### One Pager:

**Context:**

**1.** The US is retreating into its traditional isolationism after 80 years. It will no longer intervene externally to ensure stability, or will do so conservatively.

2.    The US will no longer objectively ensure freedom or navigation nor embark on unilateral anti-piracy mission.

3.    China is the most globalized country in the world, relying on navigation through several maritime chokepoints to import key goods and export finished goods.

4.    China is hyper reliant on energy and food imports, critically food inputs such as soy and fertilizer.

5.    China’s arable land is very unproductive and requires several times more inputs than that of the Donbas or Midwestern Plain.

6.    China’s water tables are lowering due to over extraction. Ground water that remains is increasingly polluted beyond recapture.

7.    Nearly all Chinese [energy, food, and resource imports](https://oec.world/en/profile/country/chn?flowSelector1=flow1) pass near Indian shores, close to an Indian Island Chain, and then through the Strait of Malacca.

8.    Most Chinese energy imports [pass between several maritime chokepoints](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3).

9.    Russian energy exports from Eastern projects are expected to steadily decline from the short to mid-term into the long-term.

**Key Analytical Judgements:**

1.    3-4 key projects and ports would afford Beijing a network of import contingencies to ensure its strategic autonomy and sovereignty by allowing critical food and energy imports to by the Strait of Malacca.

2.    A string of planned naval bases near maritime chokepoints and along major shipping routes seeks to ensure critical Chinese imports can be escorted to the aforementioned projects.

3.    Only one is even remotely capable of operating during a war with India; the Port of Gwadar, the mouth to the China-Pakistan Economic Corridor.

4.    All other projects would see incoming vessels pass well within range of a myriad of Indian anti-ship assets. Political realities are such that sufficient A2/AD assets could not be deployed.

5.    Ultimately, an abysmal overall outlook for Pakistan and China in the short to long-term suggest the CPEC will not be completed.  If it is, it will not be able to serve its intended purpose.

**Analytical Linchpins:**

1. LIBOR rates will remain above 5%, likely 7%, for the foreseeable future.
2. Chinese energy insecurity will remain or exceed current levels.
3. Russia will struggle to operate and maintain, let alone expand, current energy extraction and transport infrastructure East of the Urals.
4. The US will continue its retreat into isolationism.
5. The Pakistani economic and financial situation will not improve. China, Saudi Arabia, and the IMF will struggle or refuse to keep bailing Karachi out.
6. The demographic, financial, and macro/socio-economic difficulties facing China in the short- to mid-term will worsen.
7. US ship building capacity will remain deficient into the short to mid-term.
8. Global instability and conflict will increase as the minilateral global order replaces the order of old.
9. India will continue the development of its Navy, BrahMos II missile, and military infrastructure on the Andaman and Nicobar Islands.
10. Chinese energy and food security will decrease alongside soil fertility and potable water resources.
11. China will prioritize the construction of oversea naval bases on major shipping routes (SSPs)

### Long-Form:

**Abstract:**

As the US-led order of old, [within which China and its economic model developed](https://chinapower.csis.org/china-world-trade-organization-wto/#:~:text=China%20experienced%20explosive%20trade%20growth,global%20average%20of%207.2%20percent.), comes to close, China is racing to bypass the greatest physical threats to its strategic autonomy, most notably in the Indo-Pacific. These are a few but critical maritime shipping routes on which the [vast majority of Chinese exports and imports sail](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3), and two chokepoints through which they must pass. Specifically, these are the Strait of Malacca and the Andaman and Nicobar Islands, even greater vulnerabilities in a new multilateral order where the safety of global maritime trade is not assured by the US Navy (USN). China is using the Belt and Road Initiative as a cover for 3 critical projects which would allow it to bypass these shipping routes and chokepoints, ensuring its strategic autonomy in the new minilateral order, however all is but assured.

The Belt and Road Initiative, specifically the China-Pakistan Economic Corridor ([CPEC](https://www.wilsoncenter.org/event/the-china-pakistan-economic-corridor-view-the-ground)), the China-Myanmar Economic Corridor ([CMEC](https://www.wilsoncenter.org/blog-post/china-myanmar-economic-corridor-and-chinas-determination-see-it-through)), the [Thai](https://www.railfreight.com/railfreight/2023/02/01/thailand-could-join-the-china-laos-railway-in-five-years/?gdpr=deny)-[Laotian-Chinese rail network](https://english.news.cn/20230926/f031f53c3d344c76b65114d370627f4d/c.html) and the [Thai-Overland Corridor](https://www.adb.org/sites/default/files/publication/873561/imt-growth-triangle-economic-corridors-thailand.pdf) seek to patch these vulnerabilities. A string of "strategic strongpoints" (SSPs) dotting major international shipping routes, will make this logistically feasible. These SSPs are mainly independent of the Belt and Road Initiative (BRI), however they are an integral part of China's "Wolf Warrior Diplomacy" and the new global order it seeks. Unfortunately, it is asserted with a high degree of confidence that modern China will not survive the very order it yearns for.

**Context:**

This analysis, and its conclusions must be interpreted alongside the fact that [China imports the vast majority of its food, energy, and raw materials for its export-oriented industries](https://oec.world/profile/country/chn#:~:text=Overview%20In%202021%2C%20China%20was,Economic%20Complexity%20Index%20(ECI)%20.), which [underpin its entire economic model](https://thediplomat.com/2023/12/chinas-export-reliant-growth-model-threatens-its-trade-relations/), via international shipping routes whose [security is guaranteed by the USN](https://www.cfr.org/backgrounder/sea-power-us-navy-and-foreign-policy). [China imports](https://chinapower.csis.org/energy-footprint/) [60% of its energy from other continents](https://chinapower.csis.org/energy-footprint/), and [imports 87% of its oil and 40% of its gas](https://chinapower.csis.org/energy-footprint/) (2020). These figures are projected to rise. As one of the most globalized countries on earth, any disruptions to China's maritime exports, but critically its imports, could have consequences nothing short of catastrophic; omitting trade disruptions, the vast majority of Chinese [food](https://chinapower.csis.org/china-food-security/) and [energy](https://www.eia.gov/international/analysis/country/CHN) is imported via maritime shipping.

While [Russia is rapidly increasing its exports to China](https://www.statista.com/statistics/1003171/russia-value-of-trade-in-goods-with-china/), total exports were down [6.5%](https://www.worldpipelines.com/business-news/16012024/transneft-pipeline-oil-exports-down-65-last-year/) in 2023. Notably, the [energy infrastructure which feeds most Chinese imports originates from Eastern Siberia](https://www.spglobal.com/commodityinsights/en/ci/research-analysis/espo-crude-oil-pipeline.html); these facilities were built, maintained, and operated by Western technicians who no longer do so. Russia is restarting its domestic energy servicing and engineering industry; it is unclear if the quality and scale of Western services can be replicated in the short term.

Russia is still [very reliant on parts and equipment from the West,](https://www.atlanticcouncil.org/blogs/ukrainealert/putins-achilles-heel-ukraine-targets-russias-vital-but-vulnerable-energy-industry/) and curiously long maintenance shut downs would suggest it is not going well. Due to the nature of energy extraction and transportation, specifically with liquid natural gas and oil refining, there is nearly no room for error. Furthermore, maintenance is usually critical, and a lack thereof can be catastrophic for the project as a whole, especially in the Arctic. Any imports from the Black Sea, upon which the only Russian export terminals capable of exporting all year are located, would have to pass through the same chokepoints outlined here. They would then need to pass through the Bosporus Strait, the Suez Canal, and the Bab El-Mandeb Strait.

**Introduction:**

China's increasingly external and assertive foreign policy is backed by an increasing network of [both operational and planned strategic SSPs](https://jamestown.org/program/strategic-strong-points-and-chinese-naval-strategy/) and 3-4 key BRI projects. When operating in conjunction they would allow China to independently escort food and energy imports from the Arabian Gulf and Eastern Africa to the Port of Gwadar, the mouth of the CPEC's land-bridge, which would allow imports to bypass the Strait of Malacca. The CMEC would serve as a secondary, less favorable bypass route. This secondary status is due to its proximity to India, putting all maritime traffic within range of the Bhramos-2 hypersonic anti-ship missile, and its comparatively modest logistical capacity.

Stagnant progress on both projects, and the BRI generally, highlight the macroeconomic, financial, and structural pressures and weaknesses China is beginning to confront, and may ultimately prove catastrophic as the new global order comes to fore. Higher insurance premiums, interest rates, and commodity prices are just some of the negative pressures China is facing, and which will worsen.

