

Towards a New World Order in Eurasia: The 21st Century's Great Game

By James M. Dorsey

Abstract

The 21st century's Great Game is about the creation of a new Eurasia-centred world. It locks China, Russia, India, Japan and Europe into what is an epic battle. Yet, they are not the only players. While US President Donald J. Trump's policies are still largely shrouded in mystery, early indications suggest a closer alliance with India in a bid to counter potential Chinese dominance.

Middle Eastern rivals, Saudi Arabia and Iran, are key players too. As they vie for big power favour, they compete to secure the ability to shape the future architecture of Eurasia's energy landscape, enhance leverage by increasing energy and oil product market share, and position themselves as the key nodes in infrastructure networks.

With China and a US-backed India as the heavy weights, the Great Game is unlikely to produce an undisputed winner. Nor do key players perceive it as a zero-sum-game. The stakes in the game are about ensuring that China despite its vast resources, economic leverage, and first starter advantage in infrastructure linkage, does not emerge as the sole dominant power in Eurasia's future architecture.

For players, such as Europe, Russia and Japan, the game is about ensuring that they remain influential stakeholders. Efforts to restrain China's rise are enhanced by growing anti-China resentment in key nodes of the Middle Kingdom's 65-nation, \$3 trillion One Belt, One Road initiative¹ and increased questioning of China's business practices.

Some of the alliances in the shaping of Eurasia's future are opportunistic rather than strategic. This is particularly true for Russian ties to China and Iran. The contours of potential conflicts of interest are already evident and likely to impact the degree to which China will have a free reign.

A game of Risk

The game's outcome is unpredictable. Economic power, population size, assertiveness, and military might are key factors but may not be enough for China to become the unrivalled dominant power in Eurasia. It will, however, no doubt be a player. One Belt, One Road virtually guarantees that with a budget projected to be 12 times what the United States spent on its history-changing Marshall Plan that helped Western Europe rise from the rubble after World War Two. Nonetheless, the question is how multi-polar Eurasia will turn out to be.

Predicting how the game will end is complicated by volatility, instability and uncertainty that has sparked violence and widespread discontent across a swath of land that stretches from the Mediterranean into the deep recesses of Asia. The violence and discontent complicates China's grandiose plans for infrastructure and economic zones designed to tie Eurasia to the Middle Kingdom, threatens Russian aspirations to position itself as a global rather than a regional power, and scares off risk-adverse investors.

The game resembles Risk, a popular board game. Multiple players engage in a complex dance as they strive for advantage and seek to compensate for weaknesses. Players form opportunistic

¹ Scott Cendrowski, Inside China's Global Spending Spree, Fortune, 12 December 2016, <http://fortune.com/china-belt-road-investment/>

alliances that could change at any moment. Potential black swans threaten to disrupt. The stakes, however, could not be higher.

Wracked by internal political and economic problems, Europe may not have the wherewithal for geopolitical battle. Yet, despite a weak hand, it could come out on top in the play for energy dominance. US backing of India in the Great Game and efforts to drive wedges into mostly opportunistic alliances such as cooperation between China and Russia and Russia and Iran could help Europe compensate for its weakness.

The Great Game is played not only in Eurasia but across the world map.² Like Risk, it is a game that not only aims to achieve dominance of infrastructure and energy, but also to reshape political systems at a time that liberal democracy is on the defensive and populism is growing in appeal.

Players like China and Russia benefit from the rise of populism, authoritarianism, and illiberal democracy. Russia, tacitly backed by China, has sought to harness the new winds by attempting to undermine trust in Western democratic structures, manipulate elections, and sew domestic discord in the West. Populism and the Trump administration's economic nationalism have, in a twist of irony, allowed China, led by a Communist party, to project itself as a champion of free trade and globalization.³

Suggestions that Russian President Vladimir Putin was bent on undermining Western democratic institutions were initially viewed as a crackpot conspiracy theory. Yet, the notion has gained significant currency against a backdrop of assertions that Russia is waging a cyber war against the West. The United States has accused Russia of interfering in its electoral process.⁴ German intelligence has sounded alarm bells about Russian efforts to manipulate public opinion.⁵ Putin couldn't suppress a smirk when French National Front leader Marie Le Pen visited him in 2017 weeks before French elections in which a Russian bank loan had helped fund her campaign.⁶

East European leaders fear Russian bullying and encroachment.⁷ Whether conspiracy theory or not, western intelligence agencies and analysts see a pattern in Russian moves that would also serve Chinese interests. That would be particularly true if the United States under Trump steps back as a guarantor of the international order and de-emphasizes US promotion of democratic values and human rights.

² James M. Dorsey, Towards a New World Order in Eurasia? The Role of Russia and China, RSIS Commentaries, 22 December 2016, <https://www.rsis.edu.sg/rsis-publication/rsis/co16310-towards-a-new-world-order-in-eurasia-the-role-of-russia-and-china/>

³ World Economic Forum, President Xi's speech to Davos in full, 17 January 2017,

<https://www.weforum.org/agenda/2017/01/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>

⁴ Luke Harding, What we know about Russia's interference in the US election, The Guardian, 16 December 2016, <https://www.theguardian.com/us-news/2016/dec/16/qa-russian-hackers-vladimir-putin-donald-trump-us-presidential-election>

⁵ Natalie Nougayrède, Watch out, Europe. Germany is top of Russian hackers' list, The Guardian, 13 January 2017, <https://www.theguardian.com/commentisfree/2017/jan/13/europe-germany-russian-hackers-bundestag-angela-merkel-election>

⁶ Shaun Walker and Kim Willsher, Putin tells Le Pen Russia has no plans to meddle in French election, The Guardian, 24 March 2017, <https://www.theguardian.com/world/2017/mar/24/vladimir-putin-hosts-marine-le-pen-in-moscow>

⁷ James Kirchik, The Plot Against Europe, Foreign Policy, 6 March 2017,

<http://foreignpolicy.com/2017/03/06/the-plot-against-europe/> / Joe Parkinson and Georgi Kantchev,

Document: Russia Uses Rigged Polls, Fake News to Sway Elections, The Wall Street Journal, 24 March 2016, <https://www.wsj.com/articles/how-does-russia-meddle-in-elections-look-at-bulgaria-1490282352>

Undermining confidence in democratic structures legitimizes Russian and Chinese efforts to rebalance global geopolitical power arrangements. They are aided by the fact that relations between the United States and many of its allies are testy. Trump's apparent affinity to illiberal and authoritarian leaders like Turkish president Recep Tayyip Erdogan does not stop them from gravitating towards Moscow and Beijing.

Erdogan, who has repeatedly accused the West of supporting a failed coup attempt in July 2016 as well as a mysterious international financial cabal that allegedly seeks to undermine the Turkish economy, has applied for Turkish membership in the Shanghai Cooperation Organisation (SCO) that groups Central Asian states with China and Russia.⁸ Bent on enhancing his personal power, Erdogan is not about to fully rupture relations with the West anchored in Turkish membership in NATO and the European Council. But he is happy to play both ends against the middle by publicly aligning himself with Russian-backed Eurasianists. Iran, whose relations with the United States have worsened since the rise of Trump, is already aligned with Russia and China.

The notion of a Eurasian-dominated world order was initially propagated in Turkey by Dogu Perincek, a left-wing secularist who spent six years in prison for allegedly being part of a military-led cabal that sought to stage a coup. Perincek has since become a player in Turkey's hedging of its bets. Together with the deputy leader of his Homeland Party, Ismail Hakki Pekin, mediated the reconciliation between Moscow and Ankara following the Turkish air force's downing of a Russian fighter in 2015. The two men were supported by Turkish businessmen close to Erdogan and ultra-nationalist Eurasianist elements in the military.⁹ Pekin is a former head of Turkish military intelligence with extensive contacts in Moscow that include Putin's foreign policy advisor, Alexander Dugin.

Eurasianism in Turkey was buoyed by increasingly strained relations the Erdogan government and the West. Erdogan has taken issue with Western criticism of his effort to introduce a presidential system that would grant him almost unlimited power. He has also blasted the West for refusing to crack down on the Hizmet movement led by exiled imam Fethullah Gulen, whom Erdogan holds responsible for the unsuccessful coup.¹⁰ Differences over Syria have intensified pro-Eurasianist thinking.

Circumventing sanctions

Turkey's embrace of the Eurasianist idea takes on added significance with Russia and the European Union slapping sanctions on each other because of the dispute over Russian intervention in Ukraine.¹¹ The EU sanctions halted \$15.8 billion in European agricultural supports to Russia.¹² Russian countermeasures prevent shipment of those products via Russia to China.

⁸ The American Interest, China Eyes Turkey For Shanghai Cooperation Organization, 22 November 2016, <http://www.the-american-interest.com/2016/11/21/china-eyes-turkey-for-shanghai-cooperation-organization/>

⁹ Mustafa Akyol, What the 'Russian lobby' in Ankara wants, Al-Monitor, 15 December 2016, <http://www.al-monitor.com/pulse/originals/2016/12/turkey-russia-what-russian-lobby-wants.html>

¹⁰ Michelle Martin, German spy agency chief says does not believe Gulen behind Turkey coup attempt, Reuters, 19 March 2017, <http://www.reuters.com/article/us-turkey-security-germany-idUSKBN16POLQ>

¹¹ Daniel Gros and Federica Mustilli, The Effects of Sanctions and Counter-Sanctions on EU-Russian Trade Flows, Center for European Policy Studies, 5 July 2016, <https://www.ceps.eu/publications/effects-sanctions-and-counter-sanctions-eu-russian-trade-flows>

¹² BBC News, Russia hits West with food import ban in sanctions row, 7 August 2014, <http://www.bbc.com/news/world-europe-28687172>

To solve their problem, China and Europe have focused on an alternative route that would bypass the Russian landmass, which stretches from the Bering Sea to the Baltics.¹³ Turkey as well as Caucasian and Central Asian nations, eager to seize the opportunity, fast-tracked port projects in the Azerbaijani capital of Baku, Poti in Georgia, Aktau in Kazakhstan, and Turkmenbashi in Turkmenistan as well as a rail line linking Baku and the Georgian capital of Tbilisi with Kars in eastern Turkey.¹⁴

The sanctions notwithstanding, Russia and China appear so far to be scoring the most points in the Great Game. They have benefitted from the rise of populism in an era of defiance and dissent in which significant segments of the public in the West and beyond no longer have confidence in traditional politics or leaders. To cement their gains, Russia and China will have to go beyond focusing on geopolitics, public diplomacy and cyberwarfare. They will have to address concerns of disaffected social groups who feel marginalized by globalization and shun aside by elites. Already, much like traditional politicians in the West, China is encountering resistance. Its massive investments frequently generate opposition by population groups that feel left out.

China is nevertheless better positioned than Russia to meet Eurasia's infrastructural needs despite the fact that has deep historical and cultural roots in Central Asia and the Caucasus. Moreover, Russia's strategic assets are also liabilities. Even without European sanctions and counter sanctions, rail transport through Russia is easier said than done. Using Russian rail with its unique gauge increases cost and makes linkages south of the Russian border more attractive.

Russia is nonetheless working to connect Moscow and Beijing by high-speed rail that would cut travel time to a mere two days.¹⁵ Russia has also expressed interest in linking its Trans-Siberian Railway to the Chinese-controlled Pakistani port of Gwadar.¹⁶

To further hedge its bets and bolster its leverage, Russia has forged strategic ties to China and partnered with China in areas such as aerospace, science, and finance.¹⁷ Russia has also sought hook-ups to Chinese networks where possible and struck energy, commodity and construction deals beyond Eurasia with Middle Eastern and North African nations such as Iraq, Iraqi Kurdistan, Egypt, and Libya. Russia was considering bidding for offshore drilling rights in Lebanon.¹⁸ In Libya, Russia has politically and militarily supported General Khalifa Hafta, who is fighting a United Nations-backed government that Western states see as the vehicle to restore stability.¹⁹ Forces loyal to Haftar

¹³ Alexander Gabuev, Did Western Sanctions Affect Sino-Russian Economic Ties?, Carnegie Endowment for Peace, 26 April 2016, <http://carnegie.ru/2016/04/26/did-western-sanctions-affect-sino-russian-economic-ties-pub-63461>

¹⁴ Wade Shephard, Reconnecting Asia: The Story Behind The Emerging Baku-Tbilisi-Kars Rail Line, Forbes, 15 December 2016, <https://www.forbes.com/sites/wadeshepard/2016/12/15/reconnecting-asia-the-story-behind-the-emerging-baku-tbilisi-kars-rail-line/print/>

¹⁵ Wade Shephard, 2 Days From China To Europe By Rail? Russia Going For High-Speed Cargo Trains, Forbes, 14 January 2017, <https://www.forbes.com/sites/wadeshepard/2017/01/14/2-days-from-china-to-europe-by-rail-russia-going-for-high-speed-cargo-trains/print/>

¹⁶ Gwadar News, Russia formally requests access to Gwadar Port, 25 November 2016, <https://gwadarnews.com/2016/11/25/russia-formally-requests-access-to-gwadar-port/>

¹⁷ RT, Russia-China trade up almost 10% in May, 8 June 2016, <https://www.rt.com/business/345827-russia-china-trade-turnover/>

¹⁸ Henry Foy and David Sheppard, Rosneft takes key step in push into Middle East, Financial Times, 3 April 2017, <https://www.ft.com/content/5417e004-13a4-11e7-80f4-13e067d5072c>

¹⁹ Maria Tsvetkova, Exclusive - Russian private security firm says it had armed men in east Libya, Reuters, 10 March 2017, <http://uk.reuters.com/article/uk-russia-libya-contractors-exclusive-idUKKBN16H2EI>

captured in 2017 key oil-rich areas of eastern Libya and associated ports.²⁰ Russian intervention appears to acknowledge de facto partition of Libya.

Like with China, the longevity of Russia's alliance with Iran is far from certain. Iranian-Russian competition is already visible in Syria,²¹ the Caucasus and Central Asia. How Iran deploys its strategic advantage in determining Eurasia's energy infrastructure is likely to feed into a potential divergence of Chinese and Russian interests. Strains in relations with Iran could complicate another Russian hedging strategy: projecting Russia as the go-to-mediator in the Middle East. Russia believed it had a strategic advantage, particularly with Iran, given that it, unlike the United States, had good relations with all the region's players.²²

Recognizing opportunities, Gulf states have sought to ensure that Russia has a greater stake in their survival by digging into their deep pockets to invest at a time when Moscow's embattled economy struggles with lower oil prices. Qatar's investment arm, the Qatar Investment Authority (QIA), bought in a joint venture with Swiss oil trader Glencore a 19.5 percent stake in Russia's state-owned oil group Rosneft. The stake was worth an estimated \$11 billion.²³

Qatar, Saudi Arabia, and the UAE, additionally put tens of billions of dollars into Russia's sovereign wealth the Russian Direct Investment Fund (RDIF).²⁴ The UAE has, moreover, bought Russian military equipment and services, including anti-armour missiles, training and support for \$1.9 billion. It also agreed to develop together with Russia a fifth generation, joint light fighter aircraft while a consortium of Middle East investors acquired a 12 percent stake in defense manufacturer, Russian Helicopters.²⁵

Microcosms of the Great Game

A microcosm of the Great Game is being played out a mere 70 kilometres west of Gwadar with Iran's southernmost port city of Chabahar having become the focal point of Indian efforts to circumvent Pakistan in its access to energy-rich Central Asia. India sees Chabahar as its Eurasian hub linking it to a north-south corridor that would connect it to Iran and Russia. Investment is turning Chabahar into Iran's major deep water port beyond the Strait of Hormuz that is populated by Gulf states hostile to the Islamic republic. Chabahar would also allow Afghanistan to break Pakistan's regional maritime monopoly.

