

CHAPTER III

CHINA STRATEGIES IN INDIAN OCEAN LITTORAL COUNTRIES AND ASIA

This chapter will explain about China's assertiveness to achieve national interests through two strategies. The first is "The String of Pearls" strategy and the second is "One Belt One Road" strategy. Regarding the "pearls", the implementation to strategy with the presence of China naval military in the South China Sea, and lately China is trying create domination in Indian Ocean and Arabian Gulf. This strategy is not only focus on the global security environment but it is more likely a manifestation of China's ambition to achieve great power status and prosperous future. In line with the "string of pearls", China announced a new strategy called "One Belt One Road". It focuses on building economic corridors while strengthen its presence and integrate itself through world economy.

A. String of Pearls

In the globalization era, China is developing its economy and increasing its global influence, learning from the fall of Soviet Union and the end of Cold War. It shows that communism ideology had flawed, then China's leaders have to avoid the mistakes done by the Soviet Union at that time. To do so, under the Chinese Communist Party (CCP), the government was expected to protect and manage economic and social reform while maintaining socialist ideology. Since then China was active in international stage. For example, China tried to became influential in Central Asia through the Shanghai Cooperation Organization (SCO) which consist of China,

Russia, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan.

The country believes that economic sector is China's biggest strength. Emerging as 21st century "Asian Dragon". This could be seen from China annual Gross Domestic Product (GDP) growth rate which is 9.4 percent. This GDP is world's third largest, but because of its massive population the country is also labeled as developing country. However, many experts believe that by the emergence of middle class, China's economy will remain impressive (Bijian, 2005). As the consequence of economic rise, the demand of energy fuels also increases. In order to maintain the percentage of production, China needs stable energy supply.

China naval power has been great since 1405 when Admiral Zheng He deployed 62 ships to show the Asia coastal nation on how great the Ming Empire was. In the Ming Dynasty, there were 62 ships specifically used to transport horses, carried fresh water, carried troops and military vessels for defense. The fleet had 27.800 men and thousands of tons of Chinese goods to trade in another country. The armada was meant to conduct trade while maintaining maritime domination in Asia.

China believes that its naval power will continue to grow in Asian waters. The current agenda of Chinese naval power is the building and constructing naval base in South Asia. Since the early 1990s, China has influenced Bangladesh, Myanmar, Maldives, Sri Lanka and Pakistan to protect Chinese strategic line of communication and practice power into the Middle east and Africa. This plan is called China's "String Pearls.

The 'string pearls' is China's maritime strategy through the use of economic, geopolitical, or military means. This policy used by Chinese government to show great sea power, challenging the United States position in the India Ocean and stealing the backyard of India. This 'pearls' are ports placed in strategic position India Ocean's littoral countries like Pakistan and Sri Lanka (Pehrson C. , 2006). Since 2005, China has tried to expand its maritime presence in Indian Ocean Region (IOR) by building maritime infrastructure in littoral state. Thus, China 'string of pearls' foreign policy represents a new approach in China's plan for long term military domination and this strategy can be seen as a pure business competition between India and the United States big oil importer country.

"String of Pearls" is Chinese geopolitical influence that can be interpreted as military presence. There are some "pearls" for instance, for instance Hainan Island which lately upgraded military facility, on Woody Island that located in the Paracel archipelago 300 miles east of Vietnam, a shipping facility in Bangladesh, Construction of deep water port in Myanmar and also a naval base in Pakistan. These "pearls" spread from the coast of China's mainland through littorals of the South China Sea, The Strait of Malacca, Across Indian Ocean and to the Arabian Sea and Persian Gulf. Through the Sea Lines of Communication (SLOCs) that connect China to the Middle East, the country also builds strategic relationship and developing presence with littoral countries (Pehrson C. J., 2014).



Figure 3.1 China Sea Lines of Communication

Source: Christopher J. Pehrson, 2006. "String of Pearls: Meeting the Challenge of China's Rising Power Across the Asian Littoral". Strategic Studies Institute.

With the "string of pearls". China is trying to protect the Sea Lines of Communication (SLOCs) through land-based power that dominates the littoral countries through expansion in economy and politic. The country's economic growth relies on waterways transportation for the example, oil imports via sea lanes from Middle East. The number of Oil imports from coastal countries has increases 10 percent since 1990s. As an Asia Intelligence experts says that , "As might be expected in a physically large country where most of the economic growth is occurring in coastal regions and where there are constraints on infrastructure, water transportation is important in China and has been growing quickly . . . China's waterways accounted for 55% of all transportation in the country in 2003 The

relative importance of the waterways has been increasing” (Ollard, 2004).

