



## INFORMATION SERIES

HON. DAVID J. TRACHTENBERG, *Editor*  
DR. MICHAELA DODGE, *Assistant Editor*  
AMY JOSEPH, *Managing Editor*

Issue No. 447

October 22, 2019

---

### **National Security Perils of China's Belt and Road Policy**

Douglas J. Feith and Shaul Chorev

*Douglas J. Feith is a Senior Fellow at the Hudson Institute and served as Under Secretary of Defense for Policy from July 2001 until August 2005. Admiral Chorev, who heads the Research Center for Maritime Strategy at the University of Haifa, served as Deputy Chief of the Israeli Navy and as head of Israel's Atomic Energy Commission. This article is excerpted and adapted from a recent report entitled "The Eastern Mediterranean in the New Era of Major-Power Competition" by the University of Haifa-Hudson Institute Consortium on the Eastern Mediterranean.<sup>1</sup>*

China's emergence as a world power has been underway for decades, but it accelerated stunningly in the last few years since President Xi Jinping came to power, consolidated his authority and adopted military, diplomatic and economic policies that are boldly ambitious, nationalistic and far-sighted.

Perhaps the greatest strategic challenge facing the United States now is how to regulate its business and other relations with China in light of President Xi's aggressive aims and his determination to "fuse" China's commercial and military interests. Given China's economic importance in the world, it is an unprecedented problem. The answer is not to stop all trade with China; that is not necessary, realistic or advisable from a business point of view. But obliviousness is not the answer either. It would be reckless to ignore the role of economic activity, including private commercial transactions, in China's defense policy and national security strategy.



## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

The challenge has become reasonably clear only in the last half dozen years or so. The United States has by no means mastered it. U.S. officials are just beginning to develop the necessary new laws, policies and initiatives. They are just beginning to discuss, debate and sometimes quarrel with allies about how to counter Chinese ambitions regarding 5G internet infrastructure, artificial intelligence, quantum computing, advanced manufacturing technology, cyber operations, influence over critical facilities (e.g., seaports) and other militarily sensitive matters. Such discussions are already generating friction. The stakes are high and will weigh heavily in U.S. foreign policy. Attitudes toward China will be an important factor in shaping future U.S. relations with Britain, Germany, France, Italy and other important allies of longstanding, as well as with Israel.

Chinese national security strategy is based on historical themes that the ruling Chinese Communist Party promotes in its schools and museums and in the speeches of government officials. First is China's "century of humiliation," beginning in the 1830s, inflicted by the Western powers and Japan. Second is China's rescue from this plight in 1949, when the Communist Party led by Mao Zedong took over through revolution. Third, China has been transcending its long humiliation by building its strength over the last seventy years.

Fearing that others might stifle its emergence as a great power, China long adhered to a policy articulated by Mao's successor, Deng Xiaoping, which called for maintaining a non-aggressive low profile as China grew its power. The policy became famous through Deng's dictum: "hide your strength, bide your time."

President Xi, however, has moved China into a new era. Leaving behind the "hide and bide" policy, he has declared that China stands "tall and firm in the East" and should now "take centre stage in the world."<sup>2</sup> China is asserting itself. It is, for example, claiming sovereignty over vast areas in the South China Sea that, according to the Law of the Sea Treaty, are international.<sup>3</sup> The Philippines took the matter to the tribunal of the Law of the Sea Treaty, which ruled that China's claims were prohibited. Though a treaty party, China is ignoring the ruling.<sup>4</sup> Its claims have created conflict not only with the Philippines, but also with Japan, Taiwan, Vietnam and other neighbors. China has threatened these countries, punishing some by severing their underwater cables and sinking their fishing boats.<sup>5</sup> To bolster its claims, China is creating islands in the South China Sea through land reclamation and building military facilities there, despite President Xi's personal promises to refrain from militarizing the islands.<sup>6</sup>

Beyond its own littoral, China cannot currently contest U.S. control of the seas. It does however aim to become a maritime great power consistent with its maritime strategic interests.<sup>7</sup> China has large global merchant and fishing fleets. Sea lanes of communication are important to its economic growth and well-being. Chinese President Xi is committed to developing the



## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

capability to provide what Chinese doctrine calls “open seas protection.” As long as its economy can support growth in the Navy’s size and capability, China can be expected to increase such protection – that is, its blue water capability and competence, including its ability to project power.