The last two years has seen a marked decrease, [arguably even collapse](https://www.cfr.org/blog/rise-and-fall-bri), in the signing of new BRI projects and the completion of those planned. This is most evident in the almost stagnant progress on the CPEC, both of which would allow China direct access to the Indian Ocean. The assumption is further reinforced by a [surge in defaults on BRI loans](https://www.ft.com/content/da01c562-ad29-4c34-ae5e-a0aafddd377c) and a steady decrease in VIP attendance of annual BRI summits.

Beijing's exposure to the Strait of Malacca and the Andaman and Nicobar Islands can be largely rectified by the forfeiture of some BRI projects, namely the CPEC and Thai Land Bridge, to varying degrees. Most notably the CPEC would allow [well over 80% of Beijing’s oil imports](https://www.uscc.gov/research/chinas-navy-extends-its-combat-reach-indian-ocean) and 60% of its total trade to bypass the Strait of Malacca, a vital choke point in global shipping through which its European exports pass. Zooming out, the CPEC, BRI, and the Chinese-built facilities indebted nations forfeit to Beijing would also accelerate a growing Chinese presence in the Indo-Pacific, a region strongly expected to become focal to the new minilateral order.

More recently, it has been revealed a [Chinese naval base in Cambodia](https://www.navalnews.com/naval-news/2023/11/chinese-navys-suspected-new-overseas-base-cambodia-now-even-larger/), at the periphery of the area the People's Liberation Army's Navy (PLAN) can comfortably operate, is nearing completion. Critically, it includes facilities to [accommodate aircraft carriers](https://www.rfa.org/english/news/cambodia/china-cambodia-ream-12052023042209.html), which will allow China to increase the radius of its coercive force projection along a shipping route and region central to its strategic autonomy and economy.

China’s presence and adequate force projection in the Indo-Pacific, connecting five continents key to the functioning of the global hegemony, will be key to ensuring Chinese strategic autonomy. This will be made possible by the first overseas [Chinese military base in Djibouti](https://www.airuniversity.af.edu/JIPA/Display/Article/2847015/chinas-military-and-economic-prowess-in-djibouti-a-security-challenge-for-the-i/), a [proposed base in Oman on the Gulf of Aden](https://www.straitstimes.com/world/middle-east/why-latest-talk-of-china-s-plan-for-a-military-facility-in-oman-makes-us-sit-up-again), and the [aforementioned naval base in Cambodia](https://www.navalnews.com/naval-news/2023/11/chinese-navys-suspected-new-overseas-base-cambodia-now-even-larger/). Ultimately, China's strategic autonomy would be ensured by the assuredness of its imports and exports, guaranteed by the CPEC, CMEC, and an overland freight line over the Thai Peninsula. A rail connection into China from Thailand cements this autonomy. This is to say nothing of, for example, the Port of Hambantota, which now cannot refuse docking rights to a Chinese warship. [Similar port forfeitures have been observed in Singapore, Dar es Salaam, Lagos, and Piraeus, to name a few](https://www.cfr.org/tracker/china-overseas-ports). Currently, Chinese firms [operate the majority or all docking terminals in several strategic ports across all continents](https://www.washingtonpost.com/world/interactive/2023/china-ports-trade-military-navy/), most of which are on major maritime shipping routes. As expected, the PLAN has made ample use of this, [using Chinese-operated ports to not only dock and resupply but also undergo specialized maintenance and repairs](https://www.foreignaffairs.com/united-states/chinas-port-power#:~:text=At%20these%20ports%2C%20Chinese%20military,Tanzania%3B%20and%20Piraeus%2C%20Greece.). The latter would prove invaluable in a conflict, or global order in which safety on the high seas is once again unassured.

While China's grander plan seems robust, it is concluded with a high level of certainty it will ultimately fail.

Key linchpins for this assumption include a stable US, a continuously mediocre BRICS and weakening Russia, and an exacerbation of the demographic, financial, and macro/socio-economic difficulties facing China in the short- to mid-term. The continued degradation of Russian energy extraction and transportation in Eastern Siberia is another key linchpin.

### The Great Bypass Project:

**CPEC:**

The CPEC is an [amalgamation of several transport, energy, and development projects](https://english.news.cn/asiapacific/20240224/22d8048bfc7a48ebbc978c5366f0e24d/c.html#:~:text=Launched%20in%202013%2C%20CPEC%2C%20a,joined%20the%20SCO%20in%202017.) however its real value lies in the port of Gwadar, and the roads, rails, and pipelines from it to China.

While many inland projects have received funding from numerous sources, the vast majority of projects near Gwadar are funded [entirely by China](https://web.archive.org/web/20200715102311/https%3A/ojs.indrastra.com/index.php/liberalstudies/article/view/168) or by [credit lent to Pakistan by China](https://www.lowyinstitute.org/the-interpreter/china-s-big-gamble-pakistan-10-year-scorecard-cpec).

The port was one of the [first projects to have broken ground, alongside several civil projects such as domestic highways and power plants](https://cpec.gov.pk/), it is strongly believed, to make the CPEC more palpable to the Pakistani government and its citizens.

The port is [currently modest yet capable](https://gwadarport.gov.pk/), however, expansions are underway to make it a behemoth.

It can [currently accept vessels with a draft of 41 feet draft, meaning clearance from the ocean floor, including PANAMAX type vessels at 4 berths (docking station)](https://gwadarport.gov.pk/).

A temporary jetty, visible on satellite imagery taken on April 2023, could accommodate another two vessels with a maximum length of 300 meters on two berths. This dock could [hypothetically accommodate four Type 904/A general stores vessels, all Type 631 tanker vessels in service, two Type 905 replenishment oilers, six Type 620 tankers, nine Type 632 tankers, two Type 903 replenishment ships, or four Type 904 general stores issue ships at once.](https://www.oni.navy.mil/Portals/12/2022_PLAN_Recognition_Poster_UNCLASSIFIED.pdf)

This is more important than it may seem as the [PLAN only fields five ocean-faring support vessels](https://www.navyrecognition.com/index.php/world-naval-forces/asian-navies-vessels-ships-equipment/china-chinese-navy-plan-vessels-ships-equipment.html), [most of which are well under 300 meters in length](https://www.navyrecognition.com/index.php/world-naval-forces/asian-navies-vessels-ships-equipment/china-chinese-navy-plan-vessels-ships-equipment.html). It fields a [total of 12 such vessels](https://www.fpri.org/article/2023/05/sustaining-the-chinese-navys-operations-at-sea-bigger-fists-growing-legs/).

The reason support and replenishment vessels are used as examples is due to the Chinese strategy of SSPs, which works with its lack of dedicated and commissioned vessels, allowing it to comfortably service a large area in the Northern Indian Ocean. [It is here the vast majority of its imports and a sizeable portion of its exports pass;](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3) however, the critical objective is ensuring flows of the former.

Without these imports, China would buckle within 6-18 months, a scenario notwithstanding civil unrest or the secondary effects of key shortages. Grain storage is wholly insufficient for food storage, and while strategic petroleum reserve capacity is notable it is only partially filled. American reserve capacity is smaller, yet only slightly, while having to support a population 4.2 times smaller than China's.

The main Port of Gwadar could be used to service the few long-range vessels in the PLAN's inventory. Alternatively, it could dock and unload tanker or cargo vessels from the Persian Gulf and East African ports. The temporary port could be used to dock and service smaller support, combat, or escort vessels. These vessels would prove invaluable during underway replenishment operations in the Northern Arabian Sea, a capability the PLAN recently acquired, for the PLAN need to escort energy and food imports to Oman and then Gwadar.

Many of China's smaller frigates, corvettes, and destroyers could also use the temporary dock; in the case of the Wuhan-class destroyers up to 4 could dock at once.

All is not so simple; portable cranes and other servicing and docking infrastructure would need to be deployed on the temporary dock. It is believed 8,400 meters squared of space between the two berths could accommodate sufficient port infrastructure. This calculation excludes a circular road and work space in between the roads and the ships.

The deployment of said infrastructure is not assured; the author is not knowledgeable enough on the matter, nor could he determine the weight the jetty could hold. It is also unclear if the jetty could be stabilized to handle the added weight and it's shifting during loading and unloading.

While the port could presently support PLAN operations in the Northern Indian ocean, modernization plans would create a gargantuan port with [100 berths](http://www.thenews.com.pk/print/48058-gwadar-port-to-have-100-berths-by-2045-minister) capable of hosting some of the largest vessels today.

[When completed, a large liquid natural gas regasification plant, associated oil and gas pipelines, and road and rail links to China](https://gwadarport.gov.pk/) would not only offer Beijing an SSP but also a comprehensive bypass for the Strait of Malacca with sizeable capacity. At present, a Floating Storage Regasification Unit (FSRU) would be required, and it is understood there are few if any available due to the destruction of the Nordstream gas pipelines. Most FSRUs are currently under contract and are expected to remain so for the foreseeable future, and new vessels are expected to be quickly taken off market.

