countries around the world. Still, certain BRI investments do hold potential military value for China, and others provide Beijing with leverage over host countries to potentially establish a future military presence. For instance, China secured rights to establish its military presence in Djibouti and Argentina through secret negotiations following major deals for infrastructure investments and other financial assistance with both countries.<sup>22</sup> In the case of Djibouti, the country has received financing from China worth nearly \$1.4 billion, or around 75 percent of Djibouti's GDP, which almost certainly played a role in its agreement to approve the Chinese base.<sup>23</sup>Media reports suggest China may have pressured a number of other countries that have received significant BRI or other Chinese financing, including Cambodia, Vanuatu, and Namibia, to allow China to establish a similar military presence, and at least six African ports China has invested in have been visited by Chinese naval vessels or are dual-use civilian-military ports.<sup>24</sup> According to the U.S. Department of Defense, Beijing may believe that "a mixture of military logistics models, including preferred access to overseas commercial ports and a limited number of exclusive PLA logistics facilities, probably collocated with commercial ports, most closely aligns with China's overseas military logistics needs."25

Concerns have also arisen over the potential for host countries to cede sovereign control to Beijing over territory hosting Chinese-built infrastructure projects. While leasing arrangements would not necessarily enable China to use this infrastructure for military purposes, Beijing could potentially install dual-use support facilities on leased territory during peacetime or pressure host nations to allow the PLA to make use of their lease during an emerging crisis or conflict. For instance, China's 99-year lease over Hambantota Port in Sri Lanka—the most notable example of Beijing converting debt into a controlling equity stake on a Chinese-built infrastructure project—forbids China from using the port for military purposes without permission. Still, Beijing could conceivably leverage Sri Lanka's remaining debt to China, which totaled approximately \$8 billion in 2018 by one estimate, to persuade Colombo to grant Beijing this consent under duress.<sup>26</sup>

#### IV. Examples of Pushback to the BRI and China's Response

Almost from its inception, BRI has raised concerns about debt sustainability in recipient countries. China does not follow international development finance standards, and does not disclose the amounts or the terms for loans it offers.<sup>27</sup> Analysis by Aid Data, a research lab at the College of William & Mary, shows that most of China's state lending overseas is based on commercial, nonconcessional terms.<sup>28</sup> A March 2018 report from the Center for Global Development assessed the current debt vulnerabilities of countries identified as potential BRI borrowers. Out of 23 countries determined to be significantly or highly vulnerable to debt distress, the authors identified eight countries—one of these being Djibouti—"where BRI appears to create the potential for debt sustainability problems, and where China is a dominant creditor in the key position to address those problems."<sup>29</sup>

Although China often makes deals with countries vulnerable to economic distress and political coercion due to poor governance, weak financial regulations, and corruption, a number have spoken out about their concerns over the debt and sovereignty risks associated with BRI loans.<sup>30</sup> In a notable example of pushback, Malaysian Prime Minister Mahathir Mohamad spoke out during a trip to Beijing last year about his concern over the exorbitant costs of BRI projects in his country, warning against BRI partnerships giving way to a "new version of colonialism."<sup>31</sup> As a result of this pushback. Malaysia successfully lowered the price tag of its largest BRI project by a third, while it was revealed that in 2018 a team of U.S. experts dispatched by the U.S. Agency for International Development assisted Myanmar in renegotiating the cost of a major BRI port deal from \$7.3 billion to \$1.3 billion, suggesting other BRI recipients may be interested in similar outside assistance.<sup>32</sup> During Mr. Mahathir's campaign in 2018, the then candidate specifically connected Malaysia's growing indebtedness to China with a potential loss of sovereignty, obliquely referring to the case of Sri Lanka while warning that Malaysia did not want to similarly "lose chunks of [its] country."<sup>33</sup>Recognizing the need to reinforce global norms and best practices for development aid and investment, a number of countries-including the United States, Japan, India, and European countries-have announced new projects to provide countries in need of infrastructure assistance with alternatives to the terms of China's BRI.<sup>34</sup> More recently, following the passage of the BUILD Act, Australia, Canada, the European Union, and Japan signed multilateral cooperation agreements with the revitalized U.S. Overseas Private Investment Corporation to drive growth in emerging markets that adhere to high standards and provide alternatives to "unsustainable state-led models."35

