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Five Years of China's Belt and Road Initiative (BRI): Revisiting BRI in tandem with the Malacca Dilemma

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Five years ago, in September and October of the year 2013, the 'Chinese Marshall Plan' or the Belt and Road Initiative (BRI) was unveiled in Kazakhstan and Indonesia by Premier Xi Jinping. Done to 'enhance regional connectivity', the delayering of the 'belts' and 'roads' mechanism mapped expansively through Asia, Europe, and Africa will tell one that it is primarily a shot to global dominance ensuring its sustained security and stability. It is a vision based on humungous investments and on stimulation of the Chinese economy.

Although the recent US-China trade war may have adversely affected the initiative[1], its fifth-year anniversary makes it imperative for it to be a subject of discussion and scrutiny of whether it has been efficient in accomplishing its objectives.

The Initiative and its Objectives

With an estimated investment of more than $1 trillion[2], this ambitious initiative has been routinely compared to the Marshal Plan of the United States of America. The amount facilitates the creation of six economic corridors.[3]

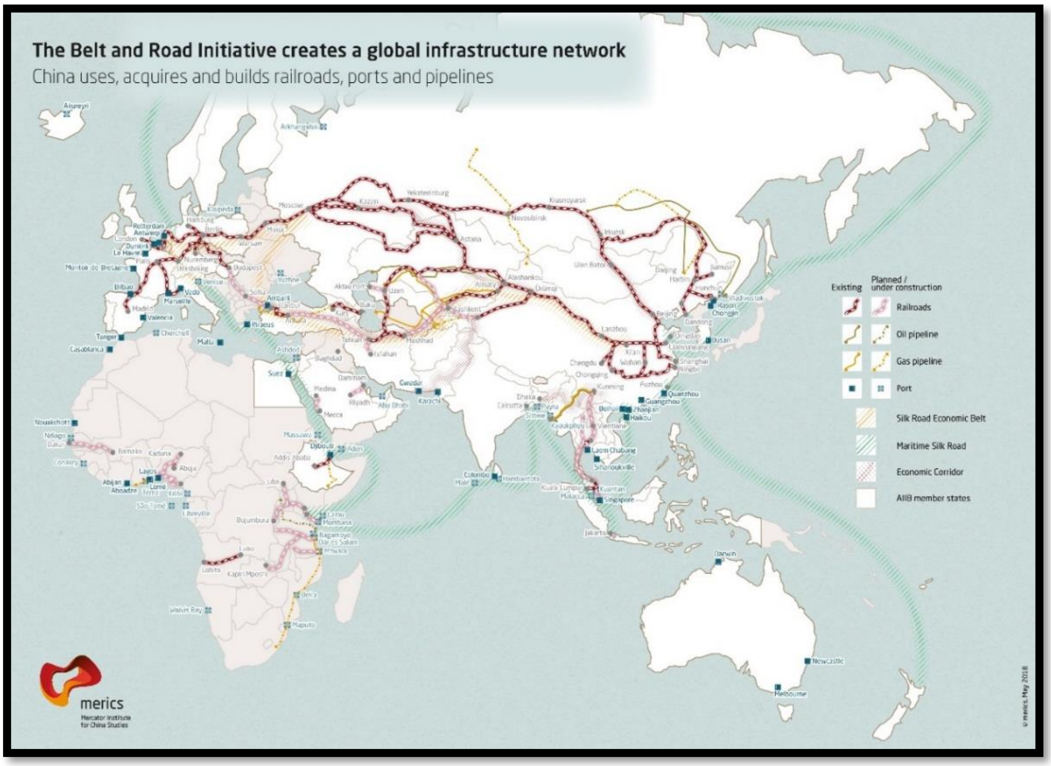

Figure 1: The Six economic corridors under BRI
[Source: GIS Reports]