Its proximity to Iran and a [planned SSP in Oman](https://www.bloomberg.com/news/articles/2023-11-07/biden-briefed-on-chinese-effort-to-put-military-base-in-oman) help ensures its prolonged viability as a bypass route in the eventuality of war, while its relative proximity to India challenges it. Nonetheless, it is believed the PLAN, PLA, and PLAAF would be able to hedge most Indian threats in most viable scenarios. [Most Indian long-range strike munitions could target the port](https://missilethreat.csis.org/country/india/), however they are mostly based on Soviet or Russian munitions.

Their interception is feasible, and mostly relies on the placement of sensors and the quantity of interceptors available. Preemptive nor retaliatory strikes on launch sites are not accounted for due to the risk of (nuclear) war and the interests of both parties, however they would increase Chinese odds considerably. It must be noted, however, that India's entire long-range strike capability has been built around Pakistan and China; it is likely China does not have enough interceptors to protect the CPEC.

The CPEC's location and current and projected size, especially when coupled with the CMEC, would likely allow China to ensure its essential energy needs and most of its food imports. This is defined as energy for the critical functioning of the state (I.e. police, hospitals, ministries, military).

**CMEC:**

The [CMEC](https://thediplomat.com/2023/02/the-china-myanmar-economic-corridor-2-years-after-the-coup/) is a maritime-land corridor from Myanmar into Southern China. Similar to the CPEC it consists of, at minimum, [a deep-sea port and connected rail link to Kunming in Yunnan, Southern China](https://www.wilsoncenter.org/blog-post/china-myanmar-economic-corridor-and-chinas-determination-see-it-through). An oil refinery built here, just after the completion of the pipelines, [can handle 7% of China's total refining needs](https://www.rfa.org/english/commentaries/myanmar-china-sez-09292023151501.html), while a This is indicative of the strategic purpose of the bypass route, and its value.

[The railway and a Liquid Natural Gas (LNG) port near Yangon have stalled](https://thediplomat.com/2023/02/the-china-myanmar-economic-corridor-2-years-after-the-coup/), but are strongly expected to be completed eventually, if Beijing can manage funding. The project's costs are largely assured by Beijing, due to fears of the so-called "debt-trap diplomacy" that have ensnared Pakistan, Sri Lanka, and several other African nations to a much lesser extent.

The [construction of such a large refinery](https://www.rfa.org/english/commentaries/myanmar-china-sez-09292023151501.html) at the end of the bypass route, and its capacity, supports the thesis that this bypass route was created to ensure energy supplies for critical services (i.e. military, police, military industry). If relying on this refinery alone, huge cuts in services would need to be enacted, however this is just an example. China would have increased its strategic reserves as full as possible, and would coordinate increased supplies of both oil and fuel from Russia. These would enter near it's North or North-East, far away from the sea, and would allow the supplying of other inland refineries.

[The construction of the CMEC has been somewhat stagnant, with energy pipelines prioritized](https://thediplomat.com/2023/02/the-china-myanmar-economic-corridor-2-years-after-the-coup/), as has been observed in the CPEC, and rightfully so; China's key weakness is the vulnerability of its energy supplies, 80-85% (oil) and 40% (gas) of which are imported. This fact again supports the assertion that this and other projects mentioned here are ultimately intended to ensure the importation of food and energy, on which China is heavily reliant.

**Thai Overland Corridor:**

The [Thai overland corridor](https://www.adb.org/sites/default/files/publication/873561/imt-growth-triangle-economic-corridors-thailand.pdf) is a road and rail network over the thinnest part of the Thai peninsula which will allow Chinse imports to bypass the Strait of Malacca. Connecting the Adamman Sea (Indian Ocean) and Gulf of Thailand, it may prove the most promising pillar of the Great Chinese bypass project, should Thailand maintain its recent socio-political stability. Comparatively excellent and strengthening relations with China support its promise. Secondly its stuttering economy, in need of [foreign direct investment](https://www.lexology.com/library/detail.aspx?g=4fa674f1-98d7-4310-a03d-0486b6ba4d7a) and [technology transfers](https://www.nationthailand.com/thailand/economy/40030023), begets closer economic relations with China, [facilitated by the Overland Corridor and the Thai-Laotian-Chinese rail link](https://www.nationthailand.com/business/corporate/40026793). The latter is outlined below.

The [Thai Overland corridor](https://asiatimes.com/2024/02/thai-land-bridge-bid-straddles-a-delicate-us-china-line/) is a planned over-land rail line connecting two ports, on the Gulf of Thailand and Adman Sea in the Indian Ocean, which would allow for a bypass of the Strait of Malacca and an alleged reduction in both transport time and costs. Its construction at the thinnest part of the Thai Peninsula allows for a connection to the main Thai rail network, and a recently completed [Laotian-Chinese rail line](https://www.railfreight.com/railfreight/2023/02/01/thailand-could-join-the-china-laos-railway-in-five-years/).

This is a separate project, [currently operational](https://www.nationthailand.com/business/corporate/40026793), which allows for freight to be directly imported into China from Thailand via Laos, should an extension Southwards be completed. It's linkage to the overland corridor could allow for overland importation into China, rather than the re-loading of freight to vessels in the Gulf of Thailand. Goods with lower profit margins could also be transported by sea via the Corridor's port on the Gulf of Thailand.

Together, these 4 separate but symbiotic corridors form the backbone of China's Indo-Pacific bypass plan. Its implementation will be key to ensuring Chinese strategic autonomy in the new minilateral and increasingly archaic global order.

It should be noted, these are only the pillars of China's Indo-Pacific bypass route.

A sprawling mass of rail and road networks in Central Asia and Russia serve as an overland corridor, coined "the Middle Corridor". However, this is not connected to Eastern Africa and the Arabian Gulf, [through which the vast majority of Chinese food and energy imports pass](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3), respectively.

**Out with the Old, In with the New: The end of the US-based Global Order and the Onset of Minilateralism:**

In recent years, as the US has [started returning](https://www.ft.com/content/b697b4c8-4406-43b3-b99e-f4eaa31818d4) to its [traditional isolationism](https://apps.dtic.mil/sti/citations/ADA525913), the regional powers that will dominate the new miniliateral order are making themselves known. Marked by regional hegemons and reduced yet strategic cooperation and trade, the past five years have seen these future powers begin to assert their regional dominance, with varying success. This is arguably most pronounced on the World's Island.

On the failure side, Russia has accelerated her self-decimation with her adventurism in Ukraine. In Central Asia, Russia's de facto sphere of influence (The ex-Soviet space consisting of Tajikistan, Kyrgyzstan, Uzbekistan, and especially Kazakhstan) have [accelerated already multi-vectored foreign policies](https://academic.oup.com/ia/article/96/4/975/5855019). This has coincided with [China increasing its geopolitical push Westwards from Xingang, underpinned by increasing cooperation in the spheres of economics, politics, and increasingly defense and security](https://foreignpolicy.com/2023/05/23/china-central-asia-xi-xian-summit-russia-ukraine/).

In Tajikistan, China has [established at least one military base](https://eurasianet.org/china-stepping-up-military-cooperation-with-tajikistan) In the geostrategic and remote Gorno-Badakhshan Autonomous Oblast (GBAO) near the Tajik borders with Xinjiang and Afghanistan. Located in the South-East of the country, the Chinese presence reinforces the [permanent Russian garrison of the 201st Base in the South-West](https://www.intelligenceonline.com/government-intelligence/2024/02/12/foreign-interference-in-france-russia-s-201st-base-in-tajikistan-beijing-snubs-marseille%2C110158150-art), yet speaks volumes to shifting power dynamics in the region. This is most true with regards to the [first Chinese Central Asian Summit held in Xi'an earlier this year](https://www.iiss.org/publications/strategic-comments/2023/the-first-china-central-asia-summit/), and [sharply accelerating Chinese investments and economic relations with ex-Soviet Central Asian states](https://www.usip.org/publications/2023/05/china-looks-fill-void-central-asia). While the Middle Corridor of the BRI is notable, investments also expand into manufacturing, agriculture, and other sectors.

Political and military influence was traditionally, [albeit informally](https://www.theguardian.com/world/2022/jan/12/russias-belief-in-nato-betrayal-and-why-it-matters-today), Russia's unspoken right in the former Soviet Socialist Republics. Since the war in Ukraine, China has accelerated its push in the region, with little Moscow can do to stop it. Arguably the most pronounced loss for Russia in Ukraine was, at best, [its own strategic independence and future](https://foreignpolicy.com/2023/03/21/xi-putin-meeting-russia-china-relationship/). Its relationship with China is no longer symbiotic or mutually beneficial but has rather seen Russia turn into China's ['little brother'](https://foreignpolicy.com/2023/03/21/xi-putin-meeting-russia-china-relationship/) at best, or at worst, its [economic vassal](https://www.foreignaffairs.com/china/chinas-new-vassal). Russian deaths in Ukraine, when coupled with nearly unprecedented emigration following mobilization, will accelerate an already pacing demographic collapse.