Gwadar and Chabahar have much in common. Both are long neglected, sleepy Indian Ocean port towns that lived off minor trade and have been given a potential new lease on life as trans-national

²⁰ BBC News, Libya's Khalifa Haftar 'retakes oil ports from Islamist militia, 14 March 2017, <http://www.bbc.com/news/world-africa-39266509>

²¹ Ibrahim Hamidi, Syrian Regime's Delay in Sealing Economic Agreements Cause Row with Tehran (طهران «غاضبة» من بطء تنفيذ اتفاقات استراتيحية مع دمشق), Al Hayat, 8 March 2017, <http://www.alhayat.com/m/story/20602223>

²² Mark N. Katz and Hussein Ibish, Can Moscow Be an Effective Mideast Mediator? Arab Gulf States Institute in Washington, 24 March 2017, <http://www.agsiw.org/can-moscow-effective-mideast-mediator/>

²³ Katya Golubkova, Dmitry Zhdannikov and Stephen Jewkes, How Russia sold its oil jewel: without saying who bought it, Reuters, 25 January 2017, <http://www.reuters.com/article/us-russia-rosneft-privatisation-insight-idUSKBN1582OH>

²⁴ Theodore Karasik, Why is Qatar Investing so much in Russia? Middle East Institute, 8 March 2017, <http://www.mei.edu/content/article/why-qatar-investing-so-much-russia>

²⁵ Leone Lakhani, Russia-Gulf Arab States: A Relationship of Convenience, The Cipher Brief, 7 March 2017, https://www.thecipherbrief.com/article/exclusive/middle-east/russia-gulf-arab-states-relationship-convenience-1091?utm_content=bufferc3874&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

chokepoints backed by regional rivals. The current Great Game has echoes of the 1970s when the Soviet Union looked at Gwadar as a possible naval base and the United States weighed similar plans for Chabahar. Instability in Pakistan dissuaded the Soviets while the Islamic revolution in Iran thwarted US aspirations.

Instability may, however, prove to be Gwadar's Achilles Heel in a competition with Chabahar in which at first glance the cards are stacked in the Pakistani port's favour. Indian investment dwarfs that of China while China's engagement with Gulf states outstrips that of India. For geopolitical as well as commercial reasons, potential Gulf investment in refineries and pipelines is likely to target Gwadar, Asia's deepest natural harbour, rather than Chabahar. Pakistan licensed Kuwait Petroleum Corporation (KPC) in 2016 to build a refinery near Gwadar²⁶ and six months later agreed that Kuwait would construct a petroleum products pipeline from Karachi to north of the country.²⁷

Pakistan will have to manoeuvre nimbly to avoid the pitfalls of the rivalry between Saudi Arabia and Iran as it plays out in the Indian Ocean. Iran has a vested interest in connecting Chabahar and Gwadar and has found an ally in the foreign affairs committee of the Pakistani senate. The foreign affairs committees of the two parliaments planned joint visits in 2017 to Gwadar as well as Chabahar to emphasize that the two would complement rather than compete with one another.²⁸

Security and political threats to China's One Belt, One Road initiative stretch far into Gwadar's hinterland. The first freight train traversing the newly inaugurated Sino-Afghan Special Transportation Railway that links the Yangtze River port of Nantong with the Afghan river port of Hairatan ran into political problems on its maiden voyage.²⁹

The train brought Chinese electrical supplies, clothing and other goods to Afghanistan but returned to China empty. Uzbek officials refused to allow Afghan goods to traverse their country charging that the train could be used to smuggle narcotics and precious stones, which fuel criminal and terrorist networks in the region.

Afghanistan supplies most of the world's opium, made from poppies, and about a quarter of that is trafficked to global markets through Central Asia. The crop is mostly grown in insurgent-held areas and is a major source of revenue for the Taliban and other militant groups. Production rose more than 40% in Afghanistan last year, according to the United Nations.³⁰

The Uzbek action, however, reflects deeper concerns. Uzbekistan, despite a raft of deals worth \$6 billion, fears that it may feature primarily as a link in railways connecting China to Europe rather than as a partner with a real stake in the game. It also highlighted the fact that regional tensions and lack of trust threaten to increase rather than decrease travel time and cost of shipping goods across Eurasia.

²⁶ Zafar Bhutta, Kuwait wins approval for setting up oil refinery in Balochistan, Dawn, 10 September 2016, <https://tribune.com.pk/story/1179648/kuwait-wins-approval-setting-oil-refinery-balochistan/>

²⁷ Zafar Bhutta, Kuwait agrees to build oil pipeline in Pakistan, Dawn, 10 March 2017, <https://tribune.com.pk/story/1351241/kuwait-agrees-build-oil-pipeline-pakistan/>

²⁸ Dawn, Pakistan, Iran on verge of establishing strong economic ties, 9 March 2017, <https://www.dawn.com/news/1319360/pakistan-iran-on-verge-of-establishing-strong-economic-ties>

²⁹ Mariam Amini, China's 'Silk Road' railway hits a snag in Afghanistan, CNBC, 13 October 2016, <http://www.cnbc.com/2016/10/13/chinas-silk-road-railway-disrupted-by-uzbekistan-security.html>

³⁰ United Nations Office on Drugs and Crime, Afghan opium production up 43 per cent: Survey, 23 October 2016, <https://www.unodc.org/unodc/en/frontpage/2016/October/afghan-opium-production-up-43-percent-survey.html>

Similarly, a \$3 billion acquisition in 2007 by China Metallurgical Group Corp of a 30-year concession to a huge copper deposit south of Kabul, along with a concession in 2011 for oil and gas blocks in the north, has largely remained idle because of turmoil in Afghanistan. Security concerns have for all practical matters called into question China belief that economic engagement will substitute stability for volatility. China's economic footprint in Afghanistan despite the investment remains miniscule. Afghan exports are primarily geared toward Pakistan, Iran and India. Similarly, Chinese trade with the Central Asian nation is negligible. To complicate things, Pakistan in February 2017 closed its border with Afghanistan, accusing Kabul of hosting militants who caused havoc in Pakistani cities with a wave of suicide bombings.³¹

Expanding security engagement

Diverging Chinese and Russian interests remain for now muted. The rise of populism, economic nationalism, and a reduced Western focus on human rights is likely to keep their interests aligned at least for the immediate future. Those interests, however, are potentially threatened by emerging Chinese-Russian rivalry in Central Asia, greater Chinese engagement in security beyond its borders and mounting anti-Chinese sentiment across Eurasia.

Chinese concerns about unrest in Xinjiang and fears that violence in Pakistan and Afghanistan could spill into the resource-rich and militarily strategic province that is China's gateway to Central Asia has already prompted China to move beyond its traditional reluctance to engage militarily beyond its borders. Those concerns have also sparked fears in some Chinese government agencies such as the ministry of public security and authorities in Xinjiang that One Belt, One Road's integration of the province with its Muslim hinterlands in Central and South Asia would fuel rather than undermine Uighur religiosity and nationalism.³²

China by now, has, however, too much at stake in One Belt, One Road for it to back away. Protection of Chinese investment and personnel rather than retrenchment is the name of the game. In a rare cross border operation, China sent personnel and military vehicles in 2016 to patrol the Wakhan Corridor, Afghanistan's eastern tongue that barely touches China's borders. The patrols suggested that China expanded beyond providing military aid to the tune of \$70 million Afghanistan and training of security forces to conducting counter-terrorism operations.³³

Chinese engagement on the Afghan side of the border as well as closer military cooperation with Tajikistan appeared to be driven by concern in Beijing that Uyghur militants had moved from Pakistan into Badakshan, a region in northern Afghanistan that borders on China and the Central Asian state. The engagement also constitutes a response to President Barak Obama's drawdown of US forces in Afghanistan and uncertainty over what policy Trump would pursue.

³¹ James M. Dorsey, Challenging the state- Pakistani militants form deadly alliance, The Turbulent World of Middle East Soccer, 17 February 2017, <https://mideastsoccer.blogspot.co.uk/2017/02/challenging-state-pakistani-militants.html>

³² Mohammed Al-Sudairi, Changing State-Religion Dynamics in Xi Jinping's China: And its Consequences for Sino-Saudi Relations, King Faisal Center For Research and Islamic Studies, January 2017, <http://kfcris.com/pdf/32a413c468c1b66c84d974e0b34c1efa58d77ebe4d1a1.pdf>

³³ Giles Gibson, Exclusive: Chinese security forces caught patrolling deep inside eastern Afghanistan, WION, 3 November 2016, <http://www.wionews.com/south-asia/exclusive-chinese-security-forces-caught-patrolling-deep-inside-eastern-afghanistan-8008/> / Franz J. Marty, The curious case of Chinese troops on Afghan soil, The Central Asia-Caucasus Analyst, 3 February 2017, <https://www.cacianalyst.org/publications/analytical-articles/item/13424-the-curious-case-of-chinese-troops-on-afghan-soil.html>

Jonny, a blogging traveller, reported encountering Afghan, Chinese and Tajik soldiers at a military checkpoint in Little Pamir in October 2016. "We had a fun adventure hanging with Afghan commanders, Chinese military and Tajik soldiers," Jonny wrote.³⁴ The encounter served as a first indication that a Chinese proposal for four-nation security bloc that would include Pakistan, Afghanistan and Tajikistan was taking shape.³⁵ The grouping would compete with the Russia-led Collective Security Treaty Organization (CSTO). Tajikistan, like Kyrgyzstan home to a Russian military base, is already a CSTO member. The presence of Chinese forces in Afghanistan suggested a broadening of the definitions of China's foreign and defense policy principle of non-interference in the internal affairs of others. The Chinese units reportedly crossed twice a month from Tajikistan into Afghanistan.³⁶

The patrols fit an emerging pattern of China using law enforcement and its mushrooming private security industry for counter-terrorism and anti-crime operations beyond its borders. Chinese and Pakistani special forces held a joint military exercise in November 2016 in a bid to strengthen cooperation in countering political violence.³⁷ Similarly, the Afghan patrols resembled joint police operations with Laos, Myanmar and Thailand along the Mekong river³⁸ and border controls in Central Asia in cooperation with Kyrgyz, Kazakh and Tajik forces. Chinese private security companies were also expanding operations in and around Gwadar.³⁹

China created the legal basis for cross-border operations with the adoption in 2015 of an anti-terrorism law that allows the government to deploy troops beyond the country's frontiers.⁴⁰ The Chinese defense ministry nonetheless indicated that the patrols in Afghanistan were being carried out by private security companies with close ties to the Chinese military rather than by the People's Liberation Army itself.⁴¹ Greater Chinese engagement in Afghan security reflected concern in Beijing of the fallout of Obama's withdrawal of the bulk of US forces from Afghanistan.

China's new assertiveness signalled a potential first step toward restructuring of tacit understandings whereby Russia acted as Central Asia's security guarantor while China focused on regional economic development. Paving the road to greater assertiveness that would put China in competition with Russia was Beijing's first arms sales to Central Asian nations, including its HQ-9 air defence system to Uzbekistan and Turkmenistan. China also supplied Pterodactyl drones to Uzbekistan.⁴²

³⁴ Jonny, The Complete Adventure Guide To The Afghanistan Wakhan Valley And Pamir, Backpacking Man, 24 October 2016, <http://backpackingman.com/afghanistan-wakhan-hiking-little-pamir/>

³⁵ Ting Shi, China Moves Closer to Afghan Security Role, Bloomberg, 12 April 2016, <https://www.bloomberg.com/news/articles/2016-04-11/growing-terrorism-risk-leads-china-to-boost-role-in-afghanistan>

³⁶ *Ibid.* Gibson

³⁷ People's Daily, China, Pakistan hold joint anti-terrorism drills, 7 November 2016, <http://en.people.cn/n3/2016/1107/c90000-9138367.html>

³⁸ Andrew R.C. Marshall, Led by China, Mekong nations take on Golden Triangle narco-empire, Reuters, 17 March 2016, <http://uk.reuters.com/article/uk-southeastasia-drugs-mekong-idUKKCN0WH2ZW>

³⁹ Email interview with Chinese private security scholar Alessandro Arduino, 8 March 2017

⁴⁰ BBC News, China passes controversial new anti-terror laws, 28 December 2015, <http://www.bbc.com/news/world-asia-china-35188137>

⁴¹ Ministry of National Defense, Defense Ministry's regular press conference on Feb.23, 24 February 2017, http://eng.mod.gov.cn/Press/2017-02/24/content_4773551.htm

⁴² Sputnik International, China Supplies Air Defense Systems, Unmanned Aerial Vehicle to Uzbekistan, 2 February 2015, <https://sputniknews.com/military/201502021017650004/>

Chinese plans to increase its marine corps five-fold from 20,000 to 100,000 men would allow it to station more of its own military personnel in Gwadar as well as in Djibouti, home to China's first overseas military facility at the crossroads of key trade routes linking Asia, Africa, the Middle East and Europe. "Besides its original missions of a possible war with Taiwan, maritime defence in the East and South China seas, it's also foreseeable that the PLA Navy's mission will expand overseas, including...offshore supply depots like in Djibouti and Gwadar port in Pakistan," said Liu Xiaojiang, a former navy political commissar.⁴³

A visit to Central Asia by Putin in early 2017, signalled Russia's intention to stand its ground against what it saw as encroachment on its military position in the region.⁴⁴ Putin's focus was on security rather than on the Russian-led Eurasian Economic Union that Tajikistan has wanted to join. CSTO and Russian bases in Central Asia are central to Moscow's efforts to counter Islamic militancy in Afghanistan as well as drug trafficking. In Dushanbe, Putin announced that Russian troops would again be patrolling Tajikistan's border with Afghanistan.⁴⁵

Chinese concerns about unrest in Xinjiang and fears that violence in Pakistan and Afghanistan could spill into the resource-rich and militarily strategic province that is China's gateway to Central Asia has already prompted China to move beyond its traditional reluctance to engage militarily beyond its borders. In a rare cross border operation, China sent personnel and military vehicles in 2016 to patrol the Wakhan Corridor, Afghanistan's eastern tongue that barely touches China's borders. The patrols suggested that China expanded beyond providing military aid to the tune of \$70 million in Afghanistan and training of security forces to conducting counter-terrorism operations.⁴⁶

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⁴³ Minnie Chan, As overseas ambitions expand, China plans 400 per cent increase to marine corps numbers, sources say, South China Morning Post, 13 March 2017, <http://www.scmp.com/news/china/diplomacy-defence/article/2078245/overseas-ambitions-expand-china-plans-400pc-increase>

⁴⁴ Rostislav Ishchenko, Putin's Central Asia Tour? What's at Stake, Fort Russ, 1 March 2017,

⁴⁵ Sputnik, Russia to Help Boost Tajik-Afghan Border Protection Using Russian Base – Putin, 27 February 2017, https://sputniknews.com/russia/201702271051082505-russia-tajikistan-afghanistan-putin/?mc_cid=0f7c66561d&mc_eid=f8da4b6ebe

⁴⁶ Giles Gibson, Exclusive: Chinese security forces caught patrolling deep inside eastern Afghanistan, WION, 3 November 2016, <http://www.wionews.com/south-asia/exclusive-chinese-security-forces-caught-patrolling-deep-inside-eastern-afghanistan-8008/> / Franz J. Marty, The curious case of Chinese troops on Afghan soil, The Central Asia-Caucasus Analyst, 3 February 2017, <https://www.cacianalyst.org/publications/analytical-articles/item/13424-the-curious-case-of-chinese-troops-on-afghan-soil.html>

⁴⁷ Jonny, The Complete Adventure Guide To The Afghanistan Wakhan Valley And Pamir, Backpacking Man, 24 October 2016, <http://backpackingman.com/afghanistan-wakhan-hiking-little-pamir/>

⁴⁸ Ting Shi, China Moves Closer to Afghan Security Role, Bloomberg, 12 April 2016, <https://www.bloomberg.com/news/articles/2016-04-11/growing-terrorism-risk-leads-china-to-boost-role-in-afghanistan>

Collective Security Treaty Organization (CSTO). Tajikistan, like Kyrgyzstan home to a Russian military base, is already a CSTO member. The presence of Chinese forces in Afghanistan suggested a broadening of the definitions of China's foreign and defense policy principle of non-interference in the internal affairs of others. The Chinese units reportedly crossed twice a month from Tajikistan into Afghanistan.⁴⁹

The patrols fit an emerging pattern of China using law enforcement and its mushrooming private security industry for counter-terrorism and anti-crime operations beyond its borders. Chinese and Pakistani special forces held a joint military exercise in November 2016 in a bid to strengthen cooperation in countering political violence.⁵⁰ Similarly, the Afghan patrols resembled joint police operations with Laos, Myanmar and Thailand along the Mekong river⁵¹ and border controls in Central Asia in cooperation with Kyrgyz, Kazakh and Tajik forces. Chinese private security companies were also expanding operations in and around Gwadar.⁵²

China created the legal basis for cross-border operations with the adoption in 2015 of an anti-terrorism law that allows the government to deploy troops beyond the country's frontiers.⁵³ The Chinese defense ministry nonetheless indicated that the patrols in Afghanistan were being carried out by private security companies with close ties to the Chinese military rather than by the People's Liberation Army itself.⁵⁴ Greater Chinese engagement in Afghan security reflected concern in Beijing of the fallout of Obama's withdrawal of the bulk of US forces from Afghanistan.