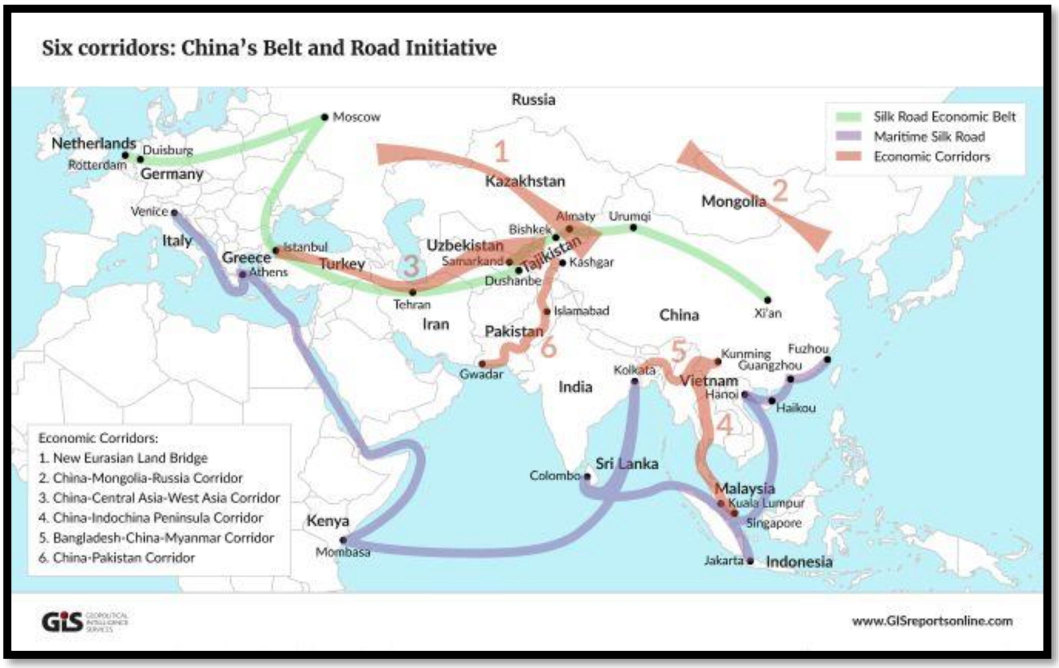

Figure 2: A visual overview of the Belt and Road Initiative
[Source: Mercator Institute of Chinese Studies (MERICS)]

These economic corridors essentially enable bilateral trade and energy infrastructure development in the partner countries. For example, the China-Pakistan Economic Corridor (CPEC) aims to connect Gwadar Port in the Balochistan region with Kashgar in China fostering “energy projects, transportation infrastructures and economic zones.”[4]

With infrastructure partnerships with numerous countries, BRI fundamentally aims to diversify China’s energy imports, and make already existing sources easily and securely accessible. Thus, at the heart of BRI lies the sheer motive of energy cooperation to ensure China’s energy security. [5]

The Economics of the Strait of Malacca

One of the major reasons safeguarding energy security is of grave importance to China, is due to the exponential increase in its energy needs, specifically crude oil,[6] and its consequent dependence on Strait of Malacca which is responsible for bulk of its energy imports. The vulnerability also arises from the geography of Strait of Malacca which is an 890 km wide narrow lane with an average depth of 25 metres, situated between Malaysia and Indonesian island of Sumatra, which makes it a significant chokepoint.

With respect to crude oil, China grabbed the position of the World’s largest oil importer[7] from the United States of America (USA) in 2017 with around 18.6% share in total import of crude oil.[8] The Strait of Malacca is solely responsible for majority of oil (roughly a quarter of all oil transported by sea) and other raw material supply, from West Asia and Africa to China (Over 80% of China’s oil imports by sea go through strait of Malacca)[9], so much so that in case of any conflict where the Strait of Malacca is blocked and the ships are interdicted, it might lead to an acute energy insecurity in the country, derailing the economy altogether.

The problem or the ‘dilemma’ with the Strait of Malacca is that there are no alternatives to the trade route. China is at the risk of great adversity if this strait succumbs to blockages owing to international political play, a fear nurtured by China due to an increasing presence of USA in the region.[10] The Lombok strait (Between the Indonesian Islands of Bali and Lombok) and the Sunda Strait (Between the Indonesian Islands of Java and Sumatra) are the nearest routes that connect the two oceans.