On the success side, Israel has become considerably more [assertive](https://www.arabnews.com/node/2433346/middle-east) in both Iran and Syria. Numerous kinetic, covert, and cyber operations executed this year alone, as Russia, their primary geopolitical ally, is occupied in Ukraine. [Russia's public excommunication by the Israeli Ambassador to the UN](https://allisrael.com/israel-and-russia-trade-barbs-at-un-over-ukraine-and-gaza-wars) during a speech addressed to the General Assembly is expected to strongly increase this assertiveness. Similarly, Israel has executed a [masterful regional diplomatic reconciliation](http://turkishpolicy.com/article/1160/selective-reconciliation-the-rapprochement-between-israel-and-the-gulf-monarchies) with the UAE, Saudi Arabia, and Bahrain, to name a few, beginning in 2020. In the Gulf of Aden, Iran and specifically the IRGC have been successfully supporting the Yemeni Houthis in their war against KSA, and now against the American led Global Order, by challenging the assuredness of international navigation.

The massacre of October 7th, Israel's all-out assault on Gazan terrorist groups, and the realignment of the Arab world to Israel following initial outcry, is illustrative of the successes it has enjoyed, and its strategic power. It would appear the Palestinian cause is not held as highly as once proclaimed by leaders of the Arab World.

North of Iran, Israel has developed very close ties to Azerbaijan, most notably via the [sale of billions of dollars of advanced weapon systems](https://www.calcalistech.com/ctechnews/article/rjhofzoet). Accounting for [68% of weapon imports from 2016-2021](https://www.sipri.org/commentary/topical-backgrounder/2021/arms-transfers-conflict-zones-case-nagorno-karabakh), Azerbaijan has returned the favor by [supplying 40-50% of Israeli oil imports](https://www.forbes.com/sites/arielcohen/2023/11/13/israel-azerbaijan-energy-deal-strengthens-strategic-partnership/), and allegedly making its Southern airstrips available for Israeli use in a potential conflict with Iran. This cooperation with Turkey’s little brother has greatly contributed to restoring diplomatic relations between Turkey and Israel, and in fostering a more cooperative environment in a region once fraught with geopolitical rivalries. This has been largely squandered with Israel's campaign against Hamas, which has considerably ruined bilateral relations. Israeli relations with Azerbaijan remain strong nonetheless, underpinned by permanent strategic interests.

Israeli weapon systems were directly responsible for Azerbaijan's swift and successfully reoccupation of Nagorno-Karabakh. It is believed a single TB2 [destroyed a significant portion of the Russian peacekeepers' ammunition stockpile in **Stepanakert**](https://youtu.be/XbSmcP_-MwY), not that much was done to halt the Azeri advance.

This real or perceived ineptitude has accelerated the degradation of Russia's influence and regional superpower status in Ex-Soviet space. It is returning, however, as Russian military industry complex reaches scale.

More recently, [China has brokered a "peace deal" between KSA and Iran](https://www.usip.org/publications/2023/03/what-you-need-know-about-chinas-saudi-iran-deal#:~:text=The%20agreement%20provides%20important%20wins,in%20the%20past%20two%20years.), with the latter announcing a cessation of lethal support for the Yemeni Houthis and the former stating large investments into their ex-rival’s energy sector will begin shortly. This would later prove to be false; Iran would expand the scale and scope of weapons provided to its regional proxy groups, with those under the Popular Mobilization Forces now obtaining cruise and ballistic missiles in addition to loitering munitions. Recently an IRGC Spy ship, [the "Behshad", provided invaluable targeting data for the Houthis](https://www.justsecurity.org/92349/key-questions-in-u-s-cyber-attack-on-iranian-spy-ship/) to strike commercial shipping in the Bab-el Mandeb strait, effectively blockading the Suez canal.

Iran may be the champion of a post-US minilateral Middle Eastern Order; in under a decade, it went from being surrounded by US-leaning countries or those with US forces in them to [being surrounded by states where its proxy groups enjoy considerable leverage and sway](https://www.cfr.org/article/irans-regional-armed-network). More recently, these states have significantly strengthened their relations with Iran. Having sufficiently re-oriented it's immediate neighborhood, Iran is now expanding its efforts to Sudan by [providing Khartoum with drones](https://www.atlanticcouncil.org/blogs/iransource/iran-drone-uavs-russia/) similar to those that have proven invaluable in Ukraine, Nagorno-Karabakh, and Tigray.

While the US generally retreats from the region, leaving the question of Iran to Israel, it remains more concerned with the Strait of Hormuz, through which 17-21 million barrels of oil pass each day. A proposed Chinese naval base in Oman would aid Beijing in ensuring continued transit through a strait that sees an estimated 27% of its oil imports pass. It could possibly also be used to enforce a selective blockade, similar to that of the Bab El-Mandeb, which saw the Houthis only allow Russian or Chinese affiliated ships to pass. Due to the volume of oil passing through the strait and the possible afflictions its disruption would have on global and American prices, the Fifth Fleet will likely remain stationed in Bahrain.

In this new global order, so long awaited by the old order’s disenfranchised States, the US is simply reordering priorities. Generally speaking, globalization is dead; a return to traditional isolationism and a focus on NAFTA seems to be on the top of the agenda. Not least of which as the vast majority of US trade and future opportunities are to its South and North, respectively.

Secondly, attention will go to Asian partners, namely Australia, Taiwan, Japan, South Korea, and to a lesser extent India. Strategically, [Asia will become a top priority](https://www.cfr.org/project/us-pivot-asia-and-american-grand-strategy), best substantiated in the [restructuring of the Marine Corps for Pacific operations](https://www.marinecorpstimes.com/news/your-marine-corps/2021/03/22/goodbye-tanks-how-the-marine-corps-will-change-and-what-it-will-lose-by-ditching-its-armor/). This is most evident in the incorporation of floating expeditionary bases, the mothballing of M1 Abrams tanks, and the preparation and modernization of numerous bases [in](https://www.reuters.com/world/asia-pacific/philippines-reveals-locations-4-new-strategic-sites-us-military-pact-2023-04-03/) and [outside](https://crsreports.congress.gov/product/pdf/R/R47589#:~:text=Since%202011%2C%20the%20United%20States,existing%20installations%20across%20the%20region.) of the first island chain.

At the risk of sounding repetitive; what underpinned globalization and the US order was American assurance of freedom of navigation and its general yet not all-encompassing role as the World's policeman.

With that era gone, China is scrambling to ensure its strategic autonomy in a world where the USN may not risk its sailors to rescue Chinese vessels nor ensure their safe passage.

To combat the vulnerabilities this new Order presents to China, and to ensure its critical imports of food and fuel, China is undertaking what this author coins the "Great Bypass Project". Considerations, explanations, perspectives, and sense-making are outlined below.

### The Great Bypass Project and a New Global Order:

While increased regional and miniliateral interaction will likely underpin the new order, it is clear the globalized world of old is ending. This will have ineffably serious consequences for Germany, China, and others reliant on globalized value-added or supply chains generally. It is not hyperbole to state their industrialization is at risk.

No other nation can ensure global freedom of navigation, not even the US anymore, nor can any nation build its capacity to do so in the immediate short-to-mid-term. This will prove seriously destabilizing to the global economy in the scenario of disruption on key maritime shipping routes or chokepoints. This has been seen with the Houthi blockade of the Red Sea and Suez Canal, and the failed Russian blockade of the Black Sea.

This is only a hint at what the future holds. A prolonged blockade of the Strait of Hormuz or Malacca would have painful consequences for all barring a few highly independent states. Oil and food markets would be severely perturbed, and net importers would be increasingly at risk the longer the blockade continues.

China and India are both [large importers of foreign energy](https://www.statista.com/statistics/240600/global-oil-importers-by-region-2011/), however China likely [has enough oil reserves for 120 days](https://www.hudson.org/energy/will-china-increased-oil-supplies-change-xis-taiwan-calculus-lewis-libby) of regular consumption and can domestically produce about 25% of its domestic energy needs. Russian imports account for approximately [1.5-2 million barrels per day](https://www.reuters.com/business/energy/china-defies-sanctions-make-russia-its-biggest-oil-supplier-2023-2024-01-20/#:~:text=Russia%20shipped%20a%20record%20107.02,as%20Saudi%20Arabia%20and%20Iraq.), however that could be increased via rail, road, and sea respectively.