China's new assertiveness signalled a potential first step toward restructuring of tacit understandings whereby Russia acted as Central Asia's security guarantor while China focused on regional economic development. Paving the road to greater assertiveness that would put China in competition with Russia was Beijing's first arms sales to Central Asian nations, including its HQ-9 air defence system to Uzbekistan and Turkmenistan. China also supplied Pterodactyl drones to Uzbekistan.⁵⁵

Chinese plans to increase its marine corps five-fold from 20,000 to 100,000 men would allow it to station more of its own military personnel in Gwadar as well as in Djibouti, home to China's first overseas military facility at the crossroads of key trade routes linking Asia, Africa, the Middle East and Europe. "Besides its original missions of a possible war with Taiwan, maritime defence in the East and South China seas, it's also foreseeable that the PLA Navy's mission will expand overseas, including...offshore supply depots like in Djibouti and Gwadar port in Pakistan," said Liu Xiaojiang, a former navy political commissar.⁵⁶

⁴⁹ *Ibid.* Gibson

⁵⁰ People's Daily, China, Pakistan hold joint anti-terrorism drills, 7 November 2016, <http://en.people.cn/n3/2016/1107/c90000-9138367.html>

⁵¹ Andrew R.C. Marshall, Led by China, Mekong nations take on Golden Triangle narco-empire, Reuters, 17 March 2016, <http://uk.reuters.com/article/uk-southeastasia-drugs-mekong-idUKKCN0WH2ZW>

⁵² Email interview with Chinese private security scholar Alessandro Arduino, 8 March 2017

⁵³ BBC News, China passes controversial new anti-terror laws, 28 December 2015, <http://www.bbc.com/news/world-asia-china-35188137>

⁵⁴ Ministry of National Defense, Defense Ministry's regular press conference on Feb.23, 24 February 2017, http://eng.mod.gov.cn/Press/2017-02/24/content_4773551.htm

⁵⁵ Sputnik International, China Supplies Air Defense Systems, Unmanned Aerial Vehicle to Uzbekistan, 2 February 2015, <https://sputniknews.com/military/201502021017650004/>

⁵⁶ Minnie Chan, As overseas ambitions expand, China plans 400 per cent increase to marine corps numbers, sources say, South China Morning Post, 13 March 2017, <http://www.scmp.com/news/china/diplomacy-defence/article/2078245/overseas-ambitions-expand-china-plans-400pc-increase>

Shaping Eurasia's energy architecture

The joker in the Great Game is Donald J. Trump's United States. Trump has yet to spell out an overall policy towards Eurasia even though he has articulated attitudes towards individual players. One of those players, Iran, appears to be on his hitlist, much to Saudi Arabia's delight.

A tougher US policy towards Iran, a nation of strategic importance to several of the Great Game's players, has consequences and could undercut the Islamic republic's strategic advantage in shaping the future architecture of Eurasia's energy landscape. Unfettered by international sanctions, Iran is pivotal to the success of China's trans-continental, infrastructure-focussed One Belt, One Road initiative in ways that Saudi Arabia is not.

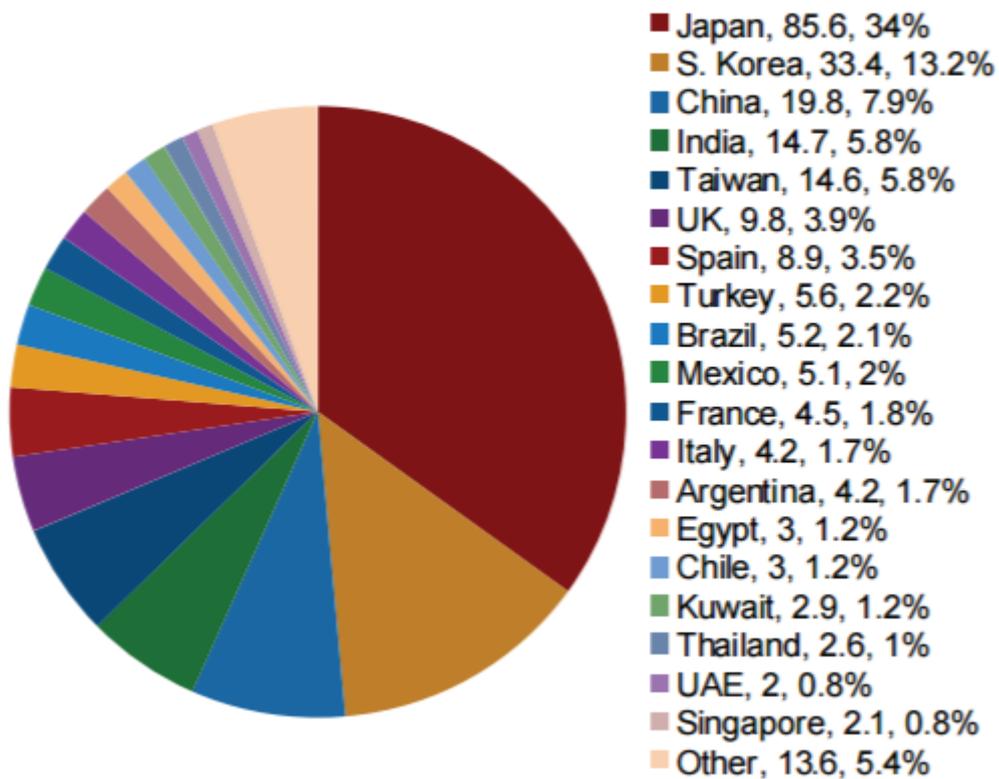
In a study published in 2015, energy scholar Micha'el Tanchum suggested that it would be gas supplies from Iran and Turkmenistan, two Caspian Sea states, rather than Saudi oil that would determine which way the future Eurasian energy architecture tilts: China, the world's third largest LNG importer, or Europe.

"Iran, within five years, will likely have 24.6 billion cubic metres of natural gas available for annual piped gas exports beyond its current supply commitments. Not enough to supply all major markets, Tehran will face a crucial geopolitical choice for the destination of its piped exports. Iran will be able to export piped gas to two of the following three markets: European Union (EU)/ Turkey via the Southern Gas Corridor centring on the Trans-Anatolian Natural Gas Pipeline (TANAP), India via an Iran-Oman-India pipeline, or China via either Turkmenistan or Pakistan. The degree to which the system of energy relationships in Eurasia will be more oriented toward the European Union or China will depend on the extent to which each secures Caspian piped gas exports through pipeline infrastructure directed to its respective markets," Tanchum argued.

The lifting of international sanctions in 2015 as part of an agreement on restrictions on Iran's nuclear program significantly enhanced the Islamic republic's ability to Eurasia's energy architecture. Iran boasts the world's second largest natural gas reserves and its fourth largest oil reserves.⁵⁷

⁵⁷ Micha'el Tanchum, A Post-Sanctions Iran and the Eurasian Energy Architecture, Challenges and Opportunities for the Euro-Atlantic Community, Atlantic Council, September 2015, http://www.atlanticcouncil.org/images/publications/Iran_Energy_Architecture_web_0925.pdf

Figure 3.7. LNG Imports and Market Share by Country (in MTPA)



Source: International Gas Union

Tancuhum’s analysis means that China would have to ensure that it is Iran and Turkmenistan’s main gas importer. That would position One Way, One Belt as Eurasia’s key energy infrastructure and solidify Chinese influence in Central Asia. China already dominates Turkmen gas sales

The one option Tanchum appeared not to consider was Iran choosing Europe and China as its main export markets despite Turkey’s proximity, cultural affinity, and already existing arrangements for the import of Iranian gas. Europe and China have already begun to put the blocks in place for a shared role in Eurasia. Tens of rail links traverse the Eurasian landmass from China to the Atlantic. Both China and Europe are developing new cities and trade hubs in remote locations that often were nodes on the ancient Silk road. These include Lanzhou in western China, Horgos/ Khorgos in the Saryesik-Atyrau desert on the Chinese-Kazakh border, and Terespol on the Polish-Belarus frontier.

The frenzy is attracting not only Chinese, Russian and European but also Japanese and Indian investment in the knowledge that emerging hubs and networks will be available to all. The open question is whether any one power will dominate them and, if so, who.

China has already many of the building blocks needed to turn its ambitions into reality: close and long-standing relations with Iran, significant investment in Turkmen gas production and pipeline infrastructure, and the construction of Pakistan’s section of the Iran-Pakistan pipeline. Hooking the pipeline to One Belt, One Road would allow China to receive Iranian gas not only by sea on its eastern seaboard but also in its land-locked, troubled north-western province Xinjiang.

Compensating for handicaps

Iran in positioning itself as a key link in China's trans-continental One Belt, One Road initiative. Iran constitutes both a key land and maritime node. Saudi Arabia's importance beyond energy supplies is at best maritime. The Maldives, a strategically located 820km-long chain of Indian Ocean atolls, has emerged as a significant player in Saudi Arabia's effort to compensate for its handicap and ensure the secure export of its oil, gas and other goods to China.

Saudi interest coincides with increased Chinese investment in the Maldives, a collection of 1,200 coral islands, that opposition politicians believe could eventually host China's next military base as well as Saudi military outpost. China and Saudi Arabia are independently constructing their first foreign military bases in Djibouti. They "want to have a base in the Maldives that would safeguard the trade routes, their oil routes, to their new markets. To have strategic installations, infrastructure," said ousted former Maldives President Mohamed Nasheed.⁵⁸

Saudi Arabia was negotiating a \$10 billion development, if not the wholesale acquisition of Faafu, a collection of 19 low-lying islands 120 kilometres south of the Maldives capital of Male. The project would involve construction of seaports airports, high-end housing, and resorts and the creation of special economic zones policy. Saudi Arabia could be granted a freehold provided that 70 percent of the project is executed on reclaimed land.⁵⁹ The investment would be three times the GDP of the Maldives, a nation of 400,000, including 100,000 foreign workers, that spans 1,000 kilometres across the Indian Ocean and some of the world's key shipping routes.

Saudi interest in Faafu with a 2014 visit by then crown prince Salman and his son Mohammed, now deputy crown prince. Mohammed returned a year later to host a week of parties. He and his entourage took over two resorts. Guests flew in night after night on private jets to attend the parties, which featured famous entertainers including the rapper Pitbull and the South Korean singer Psy. The Saudis signed at about that time a memorandum of understanding that involved the sale of Faafu to the kingdom.⁶⁰

Saudi Arabia and China moreover shouldered complimentary projects in the Maldives. Chinese premier Xi Jinping in 2014 construction of a \$210 million Friendship Bridge that would connect Male to the Maldives airport.⁶¹ The troubled Saudi Bin Laden Group won a contract to build a new terminal for the Ibrahim Nasir International Airport after having first awarded the project to an Indian company.⁶² Saudi Arabia has also pledged tens of millions of dollars in loans and grants for infrastructure and housing on an artificial island near Male.

China also agreed to build a new airport runway as well as a port in Laamu, an atoll south of Faafu. The port would be one more stone in China's string of pearls. The Maldives, moreover, in 2016

⁵⁸ Karl Mathiesen and Megan Darby, Saudis make Maldives land grab to secure oil routes to China, ClimateHome, 5 March 2017, <http://www.climatechangenews.com/2017/03/05/saudis-make-maldives-land-grab-secure-oil-routes-china/>

⁵⁹ Ahmed Naish, No cause for concern over 'US\$10bn Faafu atoll project,' insists Yameen, Maldives Independent, 1 March 2017, <http://maldivesindependent.com/politics/no-cause-for-concern-over-us10bn-faafu-atoll-project-insists-yameen-129120>

⁶⁰ Hassan Moosa and Geeta Ananad, Inhabitants of Maldives Atoll Fear a Flood of Saudi Money, The New York Times, 26 March 2017, https://www.nytimes.com/2017/03/26/world/asia/maldives-atoll-saudi-money.html?_r=0&mtref=undefined&gwh=E949ED9FC62A14D5A4BB0EE64817E4DC&gwt=pay

⁶¹ Ahmed Naish, "China-Maldives Friendship Bridge" project launched, Maldives Independent, 31 December 2015, <http://maldivesindependent.com/business/china-maldives-friendship-bridge-project-launched-121081>

⁶² Maldives Independent, Saudi Binladin Group awarded Maldives airport terminal project, 22 May 2016, <http://maldivesindependent.com/business/saudi-binladin-group-awarded-maldives-airport-terminal-project-124336>

leased Feydhoo Finolhu, an uninhabited island close to Mahe previously used by the government for school trips and youth activities, to a Chinese company for 50 years at a cost of \$4 million.⁶³

Saudi and Chinese interest in the Maldives comes as the two countries upgrade military cooperation. “China is willing to push military relations with Saudi Arabia to a new level,” Chinese Defense Minister Chang Wanquan told his visiting Saudi counterpart, Deputy Crown Prince Mohammed bin Salman in August 2016.⁶⁴ Special counter-terrorism forces from the two countries held the first ever joint exercise between the Chinese military and an Arab armed force two months later. With the United States refusing to share its drone technology, China and Saudi Arabia agreed that China would open its first overseas defense production facility in the kingdom. State-owned China Aerospace Science and Technology Corporation (CASC) will manufacture its CH-4 Caihong, or Rainbow drone as well as associated equipment in Saudi Arabia.⁶⁵

To lay the ground for Saudi investment in the Maldives, Saudi Arabia provided the island republic in 2013 \$300 million on soft terms and has massively funded religious institutions and education. The kingdom offers scholarships for Maldives students to pursue religious studies at the kingdom’s ultra-conservative universities in the holy cities of Mecca and Medina and has donated \$100,000 to the Islamic University of the Maldives.

During a visit in 2015, Saudi Islamic Affairs Minister Saleh bin Abdulaziz promised to help the Maldives improve the collection of zakat, alms for the poor that constitute one of Islam’s five pillars, publish Islamic texts in English, speed up mosque construction, and train imams.⁶⁶ The kingdom has also funded the construction of the six-storey, multi-facility King Salman mosque, the island republic’s largest.⁶⁷

The kingdom has also not shied away from influencing public opinion by bribing journalists. In one incident, journalists were handed cash-filled envelopes during an event at the Saudi embassy in Mahe.⁶⁸ Other journalists report that they are harassed when reporting critically on Saudi interests in the Maldives or on the rise of ultra-conservatism. Many journalists see the disappearance in 2014 of Ahmed Rilwan Abdulla, a prominent journalist, who wrote about secularism and ultra-conservatism, as warning.