Still, while China has been sensitive to the growing backlash against the BRI, it does not appear to have fundamentally altered the initiative's most problematic components or diminished its efforts to gain acceptance of the BRI as a legitimate model for extending China's political, economic, and military influence abroad. At a world summit for BRI participants in April, Xi Jinping sought to assuage countries' concerns over the BRI but restated China's view of the project's significance as a new model for global economic governance.<sup>36</sup> With the continued addition of new signatories to the BRI, including Italy's accession over the strong protests of the United States and European Union, Beijing may have grounds to remain confident in the prospects for the project's viability. Despite protests over their BRI debts, countries have refrained from canceling projects outright and opted instead to renegotiate better terms, suggesting the ultimate fate of China's model may hinge on the ability of the United States and its allies and partners to reinvigorate alternative programs to address the vast global development needs.

Similar to the ways in which countries have responded to the economic dimensions of the BRI, there have been different reactions to the military dimensions of BRI investments, ranging from working more closely with China to strengthening partnerships with the United States and its allies and partners. For instance, BRI recipients Thailand and Cambodia have both increased military cooperation with Beijing in recent years, and Pakistan launched a 15,000-strong security force in 2016 dedicated to protecting BRI investments along the China-Pakistan Economic Corridor.<sup>37</sup> At the same time, countries in receipt of BRI investments, including many in South and Southeast Asia, have also opted to enhance their security partnerships with the United States and its partners in the Indo Pacific.<sup>38</sup>

#### V. Conclusion and Recommendations

BRI's geographic ambition and variety and scale of projects may make it seem like an insurmountable challenge to the global liberal order. While this is not yet true, the United States and its allies and partners must be vigilant in monitoring Chinese activities and relentless in protecting our interests. More than anything, we should be proactive—not reactive—when formulating the U.S. response to the BRI. The first step is to ensure that we have a clear-eyed view of Chinese strategic intent in its promotion of the BRI and formulate a comprehensive response ourselves spanning the political, economic, and security components of U.S. national power. Central to this response must be a recognition that the BRI is not a standalone project that can be isolated, but an embodiment of China's broader strategic aims.

The U.S.-China Commission made 26 recommendations in its *2018 Annual Report to Congress* to help bolster U.S. economic, security, and diplomatic capabilities pertinent to our relationship with China. Excerpted below is a key recommendation from the Commission that is particularly relevant to understanding Chinese intent:

• Congress require the Director of National Intelligence to produce a National Intelligence Estimate (NIE), with a classified annex, that details the impact of existing and potential Chinese access and basing facilities along the Belt and Road on freedom of navigation and sea control, both in peacetime and during a conflict. The NIE should cover the impact on U.S., allied, and regional political and security interests.

<sup>&</sup>lt;sup>1</sup> Xinhua, "Xi Pledges to Bring Benefits to People through Belt and Road Initiative," August 27, 2018.

<sup>&</sup>lt;sup>2</sup> Reporters Without Borders, "China's Pursuit of a New World Media Order," March 22, 2019.

<sup>&</sup>lt;sup>3</sup> Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *New York Times*, June 25, 2018; David Hutt and Shawn W. Crispin, "Cambodia at Center of a New Cold War," *Asia Times*, November 14, 2018; U.S.-China Economic and Security Review Commission, "China's Engagement in the Pacific Islands: Implications for the United States," June 14, 2018;

Elizabeth Economy, "China's Strategy in Djibouti: Mixing Commercial and Military Interests," Council on Foreign Relations, April 13, 2018.

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