



**Statement before the
House Committee on Transportation and Infrastructure
Subcommittee on Coast Guard and Maritime Transportation**

***“China’s Maritime Silk Road Initiative:
Implications for the Global Maritime
Supply Chain”***

A Testimony by:

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Thank you, Chairman Maloney, Ranking Member Gibbs, and distinguished members of the subcommittee, for the opportunity to testify today on China's Maritime Silk Road.

CSIS is tracking China's maritime activities with several initiatives. The Asia Maritime Transparency Initiative (AMTI) monitors developments in the East and South China Seas. The China Power Project has examined Beijing's naval modernization.¹ The Stephenson Ocean Security Initiative has investigated China's fishing fleet.² And the Reconnecting Asia Project, which I direct, is a leading source for facts and analysis on China's Belt and Road Initiative, including a database of over 14,000 infrastructure projects.³

Drawing from these and other resources, I'd like to focus on four areas today. First, I'll put the origins of China's MSR into context and explain what about it matters and what can be misleading. Second, I'll describe China's increasing control of the maritime supply chain, which is a better framework for thinking of its maritime rise. Third, I'll summarize how these developments impact U.S. interests. Finally, I'll outline three areas for Congressional action.

China's Maritime Silk Road: Advertising and Ambition

Six years ago, Chinese president Xi Jinping announced the "Maritime Silk Road" in a speech to the Indonesian parliament.⁴ A month earlier, he announced the "overland Belt" in a speech at Kazakhstan's Nazarbayev University. Collectively, these efforts became "One Belt, One Road," which was eventually simplified in English to the "Belt and Road Initiative," or BRI. In the years since, the BRI has captivated the world's attention, leading to excitement among China's partners, concern among its competitors, and confusion across the board.

Despite plenty of hype about new overland routes, the economic action will remain in the maritime domain. Chinese state media advertise logos of camel caravans, and Chinese officials quote Marco Polo, but overland connectivity across the Eurasian landmass remains comparatively weak for longstanding reasons. China-Europe train services, one of the most popular examples of overland improvement, are growing, but they are fueled by Chinese subsidies and face structural challenges.⁵ The vast majority of global trade, 90 percent by volume, travels by sea.⁶ Put simply, overland trade is not making an epochal comeback.

Like all aspects of China's BRI, the MSR has expanded since its announcement. It received only a passing reference in Xi's speech, which gave roughly as much attention to Indonesian folk songs. Chinese officials scrambled to provide structure and fill in the details. In 2017, the Chinese government released a document that outlines three "blue passages" that run from China to Africa and the Mediterranean, another to Oceania and the South Pacific, and a third through the Arctic to Europe.⁷ As I will explain, China is also pursuing activities beyond these routes, including much closer to the United States.

The "blue passage" concept reveals the strengths and weaknesses of China's BRI more generally. It gives the illusion of form and structure to China's maritime activities. By going almost everywhere, it ensures that no foreign partner or interest group within or outside China will feel left out. The concept is just as flawed for management purposes as it is savvy for advertising. Making everything a priority means there are no priorities. It is not worth dwelling

too much on these “passages.” What they do offer, however, is a vivid illustration of China’s ambitions. As Washington talks about the Indo-Pacific, Beijing is acting globally.

China’s Control of the Maritime Supply Chain

The maritime supply chain is a better framework for examining China’s activities. China is increasingly dominant not only in individual links of that supply chain, such as operating ports, but also in production activities behind this chain, such as building ports and manufacturing related equipment. This deeper maritime foundation brings commercial advantages during peacetime and could offer strategic advantages in the event of conflict.

China has the world’s largest shipping lenders, ship builder, shipping fleet (number of vessels), seafarer workforce, port construction firms, and container port operator. It also dominates a wide array of related maritime products and services, including having the world’s largest shipping container producer, dredging fleet, ship-to-shore crane producer, and crane truck producer, among other areas. Many of these superlatives only scratch the surface. Last year, for example, China led the world in all three categories of shipbuilding (largest orderbook, most newbuilding orders, largest number of deliveries).⁸

China’s maritime rise began well before the BRI was announced and has been assisted by state subsidies. In 2008, there were no Chinese banks among the top ten shipping finance providers.⁹ A decade later, Chinese banks were the first and second largest in the world.¹⁰ Made in China 2025, which aims to move China up the manufacturing value chain, designates shipping technology as one of ten priority sectors. Through this initiative, China aims to capture 50 percent of the global market for high-tech ships and 80 percent of the critical systems and equipment for those ships.¹¹

These commercial activities could prove useful in the event of conflict. China’s massive shipbuilding industry provides a latent capacity that could be harnessed to support military operations.¹² Its investments in shipping technology, especially higher-end vessels and equipment, could make these capabilities more relevant to building naval vessels.¹³ History is filled with examples of civilian vessels and equipment being repurposed for strategic purposes. China is already doing this in the South China Sea.¹⁴

China’s network of ports has strategic utility as well. The global maritime network has four primary chokepoints, the closure of which would seriously impair global trade, and Chinese firms are investing or have ownership stakes in ports near all of them.¹⁵ This includes activities closer to the United States. A Chinese firm owns and is expanding Panama’s largest port, which sits near the Caribbean end of the Panama Canal.¹⁶ Another Chinese firm operates a port at the Pacific end of the Panama Canal. If shipping is disrupted, China’s broader network of ports could provide more flexibility to adapt and redirect trade.