Through prolific naval shipbuilding, deployment of a fleet of aircraft carriers, amphibious ships, surface vessels and submarines, development of missiles, conduct of long-range missions and establishment of numerous facilities abroad that can facilitate blue-water naval operations, China shows its determination to be a global maritime power.<sup>8</sup> If the U.S. naval presence in strategic locations wanes further and China maintains its trajectory, China will in time enjoy a sea control advantage.

The Eastern Mediterranean is far from the Chinese navy’s traditional area of patrol, but over the last decade Chinese warships have operated in and around the region. In February 2011, China deployed a frigate and four military transport aircraft to Libya to help in a major non-combatant evacuation (transporting over 35,000 Chinese nationals).<sup>9</sup> It sent warships to war-stricken Yemen in March 2015 to remove citizens of China and nine other countries.<sup>10</sup> Of singular importance was China’s inauguration in August 2017 of its first overseas military base in Djibouti. It is strategically located on the tip of the Horn of Africa at the choke point between, on the one side, the Indian Ocean, and on the other, the Red Sea, Suez Canal and Mediterranean.<sup>11</sup>

One of China’s grandest strategic enterprises is President Xi’s Belt and Road Initiative, which involves massive loans and huge infrastructure construction projects around the world. A hallmark of this initiative is Chinese-furnished financing that often exceeds what the foreign government debtors can service. The loans give Chinese officials extraordinary leverage. Some critics call this “predatory economics”; others call it “debt diplomacy.”<sup>12</sup> Unfortunately, the United States, its allies and like-minded partners have not generally been able to offer alternative arrangements to meet other countries’ infrastructure needs along Eurasia’s important trade routes.

Belt and Road’s strategic significance extends beyond the physical facilities involved. China uses the initiative to promote its own information technology standards and e-commerce platforms in such a way that competition from non-Chinese companies will be increasingly difficult in the future.<sup>13</sup> In working to set standards that favor Chinese hardware and software, Chinese technology companies aim not just to obtain commercial clout, but to give Chinese officials access – clandestine as well as overt – to vast quantities of technological, commercial, personal and other information – all of which is exploitable for economic and strategic purposes.



## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

The Chinese government integrates commercial and strategic activities to a much greater extent than do Western governments. One of China's most important national security initiatives is the Military-Civilian Fusion Policy. It was announced personally by President Xi and is supervised by a commission that he chairs. President Xi makes no effort to hide the commitment to take advantage of civilian business activities to strengthen China's military power. He says, "implementing the strategy of military-civilian integration is a prerequisite for building integrated national strategies and strategic capabilities and for realizing the Party's goal of building a strong military in a new era."<sup>14</sup>

As reported on Chinese state television (June 21, 2017), President Xi said, "The ideas, decisions and plans of military and civilian integration must be fully implemented in all fields of national economic development and defense building."<sup>15</sup>

China's position in the world is arguably unprecedented. It is a peer strategic competitor of the United States and simultaneously America's major trade and investment partner. It is competing economically, politically, technically and militarily. Much of China's trade and investment relates to technology and is helping China improve its ability to confront America militarily. In contrast, the Soviet Union during the Cold War was never a major world economic power or a major trade and investment partner of the United States.

The United States cannot now think of China simply as an enemy in traditional terms. Nor can it "contain" China as the Soviet Union was economically isolated and restricted in its access to hard currency and high technology. Export controls worked well against the Soviet Union in large part because, at the time, the distinction between military and civilian technology was reasonably well defined. That distinction is far less clear now. Also, China is an integral part of the world's advanced economy, which the Soviet Union never was.

China, however, is subject to deterrence. A key deterrent is to hold at risk one of its vital assets, its seaborne trade. The key Chinese Communist Party claim to legitimacy is increasing prosperity, which depends on such trade. This gives impetus to the maritime element of the Belt and Road Initiative.

Neither Americans nor their allies and partners are going to stop doing business with China. But they should keep clearly in mind the Chinese government's increasingly militaristic national security policy and its Military-Civilian Fusion Policy. China has and will continue to strengthen its military capabilities with whatever assets or technologies it acquires abroad through commercial intercourse.

