Second Wind for China's String of Pearls Strategy. Part 2

Foreign scholars could not help but notice that by the implementation of a special policy of conducting anti-piracy campaigns around the Horn of Africa, Beijing began to show increased interest in the Port of Aden, where it has transported fuel, freshwater, and food for the ships that made frequent visits to the Port of Salalah on the shore of Oman.

Overall, since the turn of the millennium, the Chinese Navy has already conducted multiple large-scale voyages, including one circumnavigation that visited 23 countries in Asia, Africa, America, Europe, and Oceania. According to unconfirmed sources, the Chinese vessels crossed the Strait of Magellan. These voyages across the ocean were not only acts of naval diplomacy and a chance to fly the Chinese flag in major ports around the world, but also, apparently, an opportunity to collect information about major Canals - the Suez, Panama, etc., which Beijing has been observing for a long time due to its expanding interests in oil and natural resources.

And now it may be stated that Beijing is clearly reshaping the global map of traffic flows in all directions. For example, at the turn of the century Beijing managed to beat the USA in obtaining the concession to operate the Panama Canal for 50 years and to rent the ports of Bilbao and Cristobal on either side for 25 years. By the end of 2014 the extensive modernization of the inter-ocean canal will be completed, as well as the construction of pipelines, a railroad and highway running alongside it. After it is dredged, the canal will be able to admit a greater number of vessels per day, with a deadweight up to 120-130 thousand tonnes. Essentially, the squeezing of the USA out of the Panama Canal by the Chinese signifies not only a victory in this specific competition, but also a weakening of Washington's position in Latin America as a whole.

China has appropriated the Suez Canal just as thoroughly. Multiple Chinese companies established presences in the area of Port Said at the beginning of the twenty-first century, with the intention of creating a “free economic zone” in the future. The negotiations between Egypt and the PRC conducted at the time resulted in an agreement permitting the ships of COSCO (China Ocean Shipping Co) to use the port’s equipment along the entire canal. By 2012, there were two facilities for unloading containers with cheap Chinese goods in operation at Said Port. After the Arab Spring, problems arose regarding its use due to a limitation of traffic, an orgy of piracy around Somalia and in the Gulf of Aden, as well as possible acts of terrorism, which almost occurred in August, 2013, but were successfully averted.

To protect the installed transportation communication network control system against potential risks, Beijing initiated the construction of an alternative to Panama and Suez in 2012 - a “dry canal” through Colombia. The project, however, turned out to be expensive and unprofitable - one train can transport 6-7 thousand tonnes by rail, whereas the average capacity of a freight ship is 70 thousand tonnes. So the project was forgotten.

Regarding the zone around the Indian Ocean, Chinese authorities have displayed admirable consistency, especially in recent years. The major port in Gwadar, modernized by China in the first decade of the twenty-first century, was transferred to the management of the Chinese Overseas Port Holding in February, 2013 due to the disappointment of Pakistani authorities over the results of the Singaporean firm that had been operating the port for the last six years. Gwadar may be quickly transformed into a military base, according to the media, and also boasts a strong point
under construction with substantial storage space, numerous moorings for the simultaneous reception of more than 30 vessels, and an oil refinery in Hambantota in southern Sri Lanka (the total investment in the project amounts to 1.2 billion USD). All of these, as well as other facilities along the northern arc of the ocean, are exposed to several threats to the flow of energy resources into China through the Indian Ocean.

But nevertheless, Beijing continued to seek new opportunities to gain a foothold on the east coast of Africa, which has become a very important source of various resources that fuel the rapid growth of the Chinese economy. In 2011, Beijing succeeded in concluding an agreement to construct a base on the Seychelles for refueling and rest, with intentions to expand its functions. But the Chinese met with disappointment in the Maldives, where on the one hand, they were refused the right to establish a base, but on the other hand, their economic integration was strongly welcomed.

After lengthy discussions with the government of Kenya, Beijing began the construction of a major complex in Lamu (north of Mombasa) in 2013 - a major ports with moorings for 32 ships, three international airports, a railroad line 1 thousand miles long and a highway 1.1 miles long to transport oil and other resources from Sudan, Ethiopia, and other areas of West and Central Africa. An oil refinery will also be constructed in Lamu. In the future, it is planned to connect this complex with similar facilities on the west coast of Africa.

The Malacca Dilemma is perhaps the only remaining "tough nut to crack" for Chinese strategists, forcing them to continuing searching for possible solutions. By and large, the problem remains acute and has not been taken off the agenda. Nevertheless, in 2014 oil pipelines from the shores of Myanmar in the Bay of Bengal to Yunnan province entered services, with gate points at more than 60 locations on roads built by Chinese workers between Chinese provinces and neighboring ASEAN countries. China had the opportunity to become a legitimate user of the Strait of Malacca by virtue of its active participation in international anti-piracy campaigns (without formally joining the ReCAAP: Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia), which, in the opinion of Beijing's military leaders, posed less of a danger to China's ships that the possibility of a blockade of the strait by the USA, either independently, or jointly with the loyal US ally, Japan.

In 2012, China received the status of a permanent observer in the region-wide Association for Regional Cooperation in the Indian Ocean (ARICO) composed of 19 countries, which it joined in 2000, but not in the Naval Symposium of the Indian Ocean created by India in 2008 due to the opposition of Delhi.