Implications for U.S. Interests

Over a century ago, the U.S. naval strategist Alfred Mahan observed, “Commercial value cannot be separated from military in sea strategy, for the greatest interest of the sea is commerce.”¹⁷ These days, Mahan is quite popular among Chinese strategists. Just like the great powers that have come before it, China’s maritime rise has broad economic and strategic implications.

To be sure, not all aspects of China’s maritime activities are harmful. The world’s infrastructure needs are far greater than what the BRI can provide, even in its most exaggerated form. Maritime projects chosen wisely and delivered properly can lower transport costs, improve productivity, and boost growth, all of which benefit the broader global economy. Done poorly, these projects weigh developing economies down with debt, stoke corruption, harm the environment, and ultimately destroy more value than they create.

The United States has narrower commercial and economic interests at stake as well, as the U.S.-China trade war is now highlighting. Earlier this year, when the Trump administration proposed tariffs on ship-to-shore cranes, ports in Baltimore, Virginia, and elsewhere objected. That’s because U.S. companies have not made these cranes for decades. A single Chinese company, ZPMC, has captured an estimated 70 percent of the global market.¹⁸ If China achieves its industrial goals through Made in China 2025 and related efforts, the same could be said about a wider range of high-value manufacturing in the future.

China also uses infrastructure projects for non-economic objectives at odds with U.S. political interests.¹⁹ It can dangle the prospect of financing to win political concessions, reward supporters, and gain control over port operations. These challenges are acute in developing economies, which often have few alternatives for investment, but are hardly confined to them. Chinese financing incentivized Hungary and Greece, for example, to weaken European Union statements on China’s human rights record. At China’s annual meeting with Central and Eastern European countries earlier this year, European participants proposed over 20 ports for Chinese investment.

China’s maritime activities also enhance its intelligence capabilities. Chinese firms are building more underseas cables, the critical links through which the vast majority of international data travels. Foreign ports have long been used as listening posts. Building them provides opportunities to install surveillance equipment or design backdoors for access. Modern ports, of course, are highly networked, and Chinese firms often provide IT systems as part of the overall package. These activities further complicate the operating environment for U.S. military vessels and U.S. government supply chains.

Djibouti illustrates the challenge. Just miles from U.S. Africa Command headquarters, China has established its first military base on foreign soil. It also operates a multipurpose container terminal, is building a free trade zone, and has delivered other projects, including a big-ticket railway and telecommunications. Djibouti’s debt is now dangerously high, and most of it is owed to China. Several U.S. officials and Members of Congress have warned against the prospect of China acquiring control of the Doraleh Container Terminal, which was nationalized in 2018 and is a critical hub in East Africa’s trade.

Ultimately, understanding the impacts of Chinese maritime projects on U.S. interests requires looking closely at individual projects. Not every project is economically important or strategically important. Some projects are built mainly for the short-term benefit of local elites and Chinese state-owned enterprises. It is also worth noting that China's vulnerabilities can grow with its global activities, especially in terms of protecting trade routes, bases, and ships.²⁰ All of this underscores the value of a case-by-case approach.

Recommendations

Congress has a vital role to play in addressing these challenges. Three types of action it should consider include:

1. **Develop a global database of infrastructure projects.** After the 9/11 terrorist attacks, the U.S. Department of Homeland Security was charged with mapping critical infrastructure globally. While non-state actors still present threats to critical infrastructure, China poses a different set of challenges as a leading financier, builder, and operator. The United States needs a comparable effort to map and track foreign infrastructure projects, especially maritime assets. This database would help the U.S. government pool intelligence, separate benign projects from harmful projects, set priorities, and use its resources more effectively, in concert with partners and allies.
2. **Invest in U.S. maritime capabilities.** China's rising control of the maritime supply chain, combined with pressure on the U.S.-China economic relationship, should encourage a closer look at potential U.S. vulnerabilities in these areas. Building stronger and more resilient U.S. capabilities will require investing in vessels to fill gaps in the current fleet, supporting research for advanced maritime technology, and training the next generation of U.S. mariners. Investing in U.S. capabilities also means supporting efforts to improve maritime and transportation infrastructure more broadly here at home.
3. **Champion a U.S. global economic vision.** Despite six years of missteps and broken promises, China's BRI remains attractive to much of the world because it speaks to the needs of most countries, particularly developing and emerging economies. This underscores the power of a positive economic vision. The United States needs to put forward its own positive economic vision, one that is defined not as a reaction to China, but on its own terms. Earlier this year, a CSIS Task Force, led by former U.S. Trade Representative Charlene Barshefsky and former U.S. National Security Advisor Stephen Hadley, proposed several recommendations to do this, including expanding on the principles that guide the "Free and Open Indo-Pacific" strategy.²¹

¹ China Power Team, "How is China Modernizing Its Navy?" China Power, December 17, 2018, Updated October 2, 2019, <https://chinapower.csis.org/china-naval-modernization/>.

² Gregory B. Poling, "Illuminating the South China Sea's Dark Fishing Fleets," Stephenson Ocean Security Project, January 9, 2019, <https://ocean.csis.org/spotlights/illuminating-the-south-china-seas-dark-fishing-fleets/>.

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