A major element of Belt and Road is China's construction of a globe-girdling network of strategically located maritime ports, many of which China then either owns or has secured lengthy operating agreements. China owns, operates or has plans to own or operate ports in





## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

scores of places, including Burma, Bangladesh, Pakistan, Sri Lanka, Djibouti, Egypt, Israel, Turkey, Greece, Italy, Spain, Morocco, France, Belgium and the Netherlands. In its 2018 report on Chinese military power, the U.S. Defense Department focused attention on the port project within the Belt and Road Initiative. The report highlighted the financing and long-term lease arrangements China made at Hambantota, Sri Lanka and in Piraeus, Greece and Darwin, Australia, noting that the logistics and basing infrastructure there will serve China's "overseas military logistics needs," allowing it "to project and sustain military power at greater distances."<sup>16</sup>

Reporting on China's takeover of the Gwadar port in Pakistan, the *Financial Times* explained how China turned a commercial project into a military base: "The Gwadar [Pakistan] template, where Beijing used its commercial know-how and financial muscle to secure ownership over a strategic trading base, only to enlist it later into military service, has been replicated in other key locations." An Indian research analyst said, "There is an inherent duality in the facilities that China is establishing in foreign ports, which are ostensibly commercial but quickly upgradeable to carry out essential military missions."<sup>17</sup>

Control over Gwadar can help China alter the military alignment not only of Pakistan but also of Saudi Arabia. In both cases, realignment would be unfavorable to the United States. China can use its close ties with Pakistan as a means of drawing Saudi Arabia more into China's orbit. China is of course interested in Saudi Arabia as a source of oil, and the China-Pakistan-Saudi triangle also raises questions about possible nuclear proliferation. These are matters of concern for India, Israel, the United States and other western countries.

A Chinese-government-owned company – Shanghai International Port Group (SIPG) – has a contract to operate a large new container facility in Haifa port for 25 years, beginning in 2021. This affects American as well as Israeli security interests.

The site is within a few kilometers of Israel's main naval base. To operate the facility, SIPG will have to connect to all the internet systems of both the harbor and the Ministry of Transportation, exposing them to manipulation, data mining and cyber warfare in the service of Chinese government interests. Given the military and intelligence ties among China, Russia and Iran, the Haifa port arrangements create the risk that China might, under some circumstances, obtain sensitive Israeli naval, merchant shipping and maritime infrastructure information and provide it to Iran. Beyond sensitive information, the aggregation and mining of logistic and commercial information and data is exploitable and commercially, politically and militarily valuable. The long-term presence of a substantial number of Chinese nationals at Haifa will affect the willingness of U.S. Navy officials to make use of Haifa for port calls and other activities.



## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

In response to U.S. concerns about Haifa port, Israeli officials have noted that when Israel originally published its tender for the Haifa port expansion, the only firm that bid was SIPG. They say that terminating the contract would be expensive, legally complicated and could kill altogether the plan to expand Haifa's container operations. They worry about the effects on Israel-China trade and investment in general.

The West is dealing with an unprecedented challenge from a rising China. The world is learning more year-by-year about China's strategic thinking. More is known now than was known when the Haifa port contract was concluded. U.S. officials, including Secretary of State Pompeo and recently departed National Security Adviser Bolton, have now asked that Israel reexamine the planned Chinese role in Haifa port. This should be done in light of current information on China's Belt and Road strategy - in particular, China's focus on controlling ports from southeast Asia across the Indian Ocean, through the Red and Mediterranean Seas and around the world. Consideration should be given to China's military-civilian fusion policy and to China's security relations with Russia and Iran.

Among other matters, the reexamination should address visual, electronic, cyber and other types of surveillance and ways to limit China's intelligence and data collection opportunities. It should consider exposure to Chinese political influence and pressure under various circumstances.

Consideration should be given to a range of options, from cancelling the contract to modifying its terms. Israel could ask to shorten the term for operation of the facility from twenty-five years to, perhaps, five or ten years and adopt various risk mitigation measures. If the Chinese project in Haifa port proceeds, Israeli officials should have ongoing and pervasive access to the Chinese-run facilities. The presence of Israeli monitors would make Chinese intelligence operations at the facility more difficult.

To satisfy U.S. government concerns, it might be useful for Israel to invite the U.S. Navy and other U.S. agencies to consult regarding the risk assessment. The point here is *not* that Israel lacks its own capabilities, but that Israel has an interest in bolstering U.S. defense officials' confidence that Israel takes the threat seriously and wants to preserve and expand U.S. defense cooperation.

The Haifa port issue is only one part of the broad question of how Israel (and the United States and other U.S. allies) should manage its economic and strategic relations with China. It is not necessarily even the most important part, given the gravity of such issues as 5G infiltration and technology transfer. But the port issue has potential to harm U.S.-Israeli defense relations and it revealed gaps in Israel's strategic and technology review processes. A successful U.S.-Israeli effort to resolve the issue would be a model for how Western allies can constructively manage new China-related challenges.



## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

1. Mr. Feith and Admiral Chorev co-chaired the team that produced the report on “The Eastern Mediterranean in the New Era of Major-Power Competition” ([http://s3.amazonaws.com/media.hudson.org/Feith\\_The%20Eastern%20Mediterranean%20in%20the%20New%20Era%20of%20Major-Power%20Competition.pdf](http://s3.amazonaws.com/media.hudson.org/Feith_The%20Eastern%20Mediterranean%20in%20the%20New%20Era%20of%20Major-Power%20Competition.pdf)). The other principal members were Dr. Seth Cropsey, Hudson Institute senior fellow and former Deputy Under Secretary of the U.S. Navy; Vice Admiral Jack Dorsett (USN, ret.), vice president for cyber and C4 at Northrop Grumman, former Deputy Chief of Naval Operations for Information Dominance and Director of Naval Intelligence; and Admiral Gary Roughead (USN, ret.), Robert and Marion Oster Distinguished Military Fellow, Hoover Institution, Stanford University, and former Chief of Naval Operations.
2. Charles Clover, “Xi Jinping signals departure from low-profile policy,” *Financial Times*, October 20, 2017. See also Stan Grant, “China’s era of ‘hide and bide’ is over,” *ABC News* [Australian Broadcasting Corporation], January 30, 2018; Tobin Harshaw, “Emperor Xi’s China is Done Biding its Time,” *Bloomberg*, March 3, 2018 (quoting former Australian Prime Minister Kevin Rudd: “to sum up the question on China’s view of itself in the world, we’ve been told for a long, long time that Deng Xiaoping’s action was this: ‘Hide your strength, bide your time, never take the lead.’ Xi Jinping in his last five years turned that on its head, and now we see consciously and deliberately a more overtly activist Chinese foreign policy and security policy and international economic policy in the world at large.”).
3. See Sarah Lohschelder, “Chinese Domestic Law in the South China Sea,” *New Perspectives on Foreign Policy*, Issue 13, Summer 2017, Center for Strategic and International Studies, p. 33 (“China tried to claim maritime areas based on historical rights rather than distance to its land territory and had its argument rejected for violating the United Nations Convention on the Law of the Sea.”).
4. See Tim Daiss, “China Has Defied International Law, Now What? Experts Speak Out,” *Forbes*, July 16, 2016 (“State-run *Xinhua* news agency said that the ‘law abusing tribunal’ issued an ill-founded award on the South China Sea arbitration. China’s Foreign Ministry said that ‘China solemnly declares that the award is null and void and has no binding force. China neither accepts nor recognizes it.’”).
5. Regarding Japan, see Chieko Tsuneoka, “Japan Protests to China After Ships Approach Disputed Islands,” *Wall Street Journal*, January 11, 2018. Regarding Taiwan, see BBC News, “Xi Jinping says Taiwan ‘must and will be’ reunited with China,” January 2, 2019; and Chris Buckley and Chris Horton, “Xi Jinping Warns Taiwan That Unification Is the Goal and Force Is an Option,” *The New York Times*, January 1, 2019. Regarding Vietnam, see Carl Thayer, “Alarming Escalation in the South China Sea: China Threatens Force if Vietnam Continues Oil Exploration in Spratlys,” *The Diplomat*, July 24, 2017; and Joshua Kurlantzick, “A China-Vietnam Military Clash,” Council on Foreign Relations Contingency Planning Memorandum No. 26, September 23, 2015. Regarding the Philippines, see Manuel Mogato, “Duterte says China’s Xi threatened war if Philippines drills for oil,” *Reuters*, May 19, 2017.
6. Banyan, “China has militarised the South China Sea and got away with it,” *The Economist*, June 21, 2018 (“Less than three years ago, Xi Jinping stood with Barack Obama in the Rose Garden at the



## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

- White House and lied through his teeth. ... China absolutely did not, Mr Xi purred, 'intend to pursue militarisation' on its [artificial] islands.").
7. See Andrew Chubb, "Xi Jinping and China's maritime policy," *Brookings*, January 22, 2019; and Michael McDevitt, "Becoming a great maritime power 'is China's dream,'" *The Australian Naval Institute*, July 24, 2016.
  8. Regarding submarines, see David Axe, "China's Submarine Force Is Testing Missiles That Can Nuke America from Long-Range," *The National Interest*, December 21, 2018; Rick Joe, "The Chinese Navy's Growing Anti-Submarine Warfare Capabilities," *The Diplomat*, September 12, 2018; Christopher Woody, "US submarines are better than China's 'by far,' but in a war that may not matter," *Business Insider*, September 11, 2018; David Majumdar, "China's Advanced Submarines Are 'Breaking Records,'" *The National Interest*, July 26, 2018; Ellen Nakashima and Paul Sonne, "China hacked a Navy contractor and secured a trove of highly sensitive data on submarine warfare," *The Washington Post*, June 8, 2018. Regarding aircraft carriers, see Ben Westcott, "China reveals new domestically-built aircraft carrier under construction," *CNN*, November 27, 2018; Kyle Mizokami, "China Could Have 4 Aircraft Carriers by 2022: Should the Navy Be Worried?" *The National Interest*, September 12, 2018.
  9. See Shi Jiangtao, "Lessons to Learn from Libyan Evacuation," *South China Morning Post*, March 5, 2011 (quoting a Chinese university professor: "'the operation is a vivid display of China's national strength and its success has made many Chinese proud'").
  10. See Kevin Wang, "Yemen Evacuation a Strategic Step Forward for China," *The Diplomat*, April 10, 2015.
  11. See Arwa Damon and Brent Swails, "China and the United States face off in Djibouti as the world powers fight for influence in Africa," *CNN*, May 27, 2019.
  12. In Sri Lanka, for example, China extended large amounts of credit to the government to pay for construction of a huge maritime port. When Sri Lanka (unsurprisingly) defaulted, China seized ownership. "Under heavy pressure and after months of negotiations with the Chinese, the government handed over the port and 15,000 acres of land around it for 99 years in December [2017]," the *New York Times* reported, noting "The transfer gave China control of territory just a few hundred miles off the shores of a rival, India, and a strategic foothold along a critical commercial and military waterway." The incident, in the words of the *Times* reporter, demonstrated "China's ambitious use of loans and aid to gain influence around the world" and its "willingness to play hardball to collect." It revealed Belt and Road as "a debt trap . . . fueling corruption and autocratic behavior" in borrowing countries. Maria Abi-Habib, "How China Got Sri Lanka to Cough Up a Port," *New York Times*, June 25, 2018. See also Mark Green, "China's Debt Diplomacy," *Foreign Policy*, April 25, 2019.
  13. It is hard to overstate the importance of setting standards. People who lived through the videotape format "war" of the 1970s and 80s or the more recent Microsoft versus Apple computer operating system contest can readily appreciate the point. When television cassette recorders first became popular, those made by Sony used "Betamax" technology while most other companies used "VHS." Promoting Betamax meant favoring Sony over its competitors. Similarly, in the early days of personal





## INFORMATION SERIES

Issue No. 447 | October 22, 2019

---

computers, software generally worked either on the Microsoft operating system (known as DOS) or the Apple operating system. Promoting DOS-compatible products favored Microsoft over Apple. By setting the standard for an industry, one can dominate that industry.

14. See Xinhua, "Xi calls for deepened military-civilian integration," March 12, 2018.
15. See Wang Lei, "China names key areas of military-civilian integration," *China Global Television Network*, June 21, 2017.
16. Office of the Secretary of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018," May 16, 2018, pp. i, ii, 111-112.
17. James Kynge, Chris Campbell, Amy Kazmin and Farhan Bokhari, "How China Rules the Waves," *Financial Times*, January 12, 2017.

The National Institute for Public Policy's *Information Series* is a periodic publication focusing on contemporary strategic issues affecting U.S. foreign and defense policy. It is a forum for promoting critical thinking on the evolving international security environment and how the dynamic geostrategic landscape affects U.S. national security. Contributors are recognized experts in the field of national security.

The views in this *Information Series* are those of the author and should not be construed as official U.S. Government policy, the official policy of the National Institute for Public Policy or any of its sponsors. The opinions expressed in this article are the authors and do not represent the Department of Defense or any U.S. government agency. For additional information about this publication or other publications by the National Institute Press, contact: Editor, National Institute Press, 9302 Lee Highway, Suite 750 | Fairfax, VA 22031 | (703) 293-9181 | [www.nipp.org](http://www.nipp.org). For access to previous issues of the National Institute Press Information Series, please visit <http://www.nipp.org/information-series-2/>.

© National Institute Press, 2019