Saudi Arabia’s investment paid off in early 2016 when the Maldives broke off diplomatic relations with Iran, charging that Iranian policy threatened security and stability in the Indian Ocean.⁶⁹ It has also left its mark on society. Saudi-funded ultra-conservatism has contributed to the Maldives, a

⁶³ Dipanjan Roy Chaudhury, Chinese company bags Maldivian island on 50-year lease, The Economic Times, 30 December 2016, <http://economictimes.indiatimes.com/news/politics-and-nation/chinese-companies-bags-maldivian-island-on-50-year-lease/articleshow/56245729.cms>

⁶⁴ Xinhua, China willing to advance military relations with Saudi Arabia: Defense Minister, 31 August 2016, http://news.xinhuanet.com/english/2016-08/31/c_135648206.htm

⁶⁵ Middle East Eye, China's Saudi drone factory compensates for US ban, 29 March 2017, <http://www.middleeasteye.net/news/china-build-factory-saudi-arabia-fill-drone-shortage-1200657135>

⁶⁶ Hassan Mohamed, Maldives parliament to form joint committees with Saudi Arabia’s Shura Council, Maldives Independent, 5 January 2016, <http://maldivesindependent.com/politics/maldives-parliament-to-form-joint-committees-with-saudi-arabias-shura-council-121170>

⁶⁷ Yeni Safak, Turkish company to build Maldives' largest mosque, 30 March 2017, <http://www.yenisafak.com/en/world/turkish-company-to-build-maldives-largest-mosque-2635989>

⁶⁸ Avas Online, Saudi's cash 'gift' to Maldives journos sparks concern, February 2017, <https://avas.mv/en/29796>

⁶⁹ Shihar Aneez, Maldives severs diplomatic ties with Iran citing security threats, 18 May 2016, Reuters, <http://www.reuters.com/article/us-maldives-iran-idUSKCN0Y91Z0>

popular high end tourist destination that prided itself on adhering to a blend of Sufism and other religions. becoming increasingly less tolerant and less accepting of liberal lifestyles. Forms of entertainment like mixed dancing and western beach garb have become acceptable only within the walls of expensive resorts. Reflecting the shift towards ultra-conservatism, a court in 2015 for the first time sentenced a woman to death by stoning for having committed adultery.⁷⁰ The Saudis “have had a good run of propagating their worldview to the people of the Maldives and they’ve done that for the last three decades. They’ve now, I think, come to view that they have enough sympathy for them to get a foothold,” Nasheed said.

Indian intelligence sources worry that the Maldives could become a base of a very different kind just off the sub-continental mainland⁷¹. They and independent analysts⁷² assert that hundreds of Maldivians have joined the ranks of IS in Syria – a significant number given the country’s tiny population.⁷³ Some 200 people carrying Islamic State flags marched in 2014 through Mahe demanding implementation of Sharia law instead of democracy.⁷⁴

Punctured by protest

Troubled Asian ports that China envisions as part of its string of pearls linking the Eurasian heartland to the Middle Kingdom shine a glaring spotlight on the pitfalls threatening Beijing’s ambitious One Belt, One Road initiative, and offer a window into the Great Game’s dynamics. The pitfalls are magnified by mounting criticism of terms imposed by China in agreements for the development of infrastructure and growing anti-Chinese resentment.

Resentment has translated into increased violence in Balochistan, the Pakistani province that is home to the warm water, deep sea port of Gwadar that lies at the heart of One Belt, One Road. The violence is also fuelled by Pakistan’s long-standing ties to militant groups that regularly rock the country with their attacks. And it feeds on continued warfare in Afghanistan. As a result, Gwadar has yet to emerge as a major trans-shipment hub in Chinese trade and energy supplies.⁷⁵

Similarly, Chinese prospects for the development of Sri Lankan ports, including Hambantota, are clouded. Opposition that has spilled into the streets of the struggling port could dissuade Chinese investors from sinking billions of dollars into the flailing projects aimed at turning Hambantota into South Asia’s foremost port bolstered by an economic hub.⁷⁶ Violence and protests have put the spotlight on terms that appear to define China’s win-win approach as China wins twice. China is not in the business of providing either non-military aid or budgetary support. Its loans provided by

⁷⁰ Hassan Mohamed, Maldives court sentences woman to death by stoning Maldives Independent, 18 October 2015, <http://maldivesindependent.com/crime-2/maldives-court-sentences-woman-to-death-by-stoning-118541>

⁷¹ Interview with author, 12 February 2017

⁷² The Soufan Group, Foreign Fighters, An Updated Assessment of the Flow of Foreign Fighters into Syria and Iraq, December 2015, http://soufangroup.com/wp-content/uploads/2015/12/TSG_ForeignFightersUpdate4.pdf

⁷³ Shantanu Mukharji, Saudi Arabia eyes Maldives atoll to build SEZ: Why India is concerned about this development, Firstpost, 6 March 2017, <http://www.firstpost.com/world/saudi-arabia-eyes-maldives-atoll-to-build-sez-why-india-is-concerned-about-this-development-3317224.html>

⁷⁴ Minivan News, Protesters march with IS flag calling for enforcement of Islamic Shariah, 6 September 2014, <http://minivannewsarchive.com/politics/protesters-march-with-is-flag-calling-for-enforcement-of-islamic-shariah-89957>

⁷⁵ Moign Khawaja, Gwadar: An unfulfilled dream, The Express Tribune, 27 February 2011, <https://tribune.com.pk/story/122720/gwadar-an-unfulfilled-dream/>

⁷⁶ Agence France Presse, Clashes erupt as Sri Lankans protest China port deal, 7 January 2017, <http://www.abc.net.au/news/2017-01-07/sri-lankans-protest-china-port-deal/8168110>

Chinese-backed development banks have turned out to be less soft than China would have people believe and produced debt traps for recipients.

Sri Lanka is struggling to escape the trap, cool-headed analysts fear Pakistan is heading towards one,⁷⁷ and Tajikistan is struggling to cope with the burden of debt to China. Forced to do a land for debt swap to reduce its huge debt to China, Tajikistan ceded control of 1,100 square kilometres of mountainous farm land to the under the garb of settling a centuries-old border dispute. The land in one of the world's most impoverished countries is being tilled by Chinese farmers to the chagrin of many Tajiks.⁷⁸ The cancellation of a plan to expand the gas pipeline linking Turkmenistan to China is likely to exacerbate Turkmenistan's economic crisis. Turkmenistan was counting on increased gas sales to help it turn the economy around. The expansion was cancelled because state-owned companies, China National Petroleum Corporation (CNPC) and Uzbekneftegaz, failed to agree on terms that would have ensured that Uzbekistan would benefit from the pipeline beyond simply being a transit country.⁷⁹

The downside of perceived Chinese largesse has prompted Asian nations to play both ends against the middle. Sri Lanka, for example, initiated a partnership dialogue with the United States that led to military cooperation.⁸⁰ A US naval vessel visited Sri Lanka weeks later followed subsequent visits⁸¹ as well as the US Pacific Command providing humanitarian and engineering assistance in the Tamil north of the county.⁸² Most symbolically, a US maritime patrol aircraft arrived at Hambantota's Mattala Rajapaksa International Airport in December of that year.⁸³

China's efforts to balance its geopolitical ambitions with a need to address overcapacity as a result of a downturn in its economy dictates commercial terms of projects it backs creates opportunity for its rivals. China's advantage is its ability and willingness to commit massive resources. Its Achilles Heel is the fact its initiatives are driven as much by domestic concerns as they are by geopolitical ambition. Chinese commercial terms are geared towards creating opportunity for China's huge, state-owned infrastructure companies to stay afloat and maintain employment at a time that the government seeks to make consumption rather than production the main driver of the country's economy. Chinese companies are aided in their endeavour by what Chinese chief executive officers call the

⁷⁷ India Ink, Exclusive: Ambassador Husain Haqqani talks to India Ink, March 2017, <https://www.guindiaink.org/amb-haqqani-interview>

⁷⁸ Roman Kozhevnikov Bustonkala, Tajik land deal extends China's reach in Central Asia, Reuters, 25 March 2011, <http://www.reuters.com/article/us-tajikistan-china-land-idUSTRE72O1RP20110325/> / Bruce Pannier, Tajikistan Agrees To Allow Chinese Farmers To Till Land, Radio Free Europe/Radio Liberty, 28 January 2011, http://www.rferl.org/a/tajikistan_china/2289623.html

⁷⁹ Paolo Sorbello, Uzbekistan puts a smile on economic blow to Turkmenistan, The Diplomat, April 2017, <http://magazine.thediplomat.com/#/issues/-KeGhASG-kaGuWdFHNkb/read>

⁸⁰ Embassy of Sri Lanka Washington DC, Inaugural United States – Sri Lanka Partnership Dialogue Convened in Washington, 29 February 2016, http://slembassyusa.org/embassy_press_releases/inaugural-united-states-%E2%80%93-sri-lanka-partnership-dialogue-convened-in-washington/

⁸¹ US Embassy in Sri Lanka, Remarks by U.S. Ambassador Atul Keshap at Reception on board USS Blue Ridge, 28 March 2016, <https://lk.usembassy.gov/remarks-u-s-ambassador-atul-keshap-reception-board-uss-blue-ridge/>

⁸² US Pacific Command, Operation Pacific Angel Concludes in Sri Lanka, 23 August 2016, <http://www.pacom.mil/Media/News/News-Article-View/Article/923576/operation-pacific-angel-concludes-in-sri-lanka/>

⁸³ US Embassy in Sri Lanka, Advanced U.S. Maritime Patrol Aircraft Visits Sri Lanka, 11 December 2016, <https://lk.usembassy.gov/advanced-u-s-maritime-patrol-aircraft-visits-sri-lanka/>

China Way or the pursuit of growth at all costs, including, if need be, slashing profits, marginalizing shareholder returns and taking costly risks.⁸⁴

Western consultants estimate that China has allocated \$100 billion a year to One Belt, One Road. Approximately half of that stimulates China's domestic economy as expenditure on raw materials for overseas projects. It utilizes excess commodities such as steel and iron. Much of the remaining 50% is spent on construction, engineering, and high-tech equipment.⁸⁵

China's strategy may produce short-term economic relief but could prove long-term detrimental both economically and in terms of the country's geopolitical ambitions. China brings as assets to the table funding, low-cost labour, and an ability to carry long-term losses. However, to make the strategy work, China needs to sub-contract Western engineering and construction companies with the local networks and track records their Chinese counterparts lack. Sub-contracting adds to the debt burden of Chinese state-owned enterprises and with returns on investment years, if not decades, away could come to haunt China's economy.

China's commercial terms, moreover, fuel mounting anti-Chinese sentiment that threatens China's geopolitical ambitions. The consequence is that protests puncture China's string of pearls, a phrase coined by defence consultancy Booz Allen Hamilton in 2004 in a report to US secretary of defense Donald H. Rumsfeld.⁸⁶ The pearls include beyond the Caucasus, Gwadar and Hambantota, the \$10.7 billion development of an industrial city next to the Omani port of Duqm;⁸⁷ a \$500 million container terminal in the Sri Lankan capital of Colombo; Kyaukpyu in Myanmar; a naval facility in Djibouti, China's first foreign military base; and a likely port in the Maldives. Separately ten Chinese ports have formed an alliance with six Malaysian harbours.⁸⁸ The string of pearls constitutes the maritime leg of what China inexplicably has identified as the Road leg of One Belt, One Road. The Belt refers to the land-based network of roads, railways and pipelines. The protests and violence in countries like Pakistan, Afghanistan and Sri Lanka have forced China to provide military assistance, dispatch security forces, and contract private security companies to protect its investments and personnel, adding significantly to the cost of One belt, One Road projects.

Still up for grabs, ports in Bangladesh have emerged as a focal point in the Great Game. Wooed by China, Japan and India and pressured by the United States, Bangladesh, a country strategically tucked into India's armpit, has blown hot and cold on offers to develop the country's first deep sea port. Agreements and understandings have been signed only to be cancelled. China has offered to sink \$9 billion into Chittagong Port and position it as Gwadar East. As tempting as the offer was, Bangladesh backed away. Instead, to pacify critics, it granted access to Indian cargo vessels.⁸⁹ In the latest twist in the port saga, Bangladesh signed in December 2016 two memoranda of understanding with China Harbour Engineering Company Limited (CHEC) and China State Construction Engineering

⁸⁴ Michael Useem, Harbir Singh, Liang Neng and Peter Cappelli, *Fortune Makers: The Leaders Creating China's Great Global Companies*, New York: Public Affairs, 2017, Kindle edition

⁸⁵ Interviews with four consultants, 14 February 2017

⁸⁶ Juli A MacDonald, Amy Donahue and Bethany Danyluk, *Energy Futures in Asia – Final Report*, Washington DC: Booz Allen Hamilton, 2004

⁸⁷ Micahel Fahy, China's investment in \$10.7bn city in Oman to provide building boost, *The National*, 20 August 2016, <http://www.thenational.ae/business/property/chinas-investment-in-107bn-city-in-oman-to-provide-building-boost>

⁸⁸ Amy Chew, China, Malaysia tout new 'port alliance' to reduce customs bottlenecks and boost trade, *South China Morning Post*, 9 April 2016, <http://www.scmp.com/news/asia/southeast-asia/article/1934839/china-malaysia-tout-new-port-alliance-reduce-customs>

⁸⁹ Ankit Panda, India Plucks a Pearl from China's 'String' in Bangladesh?, *The Diplomat*, 7 June 2015, <http://thediplomat.com/2015/06/india-plucks-a-pearl-from-chinas-string-in-bangladesh/>

Corporation (CSCEC) for the \$600 million development of its third most important port in Patuakhali.⁹⁰

Bangladesh may also be wary of experiencing the volatility that Chinese-backed ports elsewhere are witnessing. Caucasian ports are no less troubled than those in Pakistan and Sri Lanka. Riots in March 2017 in the Georgian port town of Batumi were sparked by an incident unrelated to Eurasian power plays but were indicative of a degree of volatility that could affect the designs of regional powers. “The socio-political situation is so tense in at least parts of the country that it, in fact, resembles a powder keg ready to explode... It is highly unlikely that the Batumi protests will be the last of their kind,” warned Vasili Rukhadze, an academic and former head of the Georgian Truth Commission.⁹¹

A decade of setbacks

Almost a decade of Chinese efforts to get the Pakistani port of Gwadar up and running have been stymied by jihadists and Baloch nationalists. Baluch insurgents have in recent years repeatedly targeted gas pipelines, fuel tankers, trains and Chinese personnel.⁹² Investors and Chinese officials travel in Balochistan accompanied by Pakistani military vehicles on roads that are picketed by policemen at 50-metre intervals and cleared of all traffic.