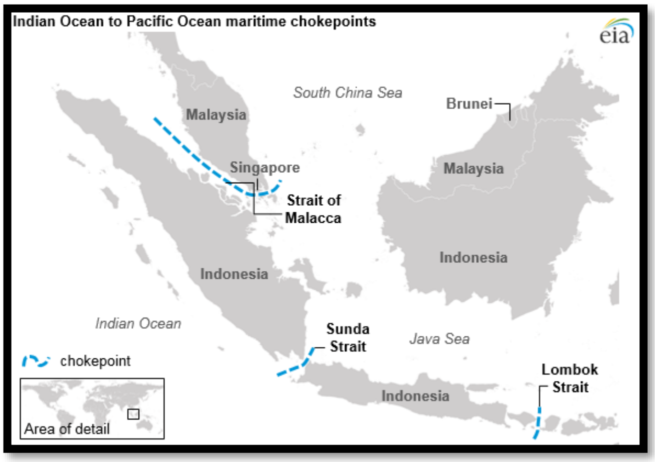

Figure 3: Maritime Chokepoints: Malacca, Lombok and Sunda
[Source: US Energy Information Administration]

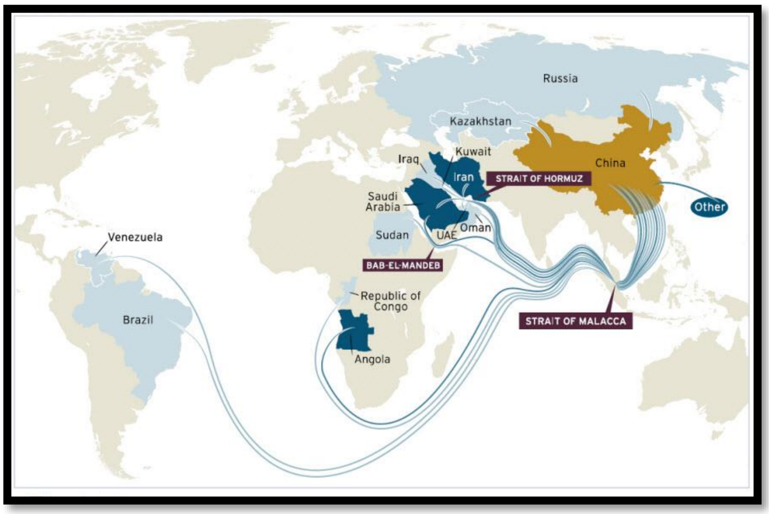

Figure 4: China's trade routes
Source: Brookings (Created in 2011 to portray China's energy vulnerabilities)

The maximum size of a vessel that can pass through the strait is called Malaccamax having a draft (or draught) of 20 metres, which carries oil from the Persian Gulf to China. The Sunda Strait is much shallower and narrower for VLCCs like Malaccamax, presenting many navigational hazards. It would imply a minimum of 1.5 days delay if the Sunda strait is used. Alternatively, the Lombok Strait, is deeper and wider than the Malacca Strait making it navigationally safer [11] than the Malacca Strait, but the problem emerges with it being inconvenient leading it in delaying the shipment by approximately 3.5 days.[12] The additional shipping costing would then further affect the energy prices in totality. This is the primary reason the Strait of Malacca, being the shortest route to China, is of crucial importance. With no already existing viable alternatives to the Strait, it becomes imperative that the alternatives are created or the dependence on the Strait is reduced.

Ever since in 2003, when Hu Jintao coined this problem as the 'Malacca Dilemma' declaring a fight to **claim the control of the strait** by 'certain major powers', every strategic action taken by China can be assumed to address this Malacca dilemma.[13] Therefore, while reviewing BRI one needs to explore the effectiveness of its mechanisms in mitigating the energy insecurity stemming from Malacca Dilemma.

A mechanism to reduce energy insecurity

The Belt and Road initiative is a key landmark towards this endeavour which can help in reducing China's dependency on the Strait by two means: providing alternative routes for the transportation of resources and providing alternative sources of energy.

China's energy mix though progressively changing, still depends on oil and natural gas. With a predicted 28% increase in Oil from 2016 to 2040, Natural gas is expected to increase by 194% in the same time period.[14] This is precisely why it becomes important to examine BRI's mechanism in tandem with these two energy resources.