Increased supply would have to come from projects West of the Ural Mountains, as nearly all extraction and transport infrastructure to their East was built, maintained, and operated by Western technicians who no longer do so. It is unclear if Russia can provide the same level of quality in operation and repair, and if it can provide sufficient investment in the sector. It would appear it has thus far managed on its own, however a spike in prolonged "maintenance" shut downs and export bans on oil products grants merit to the belief the Russian energy industry is struggling.

India but especially China have seen what the future holds, and have begun preparing. The latter is directing urgently needed resources to its Navy and [developing a large runway and deep-water port on the Andaman and Nicobar Islands](https://orcasia.org/article/166/ideating-the-future-of-indian-power-projection-via-andaman-nicobar-islands), specifically Great Nicobar.

Located near the mouth of the Malacca Strait, the Island sees the [majority of underwater sea cables in the region](https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.airuniversity.af.edu%2FJIPA%2FDisplay%2FArticle%2F3588497%2Fsecuring-the-digital-seabed-countering-chinas-underwater-ambitions%2F&psig=AOvVaw3V705mG2Hu121uSVR-mIAn&ust=1709610286137000&source=images&cd=vfe&opi=89978449&ved=0CBUQjhxqFwoTCNiEwODY2YQDFQAAAAAdAAAAABAE) and [Malacca-bound traffic](https://www.marinetraffic.com/) passing just to its South. The island’s militarization would afford India considerable leverage over China and increase its reach into South-Eastern Asia.

The deployment of BrahMos II hypersonic anti-ship cruise missiles on Great Nicobar would considerably expand the already notable reach they bestow to New Delhi. India could comfortably target any vessel near the South-Eastern, and possibly North-Western mouths of the Strait, if air-launched. This is omitting the fact that a considerable portion of East-to-West maritime trade passes well within range of BrahMos II batteries on the Indian Coast.

Should an Indo-Sino conflict materialize, Chinese civilian and military shipping would be attractive targets for New Delhi. This scenario is reinforced by the [Chinese](https://www.degruyter.com/document/doi/10.1515/9780804792820-011/html) and [Indian](https://doi.org/10.4324/9781003296195) cultural approaches to warfare and intelligence, namely in the use of and attacks on unconventional assets and targets, respectively, to degrade the enemy beyond the battlefield.

Even if Chinese tankers and container vessels take the secondary route, passing through Indonesia and South of the Philippines to enter the South China Sea, they would pass within a [few hundred kilometers of recently re-activated US bases](https://www.reuters.com/world/asia-pacific/philippines-reveals-locations-4-new-strategic-sites-us-military-pact-2023-04-03/). Assets therein or deployed from them could comfortably target any vessel using the secondary route with a wide range of land or air launched munitions, difficult to interdict by the PLAAF/PLAN due the bases being outside of the [primary and secondary A2/AD circle](https://missiledefenseadvocacy.org/missile-threat-and-proliferation/todays-missile-threat/china/china-anti-access-area-denial/).

While China's [impressive range of A2/AD systems](https://missilethreat.csis.org/country/china/) could seriously threaten US bases, aerial assets and those based on super carriers would prove much harder to target. Furthermore, [munitions enforcing the second and third ring of the A2/AD ring are much scarcer than those enforcing the first](https://thebulletin.org/wp-content/uploads/2023/03/Mar_2023_NN_China_Table_1.png); China likely has no more than [170-310 missiles](https://thebulletin.org/wp-content/uploads/2023/03/Mar_2023_NN_China_Table_1.png) capable of hitting US bases outside of the second A2/AD ring. It must be considered these [170-310 missiles](https://thebulletin.org/wp-content/uploads/2023/03/Mar_2023_NN_China_Table_1.png) would be used against land, air, and naval bases, in addition to super carriers, making target selection and prioritization difficult.

Target selection is thus of the utmost importance, especially when accounting for the phenomenal performance of new PAC variants of the Patriot system in Ukraine. The PAC-2 GEM but especially the PAC-3 SME have performed exceptionally well, bestowing the Patriot system with an [interception rate of 80-90%](https://www.csis.org/analysis/russia-isnt-going-run-out-missiles) even when interceptors are employed frugally. Some sources claim interception rates of over 90%.

It must be mentioned the PAC-3 variants have [successfully shot down nearly all Kinzhal hypersonic ballistic missiles](https://www.brookings.edu/articles/ukraine-and-the-kinzhal-dont-believe-the-hypersonic-hype/), and is believed to have shot down the first Zircon hypersonic cruise missile ever employed. It is not possible to verify if it failed or was shot down.

In a Pacific war scenario, the US would have many more interceptors at hand. If assuming a 3:1 ratio of interceptors to incoming munitions, it is deduced US forces would have excellent odds. This excludes tactical and operational employment, which would likely feature a wide range of cyber, electronic warfare, and kinetic operations. It must also be considered that a myriad of decoys and other distractions will be employed to confuse radar and C2 nodes. Nonetheless, it is believed the US has more than enough PAC2/3 interceptors to defend its bases and naval assets outside of the second A2/AD ring.

Furthermore, missiles flying towards Guam, Okinawa, and Hawaii would pass over American vessels equipped with the AEIGIES Offshore air defense system, which has consistently proven itself against a myriad of threats.

Ultimately, the fact [primary shipping routes sail just off of Indian shores, in addition to the Andaman and Nicobar Islands and through the Strait of Malacca,](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3) reinforces the strategic importance of the CPEC. Its completion would allow for a total bypassing of major chokepoints, apart from the straits of Bab-El-Mandeb and Hormuz, while the construction of secondary SSPs would allow China to comfortably defend maritime shipping from ports in East Africa, the Arabian Gulf, or the Suez Canal to the port of Gwadar or those on the Chinese Coast.

Ultimately, their facilitation of Chinese force projection in the Indo-Pacific will be fundamental to its strategic autonomy, as the US retreats from its role as an enabler of globalization both due to a lack of will and capability. When coupled with the death, or significant downscaling, of globalization and the US security assurances that enabled it, it is quite understandable why the CPEC was abruptly restarted at [$62 billion USD, $16 Billion USD or 34% over budget](https://www.brookings.edu/articles/at-all-costs-how-pakistan-and-china-control-the-narrative-on-the-china-pakistan-economic-corridor/).

**Africa and the Indo-Pacific as Key to China’s Survival and Strategic Autonomy:**

The CPEC and some other projects under the BRI will facilitate a Chinese presence in the Sea connecting five continents; one where East Africa meets [some of the world’s largest fisheries](https://www.visualcapitalist.com/wp-content/uploads/2023/11/Mapped-Ocean-Fishing-and-Aquaculture-Around-the-World-Full-Size.html), through which [35% of EU exports](https://www.orfonline.org/expert-speak/43148-rediscovery-of-europe-new-avenues-for-the-europe-india-partnership) pass, and into which both the Straits of Hormuz and Bab El Mandeb lead. In the former, [17 to 21 million barrels of oil transit through it per day](https://www.eia.gov/todayinenergy/detail.php?id=61002#:~:text=the%20Arabian%20Sea.-,The%20Strait%20of%20Hormuz%20is%20the%20world%27s%20most%20important%20oil,of%20global%20petroleum%20liquids%20consumption.), while the latter must be navigated to reach the Suez Canal, saving European journeys from Asia and vice-versa an estimated 6,000 KM. It must be noted the Houthis only allow Chinese or Russian ships or those affiliated to them to pass through the Gulf of Aden, affording them a competitive advantage over their Western counterparts.

Leading directly into the Mediterranean, the Suez provides access to key EU ports, those of the world's largest trading bloc’s and of China’s top trading partner. It is no coincidence that the first overseas Chinese naval base and the second planned base will be located at choke points to both straits respectively, however the key to the Great Bypass Project is the CPEC, and the string of SSPs along critical maritime routes.

The [Cambodian SSP](https://www.navalnews.com/naval-news/2023/11/chinese-navys-suspected-new-overseas-base-cambodia-now-even-larger/), another [proposed SSP in Oman](https://www.straitstimes.com/world/middle-east/why-latest-talk-of-china-s-plan-for-a-military-facility-in-oman-makes-us-sit-up-again), and an [operational SSP in Djibouti](https://www.airuniversity.af.edu/JIPA/Display/Article/2847015/chinas-military-and-economic-prowess-in-djibouti-a-security-challenge-for-the-i/) will allow the littoral PLAN to reach critical areas, specifically key ports in the Indo-Pacific and East Africa. In the Cambodian case, the SSP is at the end of the PLANs generally accepted combat radius; the beginning of the Gulf of Thailand, the end of the South China sea, and the beginning of the Strait of Malacca.

The recently capitulated Sri Lankan port of Hambantota, which now cannot refuse a PLAN vessel to dock due to its forfeiture to a Chinese firm, will likely prove invaluable to the Great Bypass Project. It is located directly on one of the world's primary shipping routes, and its [remarkable capacity](http://www.hipg.lk/about-us/port-infrastructure-general-information) could make it a pillar of the Bypass Project should Colombo cede it completely in exchange for much needed debt-relief.