An estimated 46 workers building a road between Gwadar and the Baloch capital of Quetta have been killed in recent years.⁹³ Chinese hopes suffered a further setback with the expansion of the Islamic State’s (IS) theatre of operations into Pakistan and Afghanistan. The Baloch capital of Quetta was twice rocked in 2017 by bombings that killed scores of police cadets and judicial personnel.⁹⁴ All in all, Balochistan government officials said the number of attacks on security forces in the region rose dramatically in 2016, 48 compared to approximately 20 in 2015.⁹⁵

Adding to the volatility is Balochistan’s potential to become a launching pad for stepped up US pressure on Iran and a possible return to a policy of regime change. Speaking to the US Senate Armed Services Committee, General Joseph L. Votel, head of US Central Command, advised that “in order to contain Iranian expansion, roll back its malign influence, and blunt its asymmetric advantages, we must engage them more effectively in the ‘gray zone’ through means that include a strong deterrence posture, targeted counter-messaging activities, and by building partner nations’ capacity. Through both messaging and actions, we must also be clear in our communications and ensure the credibility of U.S. intentions. Iran must believe there will be prohibitive consequences if it chooses to continue its malign activities designed to foment instability in the region... (We) believe

⁹⁰ Shohel Mamun, Bangladesh signs MoU with China on Payra Deep-sea Port construction, Dhaka Tribune, 9 December 2016, <http://www.dhakatribune.com/bangladesh/2016/12/09/bangladesh-signs-mou-china-payra-deep-sea-port-construction/>

⁹¹ Vasili Rukhadze, Georgia’s Seaport City of Batumi Erupts in Violence, The Jamestown Foundation, 15 March 2017, <https://jamestown.org/program/georgias-seaport-city-batumi-erupts-violence/>

⁹² Agence France Presse, Baloch ire prompts security fears for China-Pakistan Economic Corridor, 21 April 2015, <https://tribune.com.pk/story/873432/baloch-ireprompts-security-fears-for-china-pakistan-economiccorridor/>

⁹³ Saeed Shah, Chinese-Pakistani Project Tries to Overcome Jihadists, Droughts and Doubts, The Wall Street Journal, 10 April 2016, <https://www.wsj.com/articles/big-chinese-pakistani-project-tries-to-overcome-jihadists-droughts-and-doubts-1460274228>

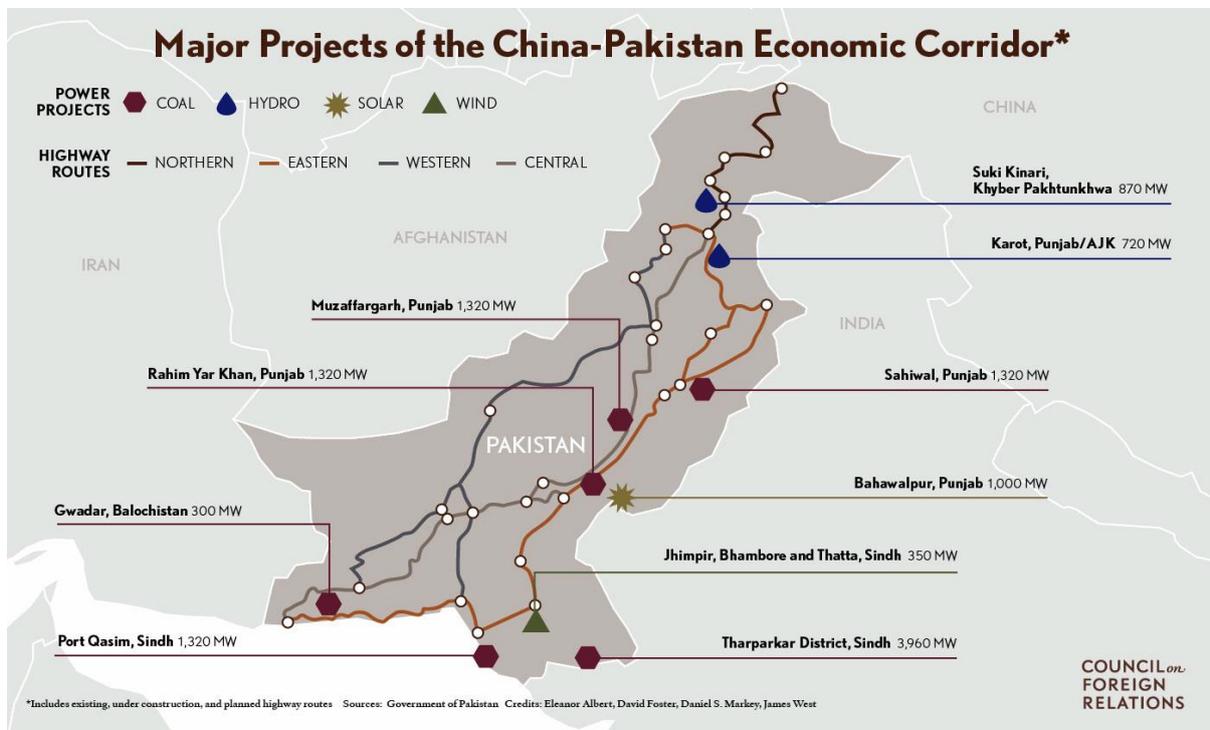
⁹⁴ James M. Dorsey, Fighting Militants in Pakistan: Who Is In Charge?, RSIS Commentary, 2 November 2016, <https://mideastsoccer.blogspot.co.uk/search?q=Quetta>

⁹⁵ Interview with the author, 2 February 2017

that by taking proactive measures and reinforcing our resolve we can lessen Iran’s ability to negatively influence outcomes in the future.,” Voltel said.⁹⁶

Mega projects in Balochistan, one of Pakistan’s least developed and most troubled regions, have a history of provoking local resistance. The region has witnessed five rebellions in the last 70 years all fuelled by Baloch claims that the federal government in Islamabad had exploited the province’s extensive gas and mineral riches for the benefit of the country’s ruling establishment in Punjab. picketed by policemen at 50-metre intervals and cleared of all traffic.

China is investing \$51 billion in Pakistan infrastructure and energy,⁹⁷ including Gwadar port that has been struggling to attract business nine years after it was initially inaugurated. The Pakistan government has deployed 15,000 troops to protect China’s investment, a massive project dubbed the China-Pakistan Economic Corridor (CPEC), the flagship of China’s Eurasian One Belt, One Road initiative. The unit created especially to secure CPEC projects is made up of nine army battalions and six civil armed forces wings.⁹⁸



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Locals in Gwadar dismiss Chinese assertions that the town’s will replicate the success of the Chinese port of Shenzhen. Shenzhen transitioned in a matter of decades from a fishing village into an industrial urban centre. Shenzhen, unlike Gwadar which is 650 kilometres from Karachi, the nearest city, was able to piggyback on Hong Kong, located just next door, with a GDP multiple times larger than that of all of Pakistan. “The local population have been made prisoners in their own town,” said

⁹⁶ Joseph L. Voltel, Statement By General Joseph L. Voltel on the posture of U.S. Central Command, 9 March 2017, <http://www.centcom.mil/ABOUT-US/POSTURE-STATEMENT/>

⁹⁷ James M. Dorsey, China and the Middle East: Venturing into the Maelstrom, RSIS Working Paper, 18 March 2016, <https://www.rsis.edu.sg/rsis-publication/rsis/wp296/>

⁹⁸ Baqir Sajjad Syed, COAS vows to meet CPEC projects' security challenges, Dawn, 12 March 2017, <https://www.dawn.com/news/1319964/coas-vows-to-meet-cpec-projects-security-challenges>

a frequent traveller to Gwadar.⁹⁹ Hostility has been reinforced by hard-handed military tactics to squash the insurgency.

Intimidation of the local population by the insurgents aggravates the situation. Only four percent of eligible voters in Balochistan turned out for a by-election in December 2015 after rebels threatened violence and attacked candidates.¹⁰⁰ The sense of incarceration and alienation is likely to increase with the building of a security fence around the town and entry points that will grant access only to those in possession of a residency pass.¹⁰¹

Chinese, Pakistani and Russian officials warned in December 2016 that militant groups in Afghanistan, including the Islamic State (IS) were expanding their operations. IS in cooperation with the Pakistani Taliban launched two months later a wave of attacks that has targeted government, law enforcement, the military and minorities and killed hundreds.¹⁰²

Indian Prime Minister Mahindra Modi added to the tension by charging in an Independence Day speech that Pakistan would “have to answer to the world for the atrocities committed by it against people in Baluchistan.”¹⁰³ Modi’s remarks broke with India’s long-standing avoidance of public association with Balochistan’s troubles, prompting fears in China that its problems in Pakistan were about to multiply. Statements by Pakistani intelligence in the military said several months later that surrendering Baloch insurgents had asserted that they were funded by Indian intelligence.¹⁰⁴

The “policy of indifference towards Pakistan’s war crimes in occupied Balochistan that include both ethnic cleansing and genocide, adapted by the international community is worrying. The Indian Prime Minister’s statement on Balochistan is a positive development. (The) Baloch nation hopes that the United States and Europe will join Prime Minister Modi and hold Pakistan accountable for the crimes against humanity and the war crimes it has committed against the Baloch nation in 68 years of its occupation of Balochistan and during the five wars that the Baloch nation has fought with Pakistan to win its national freedom,” said Khalil Baloch, chairman of the Baloch National Movement.¹⁰⁵

Modi’s remarks were all the more significant given Gwadar’s strategic importance to Chinese energy security. Once fully operational Gwadar would be the key node in a land-sea energy supply line from the Gulf to China that would circumvent India as well as the South China Sea. Gwadar is a mere 380 kilometres from the Strait of Hormuz at the southern tip of the Gulf and Oman, which governed the port until 1958. Gwadar would shorten the roughly 12,000-kilometre sea route from the Gulf to China’s eastern seaboard to a mere 2,395 kilometres with a pipeline ending in Xinjiang’s Kashgar, one of the busiest bazaars on the ancient Silk Road. Literally translated as New Frontier, Xinjiang is a

⁹⁹ Interview with the author, 10 January 2017

¹⁰⁰ Balochwama News, Balochistan: Pakistani military operation continue ahead of by-elections in Kech, 20 December 2015, <http://balochwama.com/2015/12/30/balochistan-pakistani-military-operation-continue-ahead-of-by-elections-in-kech/>

¹⁰¹ *Ibid.* Shah

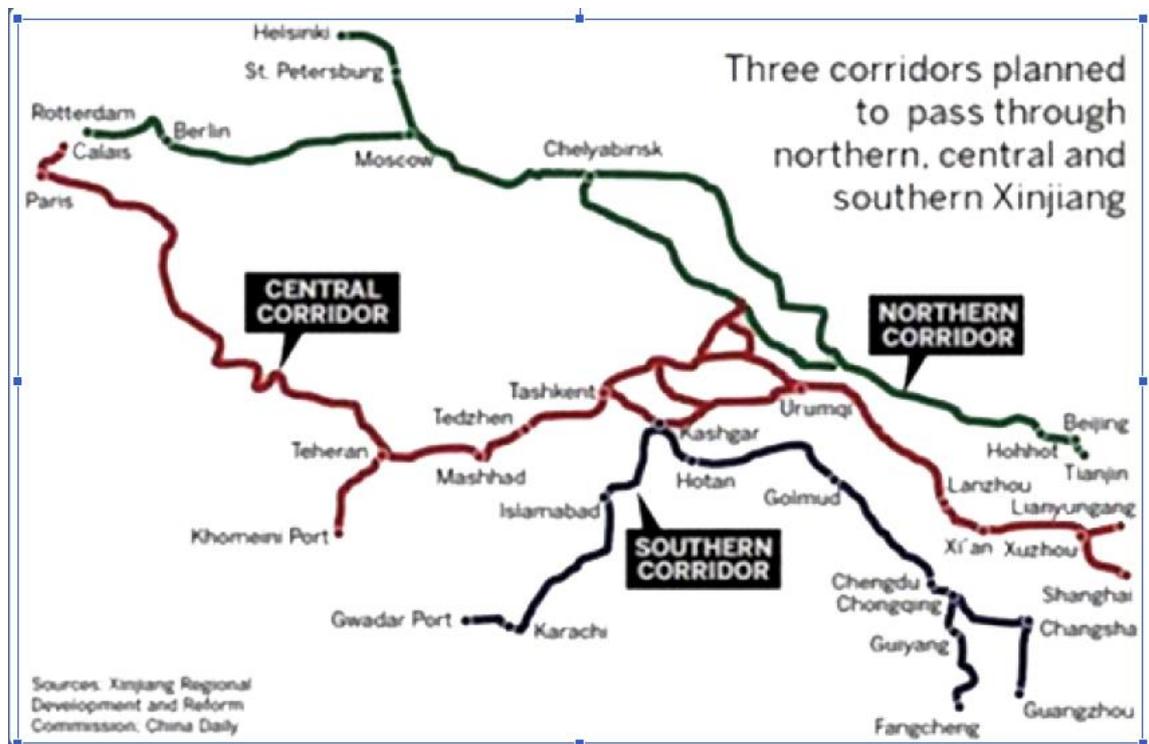
¹⁰² James M. Dorsey, Challenging the state- Pakistani militants form deadly alliance, The Turbulent World of Middle East Soccer, 17 February 2017, <https://mideastsoccer.blogspot.co.uk/2017/02/challenging-state-pakistani-militants.html>

¹⁰³ FE Online, This is the speech by PM Modi on Kashmir, PoK and Balochistan that has left Pakistan fuming, 13 August 2016, <http://www.financialexpress.com/india-news/this-is-the-speech-by-pm-modi-on-kashmir-pok-and-balochistan-that-has-left-pakistan-fuming/347071/>

¹⁰⁴ The Tribune Express, 20 Baloch insurgents surrender, confess receiving RAW funding: ISPR, 21 March 2017, <https://tribune.com.pk/story/1361642/20-baloch-insurgents-surrender-confess-receiving-raw-funding-ispr/>

¹⁰⁵ *Ibid.* The Indian Express

resource-rich, militarily crucial but troubled province in northwest China that is home to the Uyghurs, a restive Turkic Muslims.¹⁰⁶ China sees economic development as the key to squashing the Uyghur's nationalist aspirations.



Source: The Federation of Pakistan Chambers of Commerce and Industry (FPCCI)

As China moved to gradually expand the scope of its military and private security operations in Central and South Asia, IS followed up its wave of attacks in Balochistan with a 30-minute video that denounced “evil Chinese communist infidel lackeys” and promised to “shed blood like rivers” in attacks on Chinese ones. Filmed in Iraq by IS’s Al-Furat Province, the video featured Uyghur fighters and their heavily armed children who appeared to hail from Xinjiang. Offering a stylized view of Uighur life in the caliphate, the video showed scenes of their battles and prayers as well as the execution of alleged informants. The group’s threat against China was issued by a fighter as he prepared to put to death a suspected informant.¹⁰⁷

Overlooked by most analysts, Australian scholar Michael Clarke pointed out that the video also suggested that IS at a time that it was on the defensive in Syria and Iraq was seeking to become the dominant jihadist player in Xinjiang and among Uyghurs. A militant in the video denounced the Al Qaeda-affiliated Turkistan Islamic Party (TIP), the hitherto foremost Uyghur group, as apostates and

¹⁰⁶ Micha’el Tanchum, A Post-Sanctions Iran and the Eurasian Energy Architecture, Atlantic Council, September 2015, http://www.atlanticcouncil.org/images/publications/Iran_Energy_Architecture_web_0925.pdf

¹⁰⁷ Site Intelligence Group, IS Video Highlights Uyghur Fighters and Children, training Camps in Western Iraq, 27 February 2017, <https://ent.siteintelgroup.com/Multimedia/is-video-highlights-uyghur-fighters-and-children-training-camps-in-western-iraq.html>

called on its members to defect to IS. TIP has roots in Afghanistan and has had a presence in Syria since 2012.¹⁰⁸

Release of the video coincided with a rally in Xinjiang of thousands of armed riot police backed by armoured vehicles and helicopters intended to demonstrate their resolve to crush nationalist and Islamist militants.¹⁰⁹ China has cracked down on religious practice in the region as part of its campaign against the militants.¹¹⁰ The video featured images of Chinese riot police guarding mosques, patrolling Uyghur markets, and making arrests. It showed the Chinese flag engulfed in flames. Chinese authorities have offered rewards of up to 100 million yuan (\$14.5 million) for tips of militant Uyghur activity.¹¹¹

China concerns were already bolstered when IS identified East Turkistan as one of its target areas. The group's caliph, Abu Bakr Al Baghdadi, listed the People's Republic at the top of his list of countries like the United States and Israel that violate Muslim rights in his 2014 declaration of the caliphate.¹¹² Maps circulating at the time on Twitter purporting to highlight IS's expansion plans included substantial parts of Xinjiang.