BRI involves various projects that allow supply of the eastern oil to the Chinese mainland without it being routed via the Strait of Malacca. One of the projects that was considered to be the solution to the dilemma was the Thai Kra Canal, linking the South-China Sea to the Andaman Sea, connecting the Pacific Ocean to the Indian Ocean, simultaneously reducing the transit time by two to three days[15] and thus decreasing the cost of shipping. The project though much sought after, might not be actualized due to domestic political play.[16]

Figure 5: Proposed Thai Canal
Source: The Medium

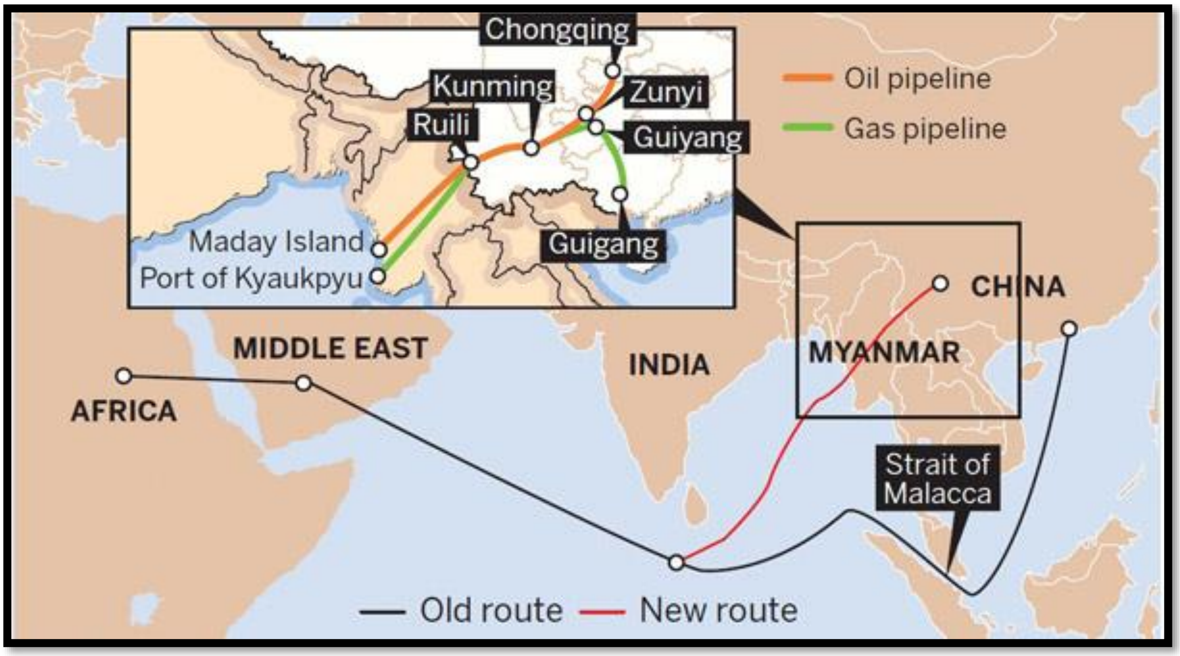

Figure 6: The Sino-Myanmar Pipeline
Source: China.org.cn

The Kyaukpyu project linking Bay of Bengal to Chinese province of Yunnan via Myanmar is another example in this context. With Myanmar's inclination towards China, the China-Myanmar Oil pipeline completed in 2014 has given a gateway access to crude oil from West Asia which allows China to skip the Strait of Malacca. In Yunnan itself, PetroChina has already built an oil refinery with the capacity to process 13 million tonnes a year of crude. [17]