Even if the proposed [naval base in Cambodia](https://www.navalnews.com/naval-news/2023/11/chinese-navys-suspected-new-overseas-base-cambodia-now-even-larger/) does not manifest, it is believed China is able to execute Under Way Replenishment operation reliably and at scale. This would suggest the SSP might not be mission critical. Such a capability, if truly at scale, would allow China to re-base support and combat vessels to ports in the Indian Ocean and expand to their operational radius with minimal land bases.

However, central to bypassing the Strait of Malacca and the Andaman and Nicobar Islands is the Port of Gwadar.

This is most true with regards to the [dispersal of China’s primary energy and food exporters](https://oec.world/en/profile/country/chn?flowSelector1=flow1), who export via the Arabian Sea and Northern Indian Ocean. They are dispersed between [Africa and the Persian Gulf](https://oec.world/en/profile/country/chn?flowSelector1=flow1), where in the former China has concentrated much of its investments into agriculture and resource extraction. This is critical, as China imports an estimated [70-85% of its energy (natural gas and oil)](https://www.gisreportsonline.com/r/china-energy-markets/) and a notable [10% of its food](https://www.cfr.org/article/china-increasingly-relies-imported-food-thats-problem). Critically China imports the vast majority of its food inputs, most notably livestock feed such as soybeans. It also imports a considerable amount of fertilizers which it cannot produce. It has even [restricted or outright banned the export of those it can produce](https://www.reuters.com/markets/commodities/asian-fertiliser-buyers-turn-away-key-exporter-china-amid-growing-curbs-2023-12-18/), such as urea, suggesting food insecurity and agricultural productivity are already beginning to worsen.

In just one decade, [food exports have increased nearly tenfold to over 112 billion USD](https://chinapower.csis.org/china-food-security/). This has been driven by changing tastes, skyrocketing incomes, [rapidly deteriorating soil](https://www.researchgate.net/publication/330247892_The_consequences_of_soil_degradation_in_China_a_review), and [increasingly polluted water](https://chinapower.csis.org/china-food-security/) coupled with the [lowering of water tables due to the over extraction of aquifers](https://www.mdpi.com/2073-4441/16/2/354#:~:text=China%20is%20experiencing%20an%20over,has%20gotten%20worse%20%5B10%5D.). As soil erosion, lowering water tables, and the pollution of potable aquifers worsens, Chinese food imports are expected to increase.

Key to note China imports many food inputs, specifically fertilizers and soybeans, in addition to other feedstock to raise pork, a staple in Chinese cuisine. Furthermore, [China must use an extremely large amount of fertilizer](https://www.nature.com/articles/s41597-023-02154-7) per kilometer squared of arable land due to the unproductivity of its soil, comparable to that of Brazil. This [overuse pollutes water resources and causes algal blooms](https://oceanservice.noaa.gov/facts/nutpollution.html#:~:text=Nutrient%20pollution%20is%20the%20process,and%20garden%20fertilizers%20are%20used.) due to agricultural run-off.

An analysis of the situation would not be complete without including the [gargantuan amount of resources exported from Africa to China](https://www.imf.org/-/media/Files/Publications/REO/AFR/2023/October/English/china-note1.ashx#:~:text=Metals%2C%20mineral%20products%2C%20and%20fuel,supplying%20manufactured%20goods%20and%20machinery.). These are primarily [foodstuffs, energy, and raw materials such as Iron ore](https://www.imf.org/-/media/Files/Publications/REO/AFR/2023/October/English/china-note1.ashx#:~:text=Metals%2C%20mineral%20products%2C%20and%20fuel,supplying%20manufactured%20goods%20and%20machinery.), their volume so great as to make [China the main trading partner for most of the continent](https://www.orfonline.org/research/china-in-africa).

Beijing and its state-owned enterprises have [bought massive plots of land, an estimated 465,000 square KM or 7% of the continent’s landmass, and have established similarly massive agricultural ventures upon them](https://african.land/blog/article/how-much-land-does-china-own-in-africa-b88#:~:text=The%20total%20area%20of%20Africa,total%20land%20area%20in%20Africa.). By doing so, China seeks to ensure its food security by directly controlling food production rather than buying it on international markets. Secondly, China's push into Central Asia is underpinned by [transport infrastructure](https://www.fpri.org/article/2024/01/central-asias-middle-corridor-expansion-opportunity-for-china-and-iran/) and the facilitation of food imports, as evidenced in the a[greements of the C+5 Xi'an summit and scalable trials](https://www.america-times.com/china-central-asia-summit-xian-declaration/). This supports the conclusion that Chinese food security is precarious, as does a plethora of academic and [think-tank products](https://www.cfr.org/article/china-increasingly-relies-imported-food-thats-problem).

Should the Strait of Malacca or Taiwan be blockaded, either malevolently or accidentally, food and resource shipments could depart from the ports of Mombasa, Dar Es-Salaam, or Djibouti. China has built and continues to build extensive rail links to these ports from the fertile East African interlards. Shipments could be escorted by vessels stationed at the [first PLAN logistic base in Djibouti](https://www.usip.org/publications/2024/01/china-eyeing-second-military-base-africa) to the Gulf of Oman, just 1711 nautical miles away, where vessels stationed in a planned SSP could take over escort duties to the Port of Gwadar, approximately 467 miles away.

**Maritime Trade in the Indian and Pacific Ocean: Chokepoints Galore:**

The [overwhelming majority of maritime trade Eastward comes from the Bab-el-Mandeb Strait or the Strait of Hormuz, passing just south of Sri Lanka](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3). This is [seconded by Indian ports on its Western Coast](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3). Most trade from the Strait of Hormuz, the vast majority of ships being tankers or LNG carriers, will [sail just off of Indian shores](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3), well within interception range of the Indian Navy, Airforce, or its numerous and capable anti-ship missiles.

From the Bab-El Mandeb Strait, [the vast majority of vessels also beam line for the mouth of the Strait of Malacca and sail past Indian shores](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3): even those passing South of the Cape of Good Hope in South Africa, most originating from resource mega exporter Brazil, [enter the Indo-Pacific through the Strait of Malacca](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3). Only a [small portion of shipping passes just above Jakarta](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3) through the Indonesian Archipelago, and nearly all leaving depart from the Australian dry-bulk hub of Port Hedland in the North-West. This route forms the backbone of the Secondary Route into the South China Sea, the first being through the Strait of Malacca. Australia itself is one of the world’s largest commodity exporters, with the vast majority of its energy and dry-bulk exports going to China via the secondary route.

Omitting the Strait of Hormuz and Bab-El Mandeb, the Strait of Malacca is the next choke point in Western trade heading Eastwards, as Sri Lanka is not expected to interrupt trade flows. However, its centrality in West-to-East shipping explains China's great interest in the island Nation, and the [capitulation of a recently developed mega-port to a Chinese State-Owned operator](https://thediplomat.com/2017/12/sri-lanka-formally-hands-over-hambantota-port-to-chinese-firms-on-99-year-lease/) in a 99-year lease.

The operator, [China Merchants Group Limited](https://www.bloomberg.com/profile/company/0538225D%3AHK), operates a [number of ports across the globe located on major shipping lanes](https://www.cfr.org/tracker/china-overseas-ports) under similar or nearly identical leases. Other notable state-owned operators include Hutchison Port Holdings and COSCO Shipping Ports.

In the Sri Lankan case, the [Port of Hambantota can now be used as an SSP to refuel or repair civilian or military vessels](https://apps.dtic.mil/sti/pdfs/AD1053139.pdf), as [seen in other ports capitulated to state-owned operators](https://www.foreignaffairs.com/united-states/chinas-port-power#:~:text=At%20these%20ports%2C%20Chinese%20military,Tanzania%3B%20and%20Piraeus%2C%20Greece.). It [cannot become a naval base under the agreement signed with Colombo](https://thediplomat.com/2017/12/sri-lanka-formally-hands-over-hambantota-port-to-chinese-firms-on-99-year-lease/), however, its operator cannot refuse any services not banned by the operating agreement signed with Colombo due to the [2017 Chinese National Security Law](https://www.dni.gov/files/NCSC/documents/SafeguardingOurFuture/FINAL_NCSC_SOF_Bulletin_PRC_Laws.pdf).