There are several reasons for pursuing the ‘string of pearls’ strategy. First, China is trying to protect its energy source in order to gain its economic success. The country is known as the world’s top dependence of oil. China consumed 36.51 million tons of oil in June 2010 and this number was higher 11 percent compared to a year before. This country has shifted from partial dependence to absolute dependence on imported oil (Blazevic, 2009, pp. 59-71). Because of China’s dependence on energy, the country was trying to control ports and pipelines that became the energy transport’s hub. It is not surprising that China is known as the world’s second largest merchant fleet. In 2007, there were 1700 ships owned by the government and the number will steadily increase with naval building program. With many ships, it will lead to more efficient transport, refuel and repair by reducing ship docking time. To support the safe transport of energy and transportation hubs, China also has to create ties with neighboring countries in order to facilitate the establishment of ports and ships control through ‘pearl of string’ strategy (Ellis, 2010). In order to gain control over energy supply especially oil and gas, China supported Sudan by providing the government with political relief from the United Nation’s sanction. The reason behind China’s action toward Sudan was only to have control of oil infrastructure, supply and flow to China without having to buy oil from open market that has higher price and also the flow of oil can be ensured and controlled to be sent to China safely (Zweig & Jianhai, 2005).

China indirectly influences neighboring countries via trade offers such as giving grants, economic aid and loans to recipient countries. This economic expansion through cheap funds and investment was aimed for development on host country that the offer is hardly avoidable. The country greatly sponsored infrastructure and establishment of roads, railways, highway, ports, military airfields and naval bases, construction of pipelines, transportation of logistic and also increasing regulatory. Not only are China economy and military aids that available for countries that have a stable condition, but also for unstable countries like Pakistan, Iran, and Bangladesh. For instance, China held a project with Myanmar government which was creating a new dual pipeline in 2009, nearly 4.000km long in Myanmar's western coast that transfers oil and gas from Arakan State to Kunming. The China government is projected of US\$29 billion over 30 years period (Bezlova, 2009). Take for another example, Beijing attempted join infrastructure construction of port of Gwadar in Pakistan where China contributed US\$198million for the first phase on the project. China also contributed US\$200 million for the building of a highway that connect Gwadar and Karachi (Kaplan, 2011). In 2015, Chinese head of state, Xi Jinping, visited Pakistan to announce a project valued US\$45 billion upon a 3000 kilometers road stretched from western China to Gwadar. After that, China also invested US\$28 billion to build roads, power plants and ports that the amount was nearly equal to the amount of the United States aid for Pakistan over the past decade to support war in Afghanistan. Moreover, China government also sell eight submarines to Pakistan that double Pakistan's number of fleet. This policy shows that Pakistan gets infrastructure advancement and a friendly

price, China also get naval settlement of Hormuz Strait where 40% of the world's oil route through.

Using the 'string of pearls' strategy, China reflects practicality and flexibility in its foreign policy. It also demonstrates Beijing's determination to do anything and ensure secure access to energy sources. China invested more money in Pakistan rather than any countries, the country also facilitated technical expertise of hundreds of China's engineers. For China, the port projects accommodate China's strategic in the region. This is mostly because Gwadar has a strategic value on distance. It has 240-mile distance from Strait Hormuz that can transfer the energy safely from oil rich states. For Pakistan, the port of Karachi operates 90 percent of Pakistan sea trade. Meanwhile the location is nearby India, so it is potential for being blocked when a war happens. For example, the route of sea trade was blocked during Pakistan and India war in 1971 and during Kargil war in 1999 (Ramachandran, 2009). Pakistan needs a development of Gwadar port considering its value.

Not only in Pakistan, China's military ships were seen many times in Indian Ocean. In 2014, A people's Liberation Army Navy (PLAN) Song class conventional submarine along with Changxing Dao a submarine ship docked at Colombo International Container Terminal (CICT) managed by China in Sri Lanka. The vessels stopped for refueling before heading to Gulf Aden to support efforts to fight piracy. Since 2008, China has been active on combating piracy in the Gulf of Aden to ensure the freedom of navigation and fundamental principle of International law (Sakhuja, 2015) . Supported by statement from a senior analyst for the U.S

Navy, Daniel Kostecka, he believes that China's overall agenda is to achieve maritime dominance in the Indian Ocean Region as a rising dragon.