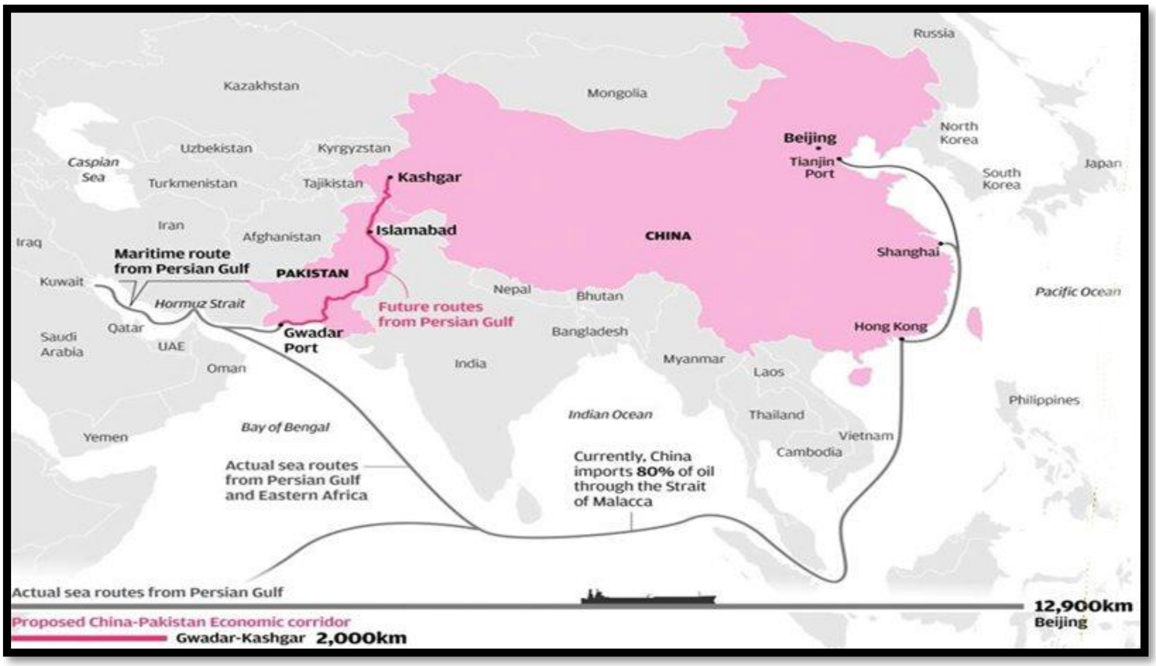

Figure 7: China-Pakistan Economic Corridor
Source: Daily Times, Pakistan

The China-Pakistan Economic Corridor (CPEC) also facilitates connection between the Gwadar Port in the Balochistan region with Kashgar in China through the disputed Karakoram area in Pakistan-occupied-Kashmir (PoK). For strategic purposes, it will not only potentially give the Chinese access to the Arabian Sea but will also allow them to bypass the Malacca Strait.

China' efforts to reduce its dependency on the Strait of Malacca, also translate in its efforts to diversify its import countries, with a special focus on countries in Central Asia.

The Russian Federation is a crucial illustration of this fact. In 2013, with respect to crude oil it was the fourth largest supplier with a 9% share in China's crude oil imports. Within a time period of four years, in 2017, according to Trade Statistics by the International Trade Centre[18], it claimed the first position with 14.6% share in China's crude oil import being the largest supplier and leaving behind West Asian countries of including Saudi Arabia, Oman, and the African Nation of Angola.

Besides Oil, Russia is also a major partner of China in the Ice Silk Road initiative of the BRI. The Yamal LNG Project, even though situated in Russia, involves 20% and 9.9% stake by China National Petroleum Corp. and Chinese Silk Road Fund respectively, is considered to be crucial in diversifying China's maritime routes[19], benefiting from the short geographical distance between the two countries.

Table 1: List of Top 10 supplying markets (quantity-wise) for the product imported by China in 2017
Product: 2709 Petroleum oils and oils obtained from bituminous minerals, crude
Source: ITC Trade Statistics

	Exporting Country	Value imported in 2017 (USD thousand)	Share in China's imports (%)	Quantity imported in 2017	Quantity unit	Growth in imported quantity between 2013-2017 (%, p.a.)
	Total	163,820,667	100	419,462,076	Tons	11
1	Russian Federation	23,884,155	14.6	59,538,196	Tons	25

2	Saudi Arabia	20,514,965	12.5	52,179,521	Tons	0
3	Angola	20,122,698	12.3	50,416,004	Tons	6
4	Iraq	13,812,852	8.4	36,815,228	Tons	12
5	Islamic Republic of Iran	11,928,933	7.3	31,151,914	Tons	9
6	Oman	12,374,604	7.6	31,006,894	Tons	6
7	Brazil	9,176,625	5.6	23,090,321	Tons	49
8	Venezuela, Bolivarian Republic of	6,565,538	4	21,761,404	Tons	11
9	Kuwait	7,083,003	4.3	18,243,452	Tons	19
10	United Arab Emirates	4,156,682	2.5	10,157,654	Tons	0