**Benjamin Wey, Sri Lanka, and a Strategically Located Port:**

The creeping coldness of Chinese-Sri Lankan relations is the driver behind [Benjamin Wey's financial pressure](https://www.ft.com/content/663cc8e6-e2ad-4f25-b473-ea2f33c6b4f6) against the Island nation. Benjamin Wey is a Princeling; his family had close ties to Senior PRC leadership due to his father's his service as a military officer and wealth on his mother's side. His Holding company [Fintech Holdings owns a $250 million Sri Lankan dollar bond on which Colombo defaulted](https://www.ft.com/content/663cc8e6-e2ad-4f25-b473-ea2f33c6b4f6). He is [suing for the bond in a US court](https://www.ft.com/content/663cc8e6-e2ad-4f25-b473-ea2f33c6b4f6), which in turn [complicates an IMF bailout](https://asia.nikkei.com/Spotlight/Asia-Insight/Sri-Lanka-s-China-debt-trap-fears-grow-as-Beijing-keeps-investing#:~:text=In%20October%2C%20Sri%20Lanka%20reached,December%20by%20the%20International%20Monetary), itself [complicated by extraordinary Chinese debt](https://asia.nikkei.com/Spotlight/Asia-Insight/Sri-Lanka-s-China-debt-trap-fears-grow-as-Beijing-keeps-investing#:~:text=In%20October%2C%20Sri%20Lanka%20reached,December%20by%20the%20International%20Monetary).

This is one insight into Chinese foreign policy, and its doctrine to establish a global footprint using development aid and projects without resorting to traditional imperialism.

Moving Eastwards, the next major chokepoint is the strait of Taiwan. Without deviating from the topic at hand, the concentration of shipping near Taiwan is only rivaled by the Strait of Malacca. Nonetheless, as long as the “Taiwan Question” remains unaddressed by Beijing, and a formal Universal Declaration of Independence (UDI) is not issued by Taipei, shipping is expected to continue unabated. While recently China has made shows of force over the area, notably declaring that all civilian vessels will be inspected, this is interpreted as more of a symbolic gesture.

Linchpins on the assuredness of shipping in the region primarily remain a lack of interstate conflict, and continued anti-piracy missions by Jakarta, in addition to continued ambiguity with regards to territorial disputes in the South China Sea. Of course, a conflict between the US and China and other "wildcards" beget entirely different scenarios.

Ultimately, the Strait of Malacca is to the globalized world what the jugular vein is to the human body; a vital chokepoint vital for the functioning a system which is easily cut, choked, or blocked. Without the Strait of Malacca, Eastward shipping must take the secondary route, which [forces all shipping past Diego Garcia](https://www.marinetraffic.com/en/ais/home/centerx%3A4.090/centery%3A51.974/zoom%3A12), one of the largest US Military installations in the world. It then passes through Indonesia, and later North of Australia, where a number of Australian Air, Navy and Army bases to which the US has access lay. The route then heads North, South of the Philippines, near [a string of new and recently reactivated US bases](https://crsreports.congress.gov/product/pdf/R/R47589). It also passes by several Filipino bases which are being modernized and expanded at the cost of the US. Here, the route is generally outside of the [primary and secondary rings of the Chinese A2/AD system](https://missiledefenseadvocacy.org/missile-threat-and-proliferation/todays-missile-threat/china/china-anti-access-area-denial/), only in range of some DF-26 Anti-ship Ballistic Missiles and those launched by HK-6 bombers. It is, however, well in range of Australian, US, and of course Indonesian, interception.

The CPEC, however, would allow China to bypass this entire mess, allowing it to focus on maritime escorts in the Arabian and Northern Indian oceans to the port of Gwadar, after which it is on land and only some hundreds of kilometers away from Xingjian.

**The CPEC & Pakistan: Foundations of Chinese Strategic Autonomy:**

Funded by considerable Chinese credit, the CPEC is already becoming a major impediment for an urgently needed IMF bailout, without which Pakistan will default on its foreign debt. In the West, the project has raised serious concerns in decision-making halls and think tanks alike for the strategic implications the corridor, and especially the Port of Gwadar, would have for China’s interest in the Indo-Pacific, and in turn the five continents linked by it.

Critically, the port of Gwadar would be a vital resupply point for the PLAN, one of the aforementioned SSPs for the primarily littoral PLAN. More importantly, the port would allow [Chinese imports from the West of India](https://www.marinetraffic.com/en/ais/home/centerx%3A42.8/centery%3A1.2/zoom%3A3) to bypass the Strait of Malacca. Seeing [85% of Chinese oil imports](https://www.uscc.gov/research/chinas-navy-extends-its-combat-reach-indian-ocean) and [60% of Chinese trade](https://warsawinstitute.org/china-malacca-dilemma/#:~:text=According%20to%20calculations%20by%20the,communication%20for%20the%20Chinese%20economy) pass through it, in addition to an [estimated 20-25% of global trade](https://www.commonwealthroundtable.co.uk/commonwealth/eurasia/india/opinion-the-malacca-strait-contest-between-china-and-india/), it is undoubtedly the second most important choke point on earth after the Strait of Hormuz. Here too, Beijing is increasing its potential for coercive force projection. The CPEC would seriously degrade the strategic vulnerabilities Malacca poses to China. Namely, it would keep Chinese trade flows away from Indian shores, a strategic rival who has just recently become the world's largest State by population and whose rise has often created tension between New Delhi and Beijing. It’s BrahMos II hypersonic anti-ship missile, liberally exported to Asian-pacific nations, puts almost all major shipping originating from the Cape of Good Hope and the two Arabian chokepoints (Bab Al-Mandab and the Strait of Hormuz) Eastwards within range, including Chinese escorts. If shipments dock in Gwadar and move by land towards Eastern China, however, the calculus changes. Considerably.

It must be reiterated that the CPEC condenses and groups risk and vulnerabilities, however in its condensation it increases their defensibility; instead of the entire Indo-pacific, vulnerabilities are concentrated to the North and North-West of the Indian Ocean, the Port of Gwadar, and the CPEC's land corridor. More easily defendable, yes, however increasing and centralizing points of critical failure in the entire system.

Arguably, the CPEC increases the likelihood that critical Chinese imports will be disrupted; a blockade of Malacca affects the world, while striking the CPEC affects China, and secondly Pakistan to a lesser extent. Attacks on vessels in the region would wreak havoc on freight and maritime insurance markets, however precision strikes on the CPEC would afflict only China and Pakistan.

The land bridge would be a major step to ameliorate a key threat to Chinese Strategic Autonomy, and in preparing for a world order where the security of global maritime shipping is not guaranteed. This is critical, as the [archipelagos of the Indo-Pacific, but more specifically Indonesian waters, are currently one of the most pirate infested in the world](https://time.com/piracy-southeast-asia-malacca-strait/). This may be exacerbated in a minilateral order where multinational anti-piracy missions are few and far between. Currently Indonesia, Malaysia, and the Philippines seem determined to increase cooperation in anti-piracy operations and intelligence sharing; at present however, only India, Malaysia, and other key players in the Indian ocean have begun or expanded anti-piracy operations. China has [long operated an anti-piracy mission in the Arabian Sea, which has recently expanded](https://carnegieendowment.org/2023/04/18/surrounding-ocean-prc-influence-in-indian-ocean-pub-89608), for the reasons mentioned throughout this article. Namely, to ensure commodities from the West and Middle East continue Eastwards unabetted.

An often-overlooked part of threats to Chinese imports are the Andaman and Nicobar Islands.

**Andaman and Nicobar Islands:**

India is directing urgently needed resources to its Navy, while [developing a large runway and deep-water port on the Andaman and Nicobar Islands](https://www.theguardian.com/global-development/2024/feb/07/india-port-airport-power-plant-military-project-great-nicobar-island-death-sentence-shompen-indigenous-people-warning). Located just North-West of the mouth to the Malacca Strait, and seeing the majority of underwater sea cables in the region and Malacca-bound traffic passing just to its South, the island chain’s militarization by India would afford it considerable leverage over China and increase its reach into South-Eastern Asia.

A long-time Chinese strategic rival with notable territorial disputes, the deployment of BrahMos II missiles on Great Nicobar would considerably expand the already notable reach they bestow to New Delhi. Specifically, India could comfortably target any vessel near both the South-Eastern and North-Western mouths of the Strait. This is omitting the fact that a considerable portion of East-to-West maritime trade passes well within range of BrahMos II batteries if placed on the Indian Coast.

It must also be considered that the air launched [BrahMos II-ER has a range of 500 kilometers.](https://thediplomat.com/2023/11/how-the-extended-range-brahmos-changes-the-india-pakistan-deterrence-equation/) The launch vehicle, the SU-30 MKI, has an operational radius of 1,500 KM, giving the weapon an ultimate range of 2,000 KM from the future Nicobar airfield. Some sources claim [range of 3,000 KM](https://www.airforce-technology.com/projects/su_30mk/?cf-view) , increasing the ultimate range to 3,500 KM, however a conservative figure validates the threat assessment nonetheless.

Should an Indo-Sino conflict materialize, Chinese civilian and military shipping would prove very attractive targets from a strategic and macro perspective.