IS's pivot eastward threatened not only Chinese policies in Xinjiang but also the land pillar of China's proposed Silk Road in Central Asia and the Middle East. It put Chinese operations in Afghanistan and Pakistan in the bull's eye. Uyghurs were among the militants who attacked the Chinese embassy in Bishkek, the capital of Kyrgyzstan in August 2016, and several months later on New Year's Eve a nightclub in Istanbul.¹¹³

A survey of Uyghur IS fighters has suggested that lack of opportunity in Xinjiang was a key driver of militancy. Of 114 fighters surveyed by New America, a Washington-based think tank, none had enjoyed a university education, only two had been professional employed, and a majority had not travelled abroad before joining IS. The survey suggested that the fighters were primarily unskilled workers from rural areas of Xinjiang and that they had not been associated with militant or jihadist Uyghur groups prior to joining IS.¹¹⁴

Translating ambition into reality

IS's targeting of China called into question the strategy underlying CIPEC. In a sense, it puts China's cart before the horse. A successful IS campaign would dash Chinese hopes that economic

¹⁰⁸ Michael Clarke, After ISIS Threat, China May Have to Get off Sidelines in Middle East, Foreign Policy, 3 March 2017, [https://foreignpolicy.com/2017/03/03/after-isis-threat-china-may-have-to-get-off-sidelines-in-middle-](https://foreignpolicy.com/2017/03/03/after-isis-threat-china-may-have-to-get-off-sidelines-in-middle-east/?utm_content=buffer36dbf&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer)

[east/?utm_content=buffer36dbf&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer](https://foreignpolicy.com/2017/03/03/after-isis-threat-china-may-have-to-get-off-sidelines-in-middle-east/?utm_content=buffer36dbf&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer)
¹⁰⁹ Michael Martina, China holds mass police rally in Xinjiang as hundreds sent to anti-terror 'frontline,' Reuters, 28 February 2017, <http://www.reuters.com/article/us-china-xinjiang-idUSKBN1670BB>

¹¹⁰ Amnesty International, China 2016/17, Amnesty International Annual Report 2016/17, <https://www.amnesty.org/en/countries/asia-and-the-pacific/china/report-china/>

¹¹¹ Michael Martina, China offers big anti-terror rewards in Xinjiang, Reuters, 22 February 2017, <http://www.reuters.com/article/us-china-xinjiang-idUSKBN1610Z6>

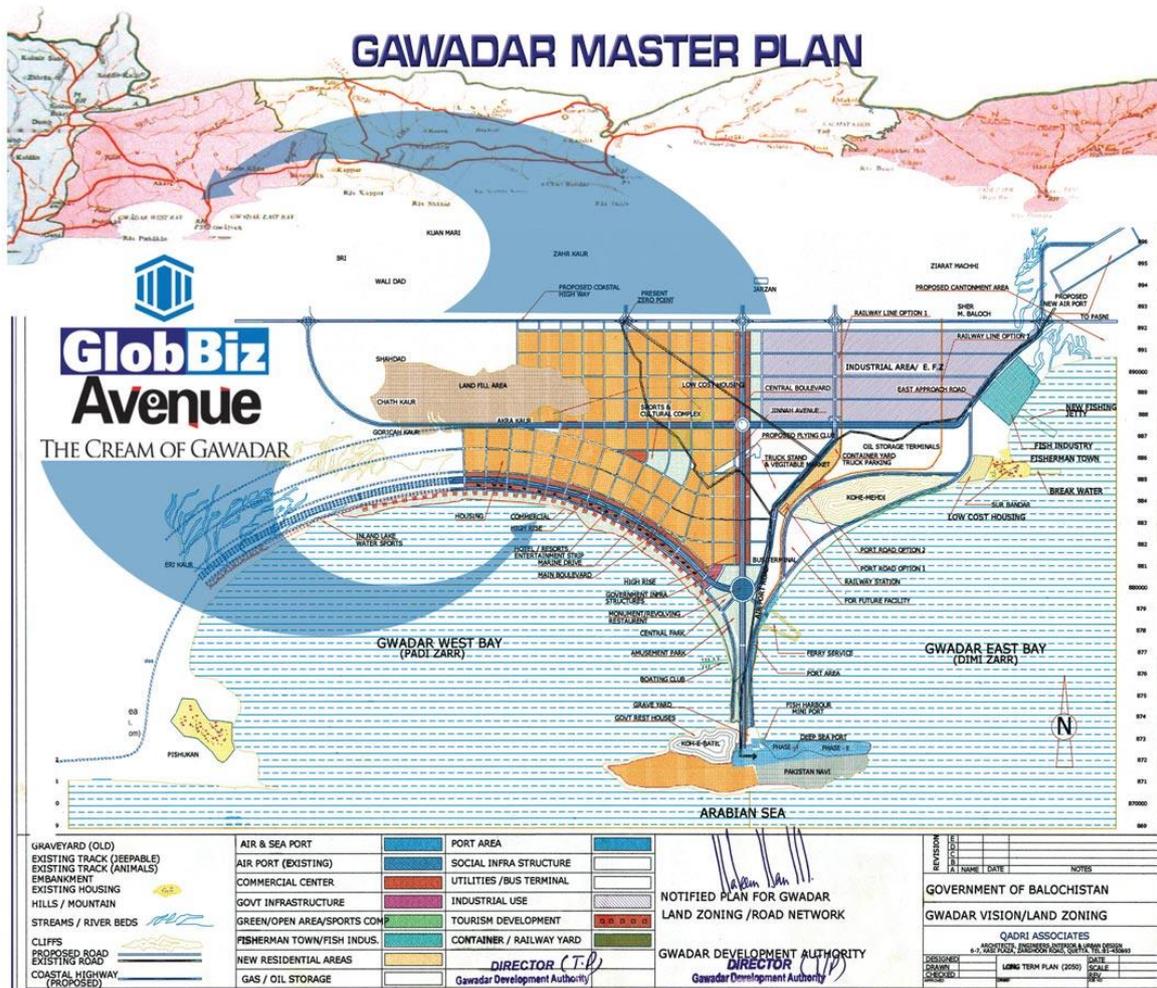
¹¹² Abu Bakr Al-Husayni Al-Baghdadi (4 July 2014). *A Message to the Mujahidin and the Ummah in the Month of Ramadan*, Al Hayat Media Center, https://ia902501.us.archive.org/2/items/hym3_22aw/english.pdf

¹¹³ Raffaello Pantucci, Isil's attack in Istanbul is a turning point – and more violence could follow, The Daily Telegraph, 2 January 2017, <http://www.telegraph.co.uk/opinion/2017/01/02/isils-attack-istanbul-turning-point-violence-could-follow/>

¹¹⁴ Nate Rosenblatt, All Jihad is Local, What ISIS' Files Tell Us About Its Fighters, New America, July 2016, <https://na-production.s3.amazonaws.com/documents/ISIS-Files.pdf>

development in Pakistan would spur a similar development in Xinjiang. Pakistan and China's failure so far to turn Gwadar into a thriving port and trading hub constitutes in part a militant success.

Complicating efforts to make Gwadar viable is the fact that Pakistan will have to not only address Baluch grievances, but also ensure that Baluchistan does not become a playground in the bitter struggle for regional hegemony between Saudi Arabia and Iran or potential US efforts to engineer regime change in the Islamic republic. Separatist claims in the region are rooted in a broken British colonial promise of independence. To counter Baloch aspirations and dial back violence, Pakistan will also have to revisit its long-standing policy of distinguishing between jihadist groups with global ambitions and its proxies that target India and Kashmir.



Source: GlobBiz Avenue

To make Gwadar viable, Pakistan will have to either crackdown on militant Afghan groups, including the Taliban who operate with official acquiescence out of the Baluch capital of Quetta and facilitate an end to conflict in Afghanistan. Combatting the security threat in Balochistan would also have to involve expanding CPEC to cater to local needs by focusing not only on infrastructure but also agricultural development and giving the local population a sense of ownership rather than a belief that Baloch will be the last to benefit from it.

Perceptions of Chinese and Pakistani insensitivity to local concerns is buffeted by the debilitating effect of corruption. A survey of 22 Asian countries by Transparency International concluded that “the law and order institutions in Pakistan were the most likely of any country that we surveyed to

accept bribes – around seven in 10 people who came into contact with either the police or the courts had to pay a bribe (75 per cent and 68 per cent respectively).”¹¹⁵

“Lack of farsightedness and prudence in the statesmen and the element of corrupt practices support foreign dominance and hegemony. Unfortunately, such apprehensions exist in Pakistan, where the lacking of trust on politicians and policy makers, favouritism in decision making and briberies and unlawful payments have been observed... The construction of China Pakistan Economic Corridor cannot be exempted from this perception. Despite the extreme importance of CPEC, there are several questions in public minds and investors regarding the transparency in the contracts of this gigantic plan,” the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) said in a report.¹¹⁶

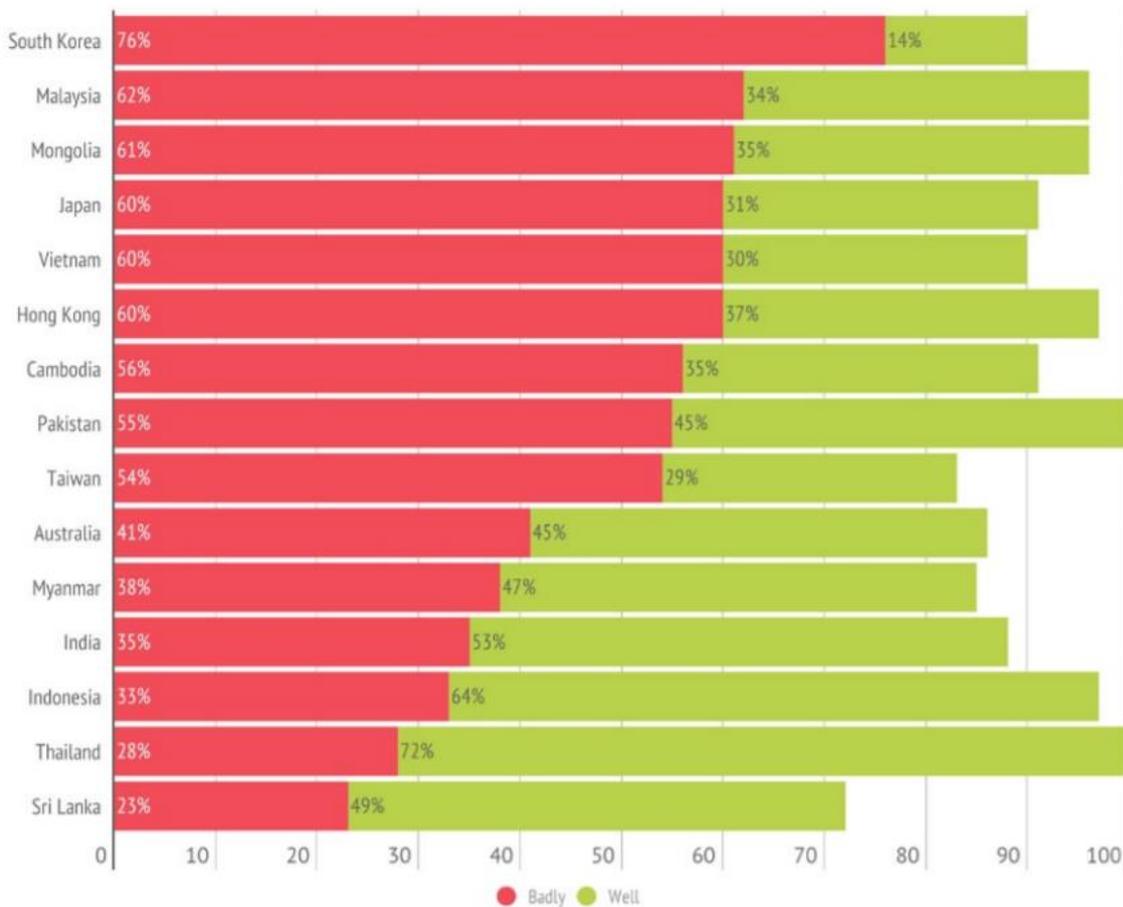
The federation’s concerns were echoed by other Pakistani business organizations, including the Pakistan Business Council (PBC) that groups the country’s largest corporations. “We are being told by the government that the CPEC is a ‘gift horse’ from China. But who knows? It could turn out to be a Trojan horse for us. Unless the government ensures transparency in the deals it has made with the Chinese, the concerns will continue to rise,” said PBC chief executive officer Ehsan Malik.¹¹⁷

¹¹⁵ Coralie Pring, *People and Corruption: Asia Pacific*, Transparency International, 2017, https://www.transparency.org/whatwedo/publication/people_and_corruption_asia_pacific_global_corruption_barometer

¹¹⁶ *Ibid.* The Federation of Pakistan Chambers of Commerce and Industry

¹¹⁷ Nasir Jamal, *The cost of CPEC*, Dawn, 12 March 2017, <http://linkis.com/www.dawn.com/news/kkGun>

**IS THE GOVERNMENT DOING WELL
OR BADLY IN FIGHTING CORRUPTION?
– RESULTS BY COUNTRY**



Source: Transparency International

A proposal to turn Gwadar into a fishing industry hub by introducing game changing technology to aquaculture stranded when local authorities demanded a kickback. The technology would have created employment opportunities in hatcheries, grain processing plants, silos, fish processing factories, engineering and technical support for offshore operations, warehouses, and shipping docks. Western companies were happy to engage in Balochistan despite the violence because they would not have been restricted by environmental regulation. Corruption was where they drew the line.¹¹⁸

The investment would have helped fishermen, a majority of Gwadar’s indigenous workforce, who have had difficulty accessing prime fishing waters since the development of the port began. Further development has deprived them of whatever waters they could still exploit. New fishing harbours being created are far from Gwadar and years behind schedule. As a result, large numbers of Baloch have migrated or been displaced by clashes between security forces and insurgents.

¹¹⁸ Interview with businessman involved in the Gwadar project, 27 February 2017

With opportunity shrinking rather than increasing, Balochistan boasts Pakistan's highest enrolment in madrassas and a rapid growth over the years "in the number of religious seminaries."¹¹⁹ "The Pakistani state's ambitious plans to turn Gwadar into a Dubai-like megacity rub against the local fishermen, Baloch political activists, and ordinary residents' claims of rights in and sovereignty over land and fishing waters... The illegal/ informal activities of local land records officials, landowners, and real estate agents tend to interrupt, stall, and divert the implementation of official development plans or visions in significant ways by blurring the distinction between public interest and private gain," noted social development scholar Hafeez Jamali.¹²⁰

Gwadar's record is a testimony to China's difficulties in translating grandiose ambition into reality. Phase II of Gwadar was completed in 2008. Few ships anchor, however, in a port that is slated to serve littoral states in the Gulf and Red Sea as well as Iran, India, Central Asia and China. It took eight years after completion of the first phase for the first containers carrying Chinese goods to depart Gwadar port.¹²¹

The port is equipped to freighters with a capacity of 30,000 tons, container vessels going up to 25,000 tons, and 200,000-ton oil tankers.¹²² Traffic in 2016 totalled 500,000 tonnes but is expected to double in 2017. Most of the cargo expected to arrive is likely to be construction materials for CPEC-related projects. The numbers are a far cry from the 3-400 million tonnes a year envisioned by the Gwadar Port Authority.¹²³

Recommendations by the Pakistani Senate to reduce tensions in Balochistan made more than a decade ago have gone unheeded. The Senate suggested that at least half of the seats on the board of the company managing Gwadar be allocated to representatives of Balochistan and that seven percent of the port's proceeds be allocated for development of the province.¹²⁴

Changing Chinese policy

It's, however, not only Pakistani policy that would have to change. Success would also require changes in Chinese policies in Balochistan. China has acquired rights to various development projects, including exploration of the Saindak gold and copper mine. The agreements allocate two percent of the proceeds to the Baloch provincial government with the remaining 98 percent divided up between China and Pakistan.

With China importing its own labour, few Baloch, who often lack training, benefit from employment opportunities. Hundreds of Chinese rather than Pakistani engineers have helped build Gwadar.¹²⁵ Of

¹¹⁹ C. Christine Fair, Does Pakistan Have a Madrasah Problem? Insights from New Data, SSRN, 20 July 2015, [file:///C:/Users/jmdor/Documents/Archive%20\(Main\)/Islam/Pakistan/Does%20Pak%20Have%20Madrasah%20Probl-New%20Data%20Fair.pdf](file:///C:/Users/jmdor/Documents/Archive%20(Main)/Islam/Pakistan/Does%20Pak%20Have%20Madrasah%20Probl-New%20Data%20Fair.pdf)

¹²⁰ Hafeez Jamali, States of dispossession: plot, parchi and the politics of place in Gwadar, Pakistan, Lecture, Habib University, 18 March 2017

¹²¹ Danish Hyder and Mushtaq Khan, CPEC: The devil is not in the details, Herald, 11 January 2017, <http://herald.dawn.com/news/1153597/cpec-the-devil-is-not-in-the-details>

¹²² Frederic Grare, Pakistan: The Resurgence of Baluch Nationalism, Carnegie Papers, January 2006, <http://carnegieendowment.org/files/CP65.Grare.FINAL.pdf>

¹²³ Australian Associated Press, Gwadar deep-water port nears completion, 18 April 2016, <https://au.finance.yahoo.com/news/gwadar-deep-water-port-nears-040116880.html>

¹²⁴ Senate of Pakistan, Report of the Parliamentary Committee on Balochistan, November 2005, <http://www.senatedefencecommittee.com.pk/publication-detail.php?pageid=publication&rid=MTE=>

¹²⁵ International Crisis Group, Pakistan: The Worsening Conflict in Balochistan, 14 September 2006, <https://d2071andvip0wj.cloudfront.net/119-pakistan-the-worsening-conflict-in-balochistan.pdf>

the 600 Pakistani workers building the port in 2006 only 100 day workers were Baluch.¹²⁶ In the old city of Gwadar where electricity is available six hours a day and tap water two hours a week, workers from faraway Karachi with no protective helmets and no supervisors put pipes together for a new sewerage system using elementary materials.