Table 2: List of Top 10 supplying markets (quantity-wise) for the product imported by China in 2017
Product: 2711 Petroleum gas and other gaseous hydrocarbons
Source: ITC Trade Statistics

	Exporting Countries	Value imported in 2017 (USD thousand)	Share in China's imports (%)	Quantity imported in 2017	Quantity unit	Growth in imported quantity between 2013-2017 (%, p.a.)
	Total	33,007,536	100	87,960,631	Tons	20
1	Turkmenistan	6,526,056	19.8	24,511,500	Tons	8
2	Australia	6,379,463	19.3	17,612,860	Tons	53
3	Qatar	4,777,543	14.5	10,355,030	Tons	5
4	United Arab Emirates	3,238,518	9.8	6,575,121	Tons	51

5	United States of America	2,498,672	7.6	5,288,992	Tons	152
6	Malaysia	1,523,052	4.6	4,341,691	Tons	9
7	Indonesia	1,231,519	3.7	3,118,845	Tons	6
8	Uzbekistan	649,636	2	2,593,250	Tons	10
9	Myanmar	1,172,113	3.6	2,516,850	Tons	79
10	Papua New Guinea	902,798	2.7	2,098,880	Tons	87

Even for natural gas where the Central Asian country, Turkmenistan has been the top supplier since 2013 with a share of 19.8% in total Natural gas imports, Australia has jumped up to the position of top second supplier with a share of a close 19.3% of the total share and a growth of 53% in imported quantity since 2013 as it heavily relies on the Lombok Strait. In comparison to this, the West Asian countries of Qatar and UAE stand at the third and fourth position respectively which clearly indicate China's efforts towards diversification of its energy imports.[20] [21]

China in all its might is not only trying to reduce its dependence on the Strait of Malacca but is also increasingly focussing on strengthening its security by engaging in multilateral efforts with the littoral states and other members of the Association of the South-East Asian Nations (ASEAN).[22]

Analysis of the Initiative

While the BRI continues to expand and engulf more countries in its comprehensive mechanisms,[23] the question still persists that whether the Belt and Road Initiative (BRI) is helping in resolving the 'Malacca Dilemma'.

It would be rational to think that BRI might not be able to save the day in this context. Where the efforts to diversify its imports of energy resources are unambiguously evident, be it oil or natural gas, the West Asian countries together are still the largest supplier to China. Specifically, Saudi Arabia, Iraq, Oman, Iran, Kuwait, United Arab Emirates, Qatar, Egypt, and Yemen hold a share of 43.8% in China's oil imports, which is thrice of that of China's top supplier Russia's 14.6% share. Countries like Saudi Arabia, Angola, Iraq, Oman, Iran, Brazil, Kuwait, Venezuela, and UAE, together account for approximately 77.4% of China's oil imports, all of which use the Strait of Malacca.[24]

Additionally, it is not clear whether China and Russia's strategic partnership is reliable and sustainable. Where China has found a ready source of raw materials in its neighbour there still exists a lack of mutual trust in both the countries for each other, and an imbalance in power in favour of China with respect to oil[25], which might hinder into the formation of long-term cooperative alliance as both countries aspire to be the dominant power.[26] [27]

There are numerous projects that are being heavily scrutinized due to countries spiralling into what is called 'debt-trap' induced by China's exploitative practices. Myanmar's port project is one among many to be scaled down due to the fears of excessive debt.[28] [29]

Moreover, projects like CPEC which were conceived with an aim to bypass the Malacca strait, are considered to be costlier where according to many, "Based on experience [of similar projects around the world], once a pipeline extends beyond 4,000km [2,500 miles]the cost of using it to transport energy is higher than doing so by sea, so the [economic] benefit of Gwadar Port doesn't exist."[30]

Where it is unstated that BRI is highly effective in extending China's soft power footprint in numerous countries, we can be sure that this mechanism, at least for now won't be able to resolve China's Malacca Dilemma.

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