“China's investment in the construction of commercial port facilities in such locations as Gwadar and Hambantota is presented as evidence that China is seeking to build naval bases in the Indian Ocean... The development of a support network by China for its naval forces operating in the Indian Ocean represents a natural outgrowth of the ongoing counterpiracy mission and the Chinese tentative yet very real steps away from home waters and into the global maritime domain (Kostecka, 2011)

The second factor that becomes the strategy of 'string of pearls' conducted by the China Government is because of easy access to market. Implementing the strategy, China gained business benefit from infrastructure projects. For instance, 40,000 Chinese labor were used to renovate Myanmar Infrastructure Project. It means that the use of Chinese company and Chinese labor in the same time can reinforce the cycle of money transfer. China government assists recipient country in infrastructure development to get back payment for the Chinese companies that work on these projects. Take for example, to realize the easy access to market, China Government built Hambantota Port project in Sri Lanka cost was estimated US\$360 million. The project was constructed by two Chinese companies namely China Harbor Engineering Company and Sinohydro Corporation, this project was funded by China's Exim Bank (Haviland, 2010). The fact shows

that the fund lent by China for Sri Lanka is going back to the Chinese companies and workers.

Aside from both factors, China has political reason behind the 'string of pearls' strategy. By sending million workers overseas through infrastructure development project, China is trying to provide job opportunities for Chinese workers. The government also aims to create environment of Chinese culture and business in the recipient country by social influence that supported by the presence of Chinese labors that permanently placed in the recipient country to maintain the infrastructure and facilities. Through this project, China Government is trying to develop Chinese communities and business that stay for longer term. In principle, China government attempts to pursuit regional influence and create border that will be hard to penetrate by any competitor especially for the United states and other emerging power country like India (KIm, 2011) .

The big countries such as India, the United States and Japan can be seen as China's competitor on energy import. This is particularly for India and China which are rapidly developing economic and both are emerging states that demand for massive energy supply. This means that they rely on imported oil and gas. By this strategy, China wants to block India's access to energy supply and gets benefit in business, military and political influence in resource rich states. Thus, India get limited access on energy transportation including strategic ports, shipping lanes, and important pipelines opportunities. The aforesaid strategy can be seen as the realization of China's interest to defeat India to secure its foreign energy supply (Li, 2009).

The last factor why China conducted ‘string of pearls’ strategy is continuing 1994’s ‘westbound’ strategy on economic and political expansion to resource rich states for the purpose of resource achievement through imported oil from all over the world via ships. Recently China imported oil from the Middle East and Africa. The country imported 50 percent of crude oil from the Middle East and 30 percent from Africa, and the rest if rom all over the world. Most of the oil was needed to be transported by ship through three important chokepoints. Those chokepoints are Gulf of Aden, Hormuz Strait and Malacca Strait in which three chokepoints are weak to trouble.

Although those three chokepoints play important roles in example, in Gulf of Aden there are Somali pirates that hijacked various ships that went through India Ocean. The for the Hormuz Strait that located next to Iran, was unstable considering Iran and United States conflicts that often easily blocked the strait. For China, Malacca Strait that is located between Malaysia and Indonesia is the most strategic point because it shortens route from India to Pacific Ocean. It is unquestionable when this trait is one of the busiest straits in which more than 60.000 ships passes through this strait each year. More importantly, Malacca strait is very important for China because 80 percent of China’s oil supply is imported through the Malacca Strait (Lai, 2010). Remembering how important the energy transportation is, China depends on ‘string of pearls’ strategy to unlock the challenge by strategically building pipelines and ports in order to reduce it dependency of getting energy supply through these three chokepoints.

B. The One Belt One Road strategy

Having been one of the world's fastest growing economies had deep impact on economic growth for several years, China is confident to take more active assertive in international stage. Fulfilled with desire to achieve more encourage China to take part in Central Asia, South Asia, Latin America and Africa. China is also trying to develop relationship with rising states such as India, Mexico, South Africa and Russia. This strategy has two main parts. The first, is part the "silk road economic belt" known as One Belt. It is a network of road and rail routes, oil and natural gas pipelines extending from China through Asia and Europe. Different from the "silk road economic belt", the "maritime silk road" known as One Road is a network of planned ports and infrastructure project that extend from coastal of Europe through South China Sea and Indian Ocean in one route and from coastal of China to the Pacific Ocean in one route. This strategy shows how China strives to integrate to the world economy and strengthen its influence in those regions.

Announced in 2013 by China Government, "One belt one road" is expected to promote networking in Asian, European, and African continent through cooperation among countries with policies coordination, financial integration and smooth trade as important goals. This strategy gives massive scale amount of investment about \$1 trillion funding by Chinese government bank, Silk Road Fund, the Asian Infrastructure Investment Bank, the BRICS New Development Bank. Those financial institution are aimed to fund close the infrastructure investment in Asia. According National Development and Reform Commission of China, the

purpose and principle of “one belt one road” strategy is in line with the United Nation Charter. The principle sustains the Five Principles of Peaceful Coexistence or *Panchsheel* that was initiated by India Prime Minister Jawaharlal Nehru and Zhou Enlai in 1954 that prioritize the importance of cooperation (National Development and Reform Commission, 2015).