Allocation of Gwadar's proceeds matches that of Saindak. In fact, no Balochistan representative was present when President Pervez Musharraf in 2002 signed the Gwadar agreement with Chinese Vice Premier Wu Bangguo.¹²⁷ The port development is moreover slated to change Gwadar's demography with the expected influx of two million non-Baloch into a city of 70,000 predominantly Baloch residents.¹²⁸ As a result, Chinese personnel have become walking targets. A parallel town, Gwadar Smart Port City, with a five-star hotel atop a hill overlooking the port and Gwadar's slums, is protected by paramilitaries who bar access to ordinary locals. The new city boasts an elite housing enclave, and a high-class coastal resort as well as a naval base in the vicinity.¹²⁹

Pakistan's Planning Commission tasked with overseeing CPEC has sought to dampen expectations that Chinese projects would foster employment and investment in testimony to the Pakistani Senate. The overseers reported that only Chinese investors would be allowed to invest in the nine proposed special economic zones across Pakistan and that it was uncertain whether Pakistan labour would be engaged. The zones would be open exclusively to Chinese companies. The overseers said Pakistan may not see a revenue windfall from the massive Chinese engagement.¹³⁰

While Pakistani cement and steel factories were expanding to fulfil CPEC-related contracts, cable producers complained that China was importing Chinese product tax free for multiple energy projects. Kamal Amjad Mian, whose family owns Fast Cables in Lahore, invested \$30 million in anticipation of increased demand for Chinese-funded projects. Mian's phone never rang. "The government, instead of giving us a level playing field, gave them an advantage," he said. Mian and other Pakistani cable producer fear that without Chinese contracts their industry could die slow a death.¹³¹ Similarly, Pakistani textile producers believe that CPEC will undermine their sector once new roads and rails allow producers in Xinjiang to dump their goods in the Pakistani market. China has ploughed billions of dollars into building a textile industry in the north-western and offered producers vast incentives.¹³² Pakistani textile exports dropped by 40 percent in 2016.¹³³

Planning Commission officials said interest charged on Chinese loans would be above market rate.¹³⁴ A report by a Pakistani financial brokerage concluded that interest on China's more than \$50 billion investment and CPEC-related loans would result in Pakistan paying the Middle Kingdom \$90 billion

¹²⁶ Ray Fulcher, Balochistan: Pakistan's internal war, Green Left Weekly, 23 November 2006, <https://www.greenleft.org.au/content/balochistan-pakistans-internal-war>

¹²⁷ *Ibid.* Grare

¹²⁸ C. Christine Fair and Ali Hamza, Rethinking Baloch Secularism: What the Data Say, Academia, 30 January 2017, https://www.academia.edu/31544654/Rethinking_Baloch_Secularism_What_the_Data_Say_1?campaign=upload_email

¹²⁹ The Herald, The Great Land Robbery, June 2008

¹³⁰ Dawn, CPEC claims and doubts, 2 March 2017, <https://www.dawn.com/news/1317784/cpec-claims-and-doubts>

¹³¹ Interview with the author, 7 April 2017

¹³² Reuters, Some Pakistani power firms stuck in slow lane on China's Silk Road, 30 March 2017, <https://www.dawn.com/news/1323767/some-pakistani-power-firms-stuck-in-slow-lane-on-chinas-silk-road>

¹³³ Dawn, Non-textile exports go down by 40pc, 30 March 2017, <https://www.dawn.com/news/1323631>

¹³⁴ Syed Irfan Raza, Senate panel wants Pakistan's interests fully protected under CPEC, Dawn, 1 March 2017, <https://www.dawn.com/news/1317736/senate-panel-wants-pakistans-interests-fully-protected-under-cpec>

for principal, interest on foreign currency debt, and repayment of profits and dividend on equity investment over a 30-year period. The brokerage, Topline Securities, calculated that China was getting a 40 percent return on investment.¹³⁵ Topline's \$90 billion figure did not include the cost of significant tax incentives or costs that are passed on to consumers such as higher utility prices imposed by Chinese-funded energy projects. Pakistani officials have rejected fears that their country may not be able to service its debt if export earnings fail to meet expectations and the country's current account gap continues to widen.¹³⁶

Separately, the FPCCI report predicted that at the current rate of influx of Chinese nationals into Balochistan, Pakistan's least populated region, Chinese would outnumber the indigenous population of the province by 2048. "This trend has sparked fear of marginalisation among the Baloch citizens, who are unsure of how will the unskilled people of the province maintain their lives without land ownership which is their only asset," the report warned.¹³⁷

¹³⁵ Saad Hashemy, Pakistan's External Account Concerns and CPEC Repayment, Topline Securities, 10 March 2017

¹³⁶ Kamran Haider and Chris Kay, Pakistan Dismisses Chinese Debt-Trap Concerns, Bloomberg, 30 January 2017, <https://www.bloomberg.com/politics/articles/2017-01-29/chinese-debt-trap-concern-dismissed-by-pakistan-as-gdp-quickens>

¹³⁷ The Federation of Pakistan Chambers of Commerce and Industry, FPCCI's Stance on China-Pakistan Economic Corridor (CPEC), Farsightedness, Apprehensions and Background, 2016

Changing in Population Dynamics after CPEC
(Projections based on existing rate of population growth and outflow migration)

Year	Chinese Origin	Pakistani Origin	Difference
2016	10.18	0.61	9.57
2017	10.42	1.22	9.20
2018	10.66	1.83	8.83
2019	10.91	2.45	8.47
2020	11.17	3.06	8.11
2021	11.44	3.69	7.75
2022	11.71	4.31	7.40
2023	11.98	4.93	7.05
2024	12.26	5.56	6.70
2025	12.55	6.19	6.36
2026	12.85	6.83	6.02
2027	13.15	7.47	5.69
2028	13.46	8.11	5.36
2029	13.78	8.75	5.03
2030	14.11	9.39	4.71
2031	14.44	10.04	4.40
2032	14.78	10.69	4.09
2033	15.13	11.35	3.78
2034	15.49	12.00	3.48
2035	15.85	12.66	3.19
2036	16.23	13.32	2.90
2037	16.61	13.99	2.62
2038	17.00	14.66	2.34
2039	17.40	15.33	2.08
2040	17.81	16.00	1.81
2041	18.23	16.68	1.56
2042	18.66	17.36	1.31
2043	19.10	18.04	1.07
2044	19.55	18.72	0.83
2045	20.02	19.41	0.60
2046	20.49	20.10	0.39
2047	20.97	20.80	0.18
2048	21.47	21.49	-0.03
2049	21.97	22.19	-0.22
2050	22.49	22.90	-0.40

Source: The Federation of Pakistan Chambers of Commerce and Industry,

The FPCCI warned that demographic concern “establishes a complementary hypothesis (apprehension) that native residents of Balochistan will not get their due share in the development of Balochistan,” the report added. Listing vast areas of Balochistan that would benefit little or not from CPEC, it warned that the “inflow of Chinese investment and business enterprises will adversely impact the interests of business community in Pakistan.”

Deprived Districts	Proximity of CPEC Route	Location of CPEC Route	Remarks
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DEPRIVED DISTRICTS OF BALOCHISTAN

Jaffarabad	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Kharan	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Awaran	Makran Coastal Highway	0 Km	Passing Through the District, Most Significant Positive Impact
Barkhan	Long Term Alignment	25-50 Km	Moderate Positive Impact
Bolan	Western Alignment	25-50 Km	Moderate Positive Impact
Khuzdar	Eastern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Qila Abdullah	Western Alignment	25-50 Km	Moderate Positive Impact
Qila Saifullah	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
JhalMagsi	Long Term Alignment	0 Km	Passing Through the District, Most significant positive impact
JhalMagsi	Eastern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Lasbela	Makran Coastal Highway	0 Km	Passing Through the District, Most Significant Positive Impact
Loralai	Western Alignment	25-50 Km	Moderate Positive Impact

Mushkhal	Western Alignment	1-25 Km	Significant Positive Impact
Naseerabad	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Kalat	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Gwadar	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Gwadar	Coastal Highway	0 Km	Passing Through the District, Most Significant Positive Impact
Kech	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Nushki	Western Alignment	50-200 Km	Less Impact
Mustung	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
DeraBughti	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Sibbi	Western Alignment	50-200 Km	Less Impact
Ziarat	Western Alignment	1-25 Km	Significant Positive Impact
Pishin	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Panjgur	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Zhob	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
Chagai	Western Alignment	50-200 Km	Less Impact
Kohlu	Long Term Alignment	50-200 Km	Less Impact

Source: The Federation of Pakistan Chambers of Commerce and Industry (FPCCI)

To counter multiple threats, including regional nationalism, and to make Gwadar and CPEC a success, China would have to fundamentally change its investment and employment policies. It would also have to break with long-standing principles of its foreign and defence policy that propagates non-interference in the domestic affairs of other countries no matter whether it opts to push Pakistan to be more flexible in dealing with Baloch aspirations or it is forced to maintain stepped-up security to counter threats emanating from opposition to its handling of big ticket projects. So far, China has shown little inclination to revisit its approach. China's ambassador to Pakistan, Zhao Lijian, denounced critics of CPEC as being "out of mind" in a Twitter spat with a prominent journalist.¹³⁸

Violent protests

¹³⁸ Zhao Lijian, Twitter, 20 December 2016, <https://twitter.com/zlj517/status/810942127077257216>

China's ride is proving equally rough in Sri Lanka, another important maritime node. Former Sri Lankan President Mahinda Rajapaksa warned Chinese officials in December 2016 that public protests would erupt if plans proceeded to build in Hambantota a 6,000-hectare economic zone that would buffet a \$1.5 billion-deep sea port, a \$209-million international airport, a world-class cricket stadium, a convention centre, and new roads.¹³⁹

Protests led by Buddhist monks erupted a month later and quickly turned violent as the zone's first bricks were being laid.¹⁴⁰ Similar protests against Chinese investment have also flared in recent years in the Sri Lankan capital of Colombo as well as in Kyrgyzstan, Kazakhstan and Tajikistan. Colombo's problems were exasperated by the port's contracting with China Harbour Engineering Company, a subsidiary of the state-owned China Communications Construction Company (CCCC). CCCC and all its subsidiaries have been banned from participation in World Bank projects after it violated tender terms in the Philippines.¹⁴¹

The protesters in Hambantota opposed the granting of policing and other powers to China within the economic zone as part of 99-years lease and charged that it would amount to a Chinese colony being established in Sri Lanka. The protests have prompted Pakistani media to ask whether China would enjoy similar privileges in special economic zones planned in Pakistan.¹⁴²

The Sri Lankan government has delayed the signing of agreements with China on the port and the economic zone after the protests catapulted the controversy onto the national agenda with opposition politicians and trade unions railing against them. A Sri Lankan opposition member of parliament moreover initiated legal proceedings to stop a debt-for-equity deal with China.

With the delay of projects, Sri Lankan president Maithripala Sirisena was making good on campaign promises to extricate his country from the Chinese debt trap. That is proving however easier said than done. China's state-owned Global Times noted that Sri Lanka had "no alternative" given that neither India or the United States had been willing to make similar investments in the country.¹⁴³ Chinese setbacks in Sri Lanka began when Sirisena beat in elections in 2015 Rajapaksa, a Chinese protégé whom China had provided with weapons needed to defeat Tamil rebels in a three-decade-long civil war Asia's longest. China stepped in after the US and India had criticized Rajapaksa for his brutal tactics.

Hambantota is as much a reflection of the strategy underlying One Belt, One Road as it is of Chinese nimbleness in exploiting diplomatic opportunity. China's offer of a spree of large-scale infrastructure projects came as the United States sanctioned Sri Lanka for allegedly having committed war crimes

¹³⁹ Wade Shephard, Former Sri Lankan President Warns Of Social Unrest If China Carries Out Its Plan In Hambantota, Forbes, 5 December 2016, <https://www.forbes.com/sites/wadeshepard/2016/12/05/former-sri-lankan-president-warns-of-social-unrest-if-china-carries-out-its-plan-in-hambantota/print/>

¹⁴⁰ Wade Shephard, Violent Protests Against Chinese 'Colony' In Sri Lanka Rage On, Forbes, 8 January 2017, <https://www.forbes.com/sites/wadeshepard/2017/01/08/violent-protests-against-chinese-colony-in-hambantota-sri-lanka-rage-on/#3d15feff13dd>

¹⁴¹ Nikko Dizon, Chinese company banned by World Bank bags PH infrastructure project, Philippine Daily Inquirer, 26 October 2016, <http://business.inquirer.net/217467/chinese-company-banned-by-world-bank-bags-ph-infrastructure-project>

¹⁴² Khurram Husain, CPEC enclaves, Dawn, 9 March 2017, <https://www.dawn.com/news/1319301/cpec-enclaves>

¹⁴³ Global Times, Prime minister's visit expected to iron out Sino-Sri Lankan divergences, 4 July 2016, <http://www.globaltimes.cn/content/977523.shtml>

in its war against Tamil militants and the European Union refused to renew preferential trade concessions.

The debt burden left Sirisena, however, with few options. Servicing the debt is eating up government revenues¹⁴⁴ and has forced it to negotiate an International Monetary Fund bail-out.¹⁴⁵ Sirisena has also had to concede on some of the Chinese projects and reduce debt by converting some of it into equity. The president has allowed the \$1.4 billion development of Colombo port to go forward and sold an 80 percent stake in the Hambantota port to China Merchants Port Holdings Co. for \$1.1 billion. China was likely to take over stakes in more shared projects "to help the government solve its finance problems" in the words of Yi Xianliang, China's ambassador to Sri Lanka.¹⁴⁶

Criticism of Chinese investments also focused on the terms of Chinese loans that like in Pakistan are proving to be less soft than projected. Interest for credits extended by state-owned Chinese banks for the first phase of Hambantota infrastructure was 6.3 percent. That compared favourably to rates of about nine percent from commercial banks but was at least double those of multi-lateral institutions such as the World Bank and the Asian Development Bank which range from 0.25 to three percent.¹⁴⁷ "The heavier the debt burden on smaller countries, the greater China's own leverage becomes," noted strategist Brahma Chellaney.¹⁴⁸

Opposition to Chinese investment in Hambantota could render debate about the cost superfluous. Yi has warned that the protests and opposition could persuade Chinese companies to walk away from the \$5 billion project. "We either go ahead or we stop here," Yi said.¹⁴⁹

Much like Gwadar, Hambantota's immediate future appears to be that of a white elephant. "The previous government built these without thinking about whether or not they made economic sense," said Sri Lanka's development minister Malik Devapriya Samarawickrama.¹⁵⁰

Situated in a jungle that is best known as a stomping ground for elephants and bird sanctuary, Hambantota's inactivity matches that of the Pakistani port. The city's Chinese-funded airport boasts at most four flights a day, including ones to Colombo, Dubai, Shanghai and Beijing. Its conference centre and cricket stadium are barely in demand and its highways idle away.