China is gradually creating pockets of influence and inventing various contingency plans, but does not always achieve the desired result. For example, the plan to build a canal through the Isthmus of Kra in the narrowest section of the territory of Thailand and Myanmar, in which Beijing showed a strong interest even in the last century, and for which it was prepared to spend 25 billion USD, has been delayed once again. It would short the route compared with the Strait of Malacca by a factor of two, and would increase the amount of ships that could pass through to 200 per day. Several construction options have been put forward, and several players are interested in participating (in addition to the main contractor - China), including the EU, USA, Japan, India, Vietnam, Cambodia, etc. Only Singapore reacted negatively, fearing competition and a loss of income due to a lower number of ships in the Strait of Malacca.

Among the reasons for the repeated postponement of beginning to process of collecting funds for construction, Thai authorities have listed the following, in addition to the global financial crisis: growth in separatism in the south of the country, complexity of legally registering the ownership over the future canal and preserving sovereignty over it (following the adage - "he who pays the piper calls the tune"), fears of excessive activism and influence from China by potential regional participants in the project, the implementation of which will take approximately 10-15 years.

Continuing to experience pressure from the Malacca Dilemma, China is wisely seeking to expand the spectrum of levers at its disposal to overcome it and promote its interests, while also opening up new geo-strategic areas:

1). Beijing managed to achieve good results in the development of the Northern Sea Route (NSR), its interest in which, as well as in the Arctic as a whole, has been clear since the beginning of the twenty-first century, when, in 2004, it established its first polar research station Nai-Alesund at Svalbard, initiated construction of a non-nuclear icebreaker, and received in May, 2013 the status of permanent observer in the Arctic Council. In August of the same year, the first Chinese cargo ship Yun Shen reached Rotterdam via the NSR, and successfully completed its journey two weeks earlier than if it had used the routes going through the Indian Ocean and Suez Canal. The Wall Street Journal, August 20, 2013, remarked that this voyage was a noteworthy achievement, which not only saved the Chinese over 820 thousand USD in fuel, crew wages, etc., but also presented lower risk than transporting raw materials, oil, and cargo through the South China Sea and Strait of Malacca. According to Chinese experts, shipping
via the NSR may account for 15% of China's trade exports by 2020. This also draws attention to the reciprocal objective of "opening" the NSR for China - establishing along the NSR regular, less expensive communications with Greenland and Iceland. After signing a Free Trade Area (FTA) agreement with Iceland in 2013, Beijing intends to begin developing offshore hydrocarbons. Greenland has been a location of interest for many mining companies for several decades. China is among those actively striving to acquire the rights to mine uranium and rare earth metals, including Australia, the USA, etc. By participating in a project with London Mining, which is excavating iron ore at Isua in the southwest of the island, Beijing has already invest 2.3 billion USD, and is also building a port, airport, and roads. In the future, the successful completion of this project by Beijing will depend on a smooth transition to independently mining gold and copper ore, and extracting oil and gas from the Greenlandic shelf.

2). There is another very promising task at the top of the list - a Chinese company will build an inter-ocean canal in Nicaragua for 40-50 billion USD and receive a concession to operate it for 100 years. Despite protests by local "greens" due to fears that the construction of the canal may cause damage to the environment, the legislature and government of Nicaragua approved the project in the summer of 2013, in the hopes that the country would receive substantial benefits. According to estimates, this modern canal (due to its ability to allow large vessels carrying cargoes of 270 thousand tonnes through) is likely to become a rival of the Panama Canal. Despite the long term nature of the project, its construction may result in economic growth of 10% in the country in 2014 alone. The Nicaragua Grand Canal (NGC) will allow China to cut the Pacific Ocean in half and open a strategically important and shorter route to the Atlantic Ocean, Latin America, and West Africa.

3). China is making an effort to change the balance of power in its favor in the southern seas of the Pacific. Here, in exchange for economic aid, handouts to local elites, investments in weak local manufacturing and fishing, modest military aid to protect the EEZ, military equipment, and other methods of Chinese "soft power", Beijing is trying to obtain the right to create support points and military bases in Fiji and Tonga.

Some western analysts immediately dubbed Beijing's policy in Oceania a variant of its "string of pearls" strategy. The strategy has been applied in the Indian Ocean for a long time, and judging by many measures, it has already expanded beyond its borders. The accumulated experience and diverse mechanisms to implement the strategy proved to be fully applicable to its implementation in other regions, in order to promote Beijing's global and regional interests.

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Returning to the Chinese exercises conducted at the beginning of 2014, a few remarks must be made regarding the sharp reaction to them by Australia, USA, India, etc. The core reaction was the usual call for greater unity against the "China threat", an increased level of multilateral maneuvers in the region, an expansion of navy-to-navy information connections, and the necessity of tightly monitoring the movements of the Chinese navy.

In "Australian", hints were intoned regarding the undesirability of an incursion of Chinese ships into the eastern areas of the Indian Ocean, which are, incidentally, international waters. The desire was also voiced for joint efforts to integrate China into the global "rule system", including on the sea, still rigidly imposed by Washington, which is difficult to reconcile with the recognized accession of the Middle Kingdom to the status of the second world power.

In practical terms, the trends in the convergence of India with Australia, Japan, and Indonesia have received further stimulus. Also, while the USA will maintain its current primacy in the seas in coming years, it will not be able to restrain China from gradually gaining control of points of global significance and assembling new "strings of pearls" in an increasingly global world.

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