According to a foreign affairs specialist, Peter Ferdinand, China’s foreign policy has evolved greatly under the President Xi Jinping that promoting the idea of optimism and enthusiasm. Essentially, under Xi Jinping regime, China is trying to achieve extreme ambition of transforming economic relation across the world. The country is trying to achieve economic ambition strengthening relation with Europe, and also other countries along the route to prevent potential conflict from many neighbors. As he said, “Through the Asian Infrastructure Investment Bank (AIIB), the investment arm of the OBOR policy, China intends to promote partnerships for addressing regional development issues. Because building this shared cross-border infrastructure facilitates such extensive diplomatic negotiations and significant economic growth opportunities for partner nations, the Chinese believe the strategy will improve their regional image amongst Belt & Road partner nations” (Ferdinand, 2016, p. 950).

According to Abhijit Singh, a maritime policy initiative professional, he believes that Beijing tries to expand its maritime strategy in the Indian Ocean Region (IOR). “For some time, Beijing has been trying to expand its strategic footprint in the Indian Ocean. The increasing frequency of Chinese anti-piracy deployments and naval

exercises, as well as growing investments in maritime infrastructure projects have burnished China's image as a maritime player in the region. China had plans for establishing naval bases" (Singh, 2015).



Figure 3.2 China's One Belt One Road Map

Source: Bangladesh Defense Forum, 2016. "One Belt One Road (OBOR) Initiative". Pakistan Defense

From the figure above, it shows China's plan to achieve economic and political interest through One Belt One Road initiative. The major example of "one belt one road" project is China is trying to pursue influence in the South Asia through some initiatives. For the example, China is developing China-Pakistan Economic Corridor (CPEC) that became the part of China's "One Belt One Road" strategy to pursue trade and economic relation based on land. The main focus of "One Belt One Road" project is bringing together China, Central Asia, Russia and Europe especially The Baltic Sea by Linking China

with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and also connecting China with Southeast Asia, South Asia and the India Ocean (Jakobson & Medcalf, 2015). In 2013-2014, the trade between Pakistan and China increase from US\$4.1 billion in 2006-2007 to US\$9.2 billion in 2012-2013 that represented a significant increase. This China-Pakistan Economic Corridor is expected to provide a main entrance of trade between China and the Middle East also Africa. The trade access now became the provider of China's oil supply. Through this trade access, China-Pakistan Economic Corridor links Gwadar Ports to China's northwest region via highways, railways, oil and gas pipelines. On top of that, the link lead to establishment of Energy Planning Working Group to undertake implementation of power project of 21.690 Mega Watt power with assistance of Beijing (Pakistan Today, 2014).

Together with Pakistan, China is looking to upgrade relation with South Asia states, such as Afghanistan, Bangladesh, Nepal, Bhutan, Maldives, Sri Lanka and also some Southeast Asia Countries like Myanmar. In Afghanistan, China built railway line to transport cooper from Aynak mine in south Kabul. In Nepal, China also offered trade and transport to help Nepal's total dependency of oil from India. In Sri Lanka, China is financing 70 percent of the nation's infrastructure projects including construction of Hambantota port and another port. In Maldives, the government allowed the sale of private land to foreign countries which China can easily purchase the land and construct airport there (Snedden, 2016).

In fact, Chinese analysts do not only think that the existence of “one belt one road” strategy only fascinated as the largest developmental plans in 21st century, but this is also used to balance the former United States’ Barrack Obama plan on pivot to Asia. According to former World Bank chief economist, President Xi launched “one belt one road” in 2013 to balance the United States Trans Pacific Partnership (TPP). He believed that China had a large foreign reserve to build infrastructure in the region (Lin, 2015). With China as the center of manufacture and innovation, China might gain regional leadership through economic integration that promoted regional production link.

From those strategies done by China, India feels that China is trying to surround the country from water and land. Thus, India needs to spread influence through a new strategy. China’s ability to take a greater role in international stage through global cooperation among neighbors should be concerned. Under Prime Minister Narendra Modi, India’s “Look East” policy changed into “Act East” policy. The changes in foreign policy show India’s intention to respond Chinese maritime and land threats by increasing naval defense budget. For example, India considered a nuclear-armed submarine (SSBN) program that aimed as a deterrent against China. Another change in India’s foreign as an effect of China’s activity in Indian Ocean is strengthen security relationship with Indian Ocean states. For instance, Prime Minister Narendra Modi rebuilt a positive relationship with Mauritius, the Seychelles and Sri Lanka also Maldives by strengthening maritime capabilities, training, and sharing maritime awareness among these states in 2015.