"The Hambantota fiasco is sending a clear message to Beijing: showing up with bags of money alone is not enough to win a new Silk Road," commented Wade Shepard, author of a forthcoming book on China's One Belt, One Road initiative.¹⁵¹ Journalist Tom Miller, author of a book on One Belt, One

¹⁴⁴ Wade Shephard, Sri Lanka And China's Hambantota Debacle May Now Be 'Too Big To Fail', 4 August 2016,

¹⁴⁵ Shihar Aneez, IMF agrees \$1.5 billion bailout for Sri Lanka to avert balance of payments crisis, Reuters, 29 April 2016, <http://www.reuters.com/article/us-imf-sri-lanka-idUSKCNOXQ063>

¹⁴⁶ Gordon Fairclough and Uditha Jayasinghe, Sri Lanka to Sell 80% Stake in Strategically Placed Harbor to Chinese, The Wall Street Journal, 8 December 2016, <https://www.wsj.com/articles/sri-lanka-to-sell-80-stake-in-strategically-placed-harbor-to-chinese-1481226344>

¹⁴⁷ Bandula Sirimanna, Chinese project loans at high interest rates, Economic Times, 19 June 2011, <http://www.sundaytimes.lk/110619/BusinessTimes/bt01.html>

¹⁴⁸ Brahma Chellaney, China's Debt-Trap Diplomacy, Project Syndicate, 23 January 2017, <https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01>

¹⁴⁹ P.K.Balachandran, Chinese investors losing patience over Hambantota agitations: Envoy Yi Xianliang, The New Indian Express, 16 February 2016, <http://www.newindianexpress.com/world/2017/feb/16/chinese-investors-losing-patience-over-hambantota-agitations-envoy-yi-xianliang-1571267.html>

¹⁵⁰ *Ibid.* Gordon Fairclough and Uditha Jayasinghe

¹⁵¹ Wade Shephard, China's 'New Silk Road' Is Derailed In Sri Lanka By Political Chaos And Violent Protests, Forbes, 21 February 2017, <https://www.forbes.com/sites/wadeshepard/2017/02/21/chinas-new-silk-road-is-derailed-in-sri-lanka-by-political-chaos-and-violent-protests/>

Road, warned that “populist blowback will remain a hazard for Chinese firms operating abroad, especially in fragile states run by authoritarian regimes, where changing governments can see dramatic shifts in the prevailing political winds.”¹⁵²

Chinese and Russian leaders likely breathed a sigh of relief in 2016 when power was transferred to Shavkat Mirziyoyev following the death of Islam Karimov. Karimov was the first of Central Asia’s aging former Communist Party leaders, who became presidents of Central Asian states as a result of the breakup of the Soviet Union, to pass away.

Russian and Chinese analysts cautioned however that Uzbekistan may not be a model for others. In a report issued in 2016 by the Moscow-based Valdai Club, the analysts said that there was “no clear mechanism for the transfer of power after the ruling ‘patriarchs’ in Astana and Tashkent inevitably leave the scene due to natural causes. Even the internal stability that does exist suffers occasional setbacks by outbursts of violence, as happened, for example, in early June of this year in the Kazakh city of Aktobe, and in July in the former capital of Kazakhstan, Alma-Ata.”¹⁵³

By pointing to unrest in Kazakhstan, the analysts were highlighting the Achilles Heel of Russian and Chinese policy: a desire to sustain unpopular autocratic rule in Central Asia for as long as possible. “Russia and China do not seek to transform, but to stabilize the political regimes in Central Eurasia, to freeze the situation there as much as possible, and for as long as possible,” the Valdai report noted.

With One Belt, One Road involving a strategy that will only become sustainable in the long-term, the risks of an ultimately unsustainable approach are significant. The risks are compounded by the resistance generated by Chinese business practices. Lack of transparency of Chinese-backed projects enhances the risks. It frequently masks networks of politically opportunistic and/or corrupt government officials and middle men who stand to profit from economic and commercial arrangements that don’t take local interests into account. Volatility is fuelled by high expectations of trickle down economic growth and development that are dashed and drive anti-Chinese sentiment, weakening China’s hand in the region’s Great Game.

The gripes at the grassroots level echo one another whether they are expressed in Gwadar or Hambantota, “The whole area has been captured by the government with local people pushed aside,” a fisherman in Gwadar told The Guardian.¹⁵⁴

Like elsewhere, residents of Gilgit-Baltistan, the only land link between Pakistan and China through which all CPEC road and pipelines run, fear that they are unlikely to benefit despite the region’s potential to export agricultural products to China, produce hydropower and become a mountaineer’s paradise. Their fear is not ungrounded. Nestled in between Xinjiang, Afghanistan’s Wakhan Corridor, and Pakistan- and India-controlled Kashmir, Gilgit-Baltistan is the one region that is not slated to get one of the nine special economic zones planned under CPEC.

¹⁵² Tom Miller, *China's Asian Dream: Empire Building along the New Silk Road*, London: Zed Books, 2017, Kindle edition

¹⁵³ Timofey Bordachev, Wan Qingsong and Andrew Small, *Russia, China and the USA in Central Asia: A balance of interests and opportunities for cooperation*, Valdai Discussion Club, September 2016, <http://valdaiclub.com/files/11822/>

¹⁵⁴ Jon Boone and Kiyva Baloch, *A new Shenzhen? Poor Pakistan fishing town's horror at Chinese plans*, The Guardian, 3 February 2016, <https://www.theguardian.com/world/2016/feb/04/pakistan-new-shenzhen-poor-gwadar-fishing-town-china-plans>

Like in Gwadar, locals in Gilgit-Baltistan too worry that an influx of Chinese nationals and Pakistanis from other parts of the country will eventually turn them into a minority on their own land. Local fears have been reinforced by a crackdown on dissidents that led in August 2016 to the arrest of 500 people, some of whom have been charged with sedition.¹⁵⁵

Similarly, protests in Myanmar, the only Southeast Asian nation to border on both India and China, forced the government to cancel a railway project that would have linked Kyaukpyu to Yunnan in China. Amid opposition to the creation of a Kyaukpyu Special Economic Zone In Rakhine State, a Myanmar legislator warned that “it isn’t known whose land will be seized and how they will be compensated... Nothing is known about the potential developers and investors. There are growing concerns and doubts among the people due to lack of transparency.”¹⁵⁶ The opposition is effecting not only Kyaukpyu, but also its Indian-backed competitor in Sittwe, also in Rakhine State. Afraid of being displaced, local residents have demanded that the projects be put on hold.¹⁵⁷

Showcasing engineering genius

Lack of transparency in scores of One Belt, One Road-related projects is causing China problems far and wide. A European Union investigation into a Chinese-funded \$2.9 billion, 350-kilometre rail link between the Hungarian capital of Budapest and Belgrade, the capital of Serbia, heightened suspicion that China at times persuades its partners to circumvent or flout international standards of doing business.¹⁵⁸

The investigation into whether the deal seemingly granted to Chinese companies violated EU laws stipulating that contracts for large transportation projects must be awarded through public tenders, could punch a hole into Chinese plans to extend its planned Asian transportation network into Europe.

The project, part of a plan to connect the Chinese-managed Greek port of Piraeus with the heart of Europe, was also intended to showcase the engineering genius of China, the world’s foremost builder of high-speed railways. China built 19,000 kilometres of high speed rail at home in the last 15 years.¹⁵⁹ Driven by geopolitics, China’s Eurasian rail ambitions are rooted in the 9,289-kilometre Trans-Siberian railway, long the world’s longest railway built in the early 20th century that initially linked Moscow with the Russian Far East.

The Budapest-Belgrade line is but one building block in a network of 16 Chinese and 15 European cities serviced by trans-continental trains traversing more than 12,000 kilometres across the Eurasian expanse. It’s taken China a decade since the first train reached Europe in 2008 travelling 17 days from Xiangtan in Hunan province to Hamburg in Germany. The train ride was a test run but

¹⁵⁵ Sudha Ramachandran, Unrest in Gilgit-Baltistan and the China-Pakistan economic corridor, The Central Asia-Caucasus Analyst, 29 September 2016, <https://www.cacianalyst.org/publications/analytical-articles/item/13396-unrest-in-gilgitbaltistan-and-the-china-pakistan-economic-corridor.html>

¹⁵⁶ Shannon Tiezzi, Chinese Company Wins Contract for Deep Sea Port in Myanmar, The Diplomat, 1 January 2016, <http://thediplomat.com/2016/01/chinese-company-wins-contract-for-deep-sea-port-in-myanmar/>

¹⁵⁷ Joshua Carroll, Kyaukpyu Villagers Renew Calls to Suspend SEZ Project, Myanmar Business Today, 6 February 2017, <http://www.mmbiztoday.com/articles/kyaukpyu-villagers-renew-calls-suspend-sez-project/>
Chin Human Rights Organization, Press release: Four years on, no clear answers on Kaladan Project, 11 June 2014, <http://www.chro.ca/index.php/chro-media/press-releases/98-2014/467-press-release-four-years-on-no-clear-answers-on-kaladan-project>

¹⁵⁸ James Kynge and Arthur Beesle , EU sets collision course with China over ‘Silk Road’ rail project, Financial Times, 19 February 2017, <https://www.ft.com/content/003bad14-f52f-11e6-95ee-f14e55513608>

¹⁵⁹ Associated Press, China Plans 30,000-km High Speed Rail Network by 2020, 29 December 2016, <http://www.voanews.com/a/ap-china-plans-30000-km-high-speed-rail-network-by-2020/3655234.html>

failed to generate a sustainable market buzz. The breakthrough came five years later with the inauguration of a link between Chengdu and Lodz in Poland that runs on a regular schedule. Trains have become core strategy for many companies to get products across Eurasia in less than half the time it takes to ship by sea for less than half the cost of air. By June 2016, some 1,700 trains had crossed the Eurasian expanse in as little as 10.5 days, with upwards of 35 routes in operation connecting China, Europe, and the Middle East.¹⁶⁰

The problem with the Budapest-Belgrade link is but one of several hick-ups in Chinese railway projects across Eurasia and beyond. Beijing's \$23 billion railway diplomacy has faltered over the last decade in efforts to forge consensus on the construction of multiple railways that would connect 10 major Southeast Asian cities on a 3-4,500-kilometre line from Kunming in China to Singapore. It would constitute an economic boon in a region in which many countries have not invested in their railway infrastructure for decades.¹⁶¹ China's plans have been complicated by the struggle of some Southeast Asian nations to find a way to balance benefitting economically from China's grandiose vision while limiting Beijing's increasing political influence in the region against the backdrop of tensions in the South China Sea.

The central link would cross Laos and Thailand as it heads south towards Malaysia's capital Kuala Lumpur and then Singapore. The eastern line would run through Vietnam and Cambodia before linking up with the central line in Bangkok. Finally, the western line would traverse southwestern China and Myanmar before also ending up in Bangkok. China has completed construction of the Vietnam section and is working on the stretch that will hook up Laos with Kunming.

Myanmar, however, put its part of the plan on indefinite hold in 2014 and Thailand has insisted that it would fund the Thai bit after it failed to agree with China on terms of financing the project. Thailand said it would initially build a line linking Bangkok with the northern city of Nakhon Ratchasima, but would only proceed with connections to Laos and Kunming once demand for those lines had been established and funding had been secured. A separate \$5.1 billion project for a Chinese-built high-speed railway in Indonesia between Jakarta and Bandung has been shelved.¹⁶²

The difficulties cast a pall over the ambition of Chinese engineering firms and train manufacturers such as China Railway Rolling Stock Corporation (CRRC) and China Railway Group Limited (CREC) to successfully compete with the industry's traditional Japanese and European giants. Chinese companies will build the Laotian bid. China's expects the rail links to spur economic growth that would enhance Chinese influence as it underwrites cost in Southeast Asia's poorer nations.

Disputes over funding threaten to undermine expectations that China would manage the rail link to Thailand on which Chinese-made trains would run. Vietnam, moreover, with its long history of distrust of China and dispute over sovereignty in the South China seas leans towards Japanese technology. Malaysia and Singapore differ over who should upgrade an existing railway from Singapore to Kuala Lumpur. Singapore favours Japanese or European contractors while Malaysia wants to opt for the Chinese.

¹⁶⁰ Wade Shephard, How Those China-Europe 'Silk Road' Trains First Began, Forbes, 29 June 2016, <https://www.forbes.com/sites/wadeshepard/2016/06/29/the-story-of-how-those-china-europe-silk-road-trains-first-began/#50abdd31734b>

¹⁶¹ Nik Martin, China's high-speed rail plans for Asia inch closer, Deutsche Welle, 27 April 2016, <http://www.dw.com/en/chinas-high-speed-rail-plans-for-asia-inch-closer/a-19217479>

¹⁶² John McBeth, Why does Indonesia cling to its plagued Chinese infrastructure projects? South China Morning Post, 11 December 2016, <http://www.scmp.com/week-asia/geopolitics/article/2053395/why-does-indonesia-cling-its-plagued-chinese-infrastructure>

China is locked into fierce competition with German¹⁶³ and Italian¹⁶⁴ companies for a contract to connect Moscow with Kazan where some of the 2018 World Cup matches will be played. The \$5.2 billion, 770-kilometers rail would traverse seven regions of Russia, stop in 15 cities and serve 200 million passengers a year. China hopes that winning the contract would allow it to invest a further \$100 billion in extending the line to Kazakhstan and on to Beijing, a project that would reduce travel by rail from the Chinese capital to Moscow to a mere 33 hours. China Railway Group won in 2015 a \$390 million contract to design the Moscow-Kazan link.

Difficulties in Southeast Asia and fierce competition in Russia arose on the back of failures elsewhere. Mexico in 2015 abruptly cancelled a contract awarded to CRRC to build a \$3.75 billion railway linking Mexico City and Queretaro.¹⁶⁵ Mexican President Enrique Peña Nieto said he wanted to avoid "any doubts about the legitimacy and transparency" of the bidding process. An agreement for China to fund a high-speed rail from Los Angeles to Las Vegas ran afoul of American economic nationalism even before the rise of US President Donald J. Trump. US company XpressWest cancelled its contract with China Railway International (CRI) nine months after it was concluded.¹⁶⁶

"The team at XpressWest is optimistic CRI and its affiliates will one-day succeed in establishing a viable presence in the United States rail market, however, our ambitions outpace CRI's ability to move the project forward timely and efficiently.... Our biggest challenge continues to be the Federal Government's requirement that high-speed trains must be manufactured in the United States. As everyone knows, there are no high-speed trains manufactured in the United States. This inflexible requirement has been a fundamental barrier to financing high-speed rail in our county. For the past 10 years, we have patiently waited for policy makers to recognize high-speed rail in the United States is a new enterprise and that allowing trains from countries with decades of safe high-speed rail experience is needed to connect the Southwest region and start this new industry," XpressWest said in a statement.

Conclusion: Questioning core policy

The sum total of problems China is encountering across Eurasia and elsewhere highlight a disconnect between grandiose promises of development and improved standards of living and the core of Chinese policy: an insistence that economics offer solutions to deep-seated conflicts, local aspirations, and a narrowing of the gap between often mutually exclusive worldviews. It also suggests that China believes that it can bend, if not rewrite rules, when it serves its purpose.

To be sure, protests in Sri Lanka and Central Asia are as much about China as they are expressions of domestic political rivalries that at times are fought at China's expense. Even so, they suggest that for China to succeed, it will not only have to engage with local populations, but also become a player rather than position itself as an economic sugar daddy that hides behind the principle of non-interference and a flawed economic win-win proposition.

¹⁶³ RT, German consortium to invest almost €3bn in Russian high-speed railway, 9 November 2016, <https://www.rt.com/business/366074-kazan-railway-german-consortium/>

¹⁶⁴ Tatiana Kanunnikova, Italians to take part in construction of Moscow-Kazan high-speed railway, 16 November 2016, <http://russianconstruction.com/news-1/25477-italians-to-take-part-in-construction-of-moscow-kazan-high-speed-railway.html>

¹⁶⁵ BBC News, Mexico cancels China contract for high-speed train line, 7 November 2014, <http://www.bbc.com/news/business-29948331>

¹⁶⁶ XpressWest, XpressWest to continue development of Nevada-California interstate highspeed passenger rail system without assistance from China Railway International U.S.S. Co. Ltd ("CRI"), <http://www.xpresswest.com/news.html>

The problems also create ample opportunity for China's competitors in Central Asia to ensure that China is one of several regional powers rather than the dominant power. China's difficulties in North America may be an ocean away from Eurasia but resonate across the waters. The Great Game has just begun. China's head start has so far cost the Chinese treasury billions with few tangible returns beyond the hardware. One joker in the game is Trump's America that has yet to chart its course.

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