**The Secondary Route:**

Even if Chinese tankers and container vessels take the secondary route, passing through Indonesia and South of the Philippines to enter the South China Sea, they would pass within a few hundred kilometers of recently re-activated US bases. Assets therein or deployed from them could comfortably target any vessel using the secondary route with a wide range of land or air launched munitions, difficult to interdict by the PLAAF/PLAN due the [bases being outside of the primary and most of the secondary A2/AD ring](https://missiledefenseadvocacy.org/missile-threat-and-proliferation/todays-missile-threat/china/china-anti-access-area-denial/). While China's impressive range of A2/AD systems could seriously threaten US bases, aerial assets would prove much harder to target.

Ultimately, the fact primary shipping routes sail just off of Indian shores, in addition to the Andaman and Nicobar Islands and through the Strait of Malacca, reinforces the strategic importance of the CPEC. Its completion would allow for a total bypassing of major chokepoints, apart from the straits of Bab-El-Mandeb and Hormuz, while the construction of secondary SSPs would allow China to comfortably defend maritime shipping from ports in East Africa, the Arabian Gulf, or the Suez Canal to the port of Gwadar or those on the Chinese Coast.

Their facilitation of Chinese force projection in the Indo-Pacific will be fundamental to its strategic autonomy, as the US retreats from its role as an enabler of globalization both due to a lack of will and capability. When coupled with the death, or significant downscaling, of globalization and the US security assurances that enabled it, it is quite understandable why the CPEC was abruptly restarted at [$62 billion USD, 34% over budget.](https://www.brookings.edu/articles/at-all-costs-how-pakistan-and-china-control-the-narrative-on-the-china-pakistan-economic-corridor/)

###  Globalization’s Close and the Existential Threat to China:

[One of the key enablers of the globalized economy was the nearly assured security of global maritime transit](https://cepr.org/voxeu/columns/containers-and-globalisation-estimating-cost-structure-maritime-shipping), allowing a Toyota Cruiser to be made of parts constructed in dozens of countries around the world. Secondly, it was the [massive movement of foreign capital across borders, facilitating new supply, production, and ultimately value-added chains](https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicator-group/english_9a523b18-en). These globalized production lines and value-added chains significantly contributed to the near eradication of poverty and famine over the past eighty years, and the prosperity of the "third world, specifically China.

In 1978 [China began its Marketization and integration into the globalized economy by signing numerous regional trade agreements](https://www.cato.org/publications/chinas-post-1978-economic-development-entry-global-trading-system#plan-market-overview). Its [admission to the World Trade Organization in 2001 under favorable conditions would precede it's economic rise](https://world101.cfr.org/global-era-issues/trade/what-happened-when-china-joined-wto), setting records for yearly GDP growth. Thanks to its status as a developing country, China was able to enact staunchly protectionist trade barriers, allowing its industries to develop rapidly and securely, orienting them towards exports which were then dumped on the rest of the world. This is why China has such a large trade surplus and robust industrial growth, and why its industrial and trade practices have received such scorn from Washington D.C.

Now that the order is ending, and industry is returning, China stands as one of the most globalized countries in the world alongside Germany. Understandably so, it is scrambling to patch its strategic vulnerabilities in a world where its littoral and “green water” PLAN would have to project considerable power globally, a task it is vastly under-equipped to undertake.

The largest navy in the world by individual vessels, [it is significantly overshadowed by the US, which has more than double the tonnage](https://news.clearancejobs.com/2023/01/23/size-matters-when-youre-measuring-a-naval-force/), however [this gap too is closing rapidly](https://www.twz.com/alarming-navy-intel-slide-warns-of-chinas-200-times-greater-shipbuilding-capacity). Its carrier strike groups and Naval Air Force, [which is the second-largest air force in the world itself](https://www.britannica.com/one-good-fact/how-does-the-united-states-have-both-the-first-and-second-largest-air-force-in-the-world#:~:text=With%20roughly%205%2C300%20aircraft%2C%20the,air%20force%20in%20the%20world.), make it an unrivaled global naval power. With it, alongside its air force and global network of military and logistics bases, one of which is very close to the North-Western mouth of the Strait of Malacca, the US can deliver decisive coercive force anywhere on the planet in well under 24 hours.

This is a capability China lacks. However, the CPEC and a planned network of SSPs would allow China to leverage the strengths and coercive power it does have, supplemented by a planned naval modernization and expansion. Bypassing a key maritime choke point, and what may be its greatest strategic weakness, the CPEC is central to Chinese strategic autonomy, and arguably the most important piece of the Belt and Road Initiative (BRI). The CPEC, but especially Pakistan, and the BRI as a whole are also major liabilities, for reasons that will become apparent.

**CPEC controversy and Pakistan as a Point of Critical Failure:**

The CPEC has proven controversial in Pakistan, with consequences exacerbating political instability.

A major point of contention in PM Khan’s political legitimacy, the abrupt restart of construction significantly over budget is worrying both domestically and externally, to those who understand the project's significance. More so within the context of [Pakistani debt issues](https://www.reuters.com/world/asia-pacific/how-bad-is-pakistans-debt-crisis-can-imf-save-it-2024-02-14/) and the [precariousness of its macroeconomic outlook](https://www.worldbank.org/en/country/pakistan/overview). While lobbying for an IMF bailout for considerable Chinese debt, it has [abruptly sold Ukraine a sizeable amount of ammunition](https://www.twz.com/pakistan-ukraine-and-the-race-for-third-party-ammunition), interestingly only after its financial and credit problems began to spiral.

[The Pakistani intelligence services and its military hold much power in Pakistani politics](https://www.cia.gov/static/ISI-Pakistan.pdf). Similarly, to Egypt, Turkey, and Iran, the military is seen as the protector of the nation from domestic threats as much as from those external. It is believed the CPEC and Imran Khan’s aggressive alignment with China and Saudi Arabia led to the two pillars of Pakistani society exerting social, political, and bureaucratic pressure on Khan.

This pressure would lead to nearly unrivalled divisiveness in the country, culminating in an [urban showdown where Khan supporters prevented his arrest by the state](https://www.hindustantimes.com/india-news/showdown-in-pakistan-as-police-try-to-arrest-imran-101678819002445.html).

He was ultimately [arrested and jailed for 12 years, a sentence expected to increase](https://www.hindustantimes.com/india-news/showdown-in-pakistan-as-police-try-to-arrest-imran-101678819002445.html). However imprisoned Pakistani Prime Ministers have had a history of maintaining considerable influence even behind bars. This is to be expected of Khan; he is the patriarch of one of the [richest and most powerful family in Pakistan](https://www.icij.org/investigations/pandora-papers/pakistan-imran-khan-prime-minister-allies-offshore/).

This is reinforced by recent a recent [vote which saw candidates backed by](https://www.brookings.edu/articles/pakistans-surprising-and-marred-2024-election-and-what-comes-next/) [Khan's party win by a sizeable margin](https://www.brookings.edu/articles/pakistans-surprising-and-marred-2024-election-and-what-comes-next/), in elections administered after his imprisonment. Fraud or corruption cannot be not ruled out; however, such a margin suggest his popularity runs deep.

Ultimately, should Khan return or his influence remain, and is able to overcome that of the Pakistani deep-state, it can be expected that the CPEC will advance even if marginally. This is secondary however; Chinese economic and financial consideration are first and foremost.

**Overleveraged and Overlent: Why the Great Chinese Bypass Project is doomed for failure.**

Ultimately, it is believed China will never be able to complete its Great Bypass project.

In short, China is plateauing, and a [serious financial crisis originating from its aggressive funding of foreign infrastructure projects, via the BRI, and domestic projects](https://www.bloomberg.com/news/articles/2024-02-09/china-s-real-estate-crisis-is-starting-to-ripple-across-the-world), partly an attempt to artificially inflate GDP.

Secondly, China’s debt and invest-based growth model has begun to stagger as FDI seeks greener pastures, namely in India and South-East Asia. Over [$7 trillion USD has been wiped from the CSI1000, the primary Chinese index](https://www.bloomberg.com/news/articles/2024-02-05/china-stocks-languish-despite-renewed-vow-to-stabilize-markets). This is worsened by Beijing’s efforts to reduce [corporate](http://fingfx.thomsonreuters.com/gfx/rngs/CHINA-DEBT-GRAPHIC/0100315H2LG/) and [local](https://www.reuters.com/world/china/china-instructs-banks-roll-over-local-government-debt-sources-2023-10-17/) debt levels which have spiraled astronomically. This trend is exacerbated by [tax breaks from Beijing to cushion the blow of the multi-year COVID-19 lockdowns,](https://www.internationaltaxreview.com/article/2c830pe71wymgxf4h6eip/china-extends-and-enhances-multiple-tax-incentives-in-the-post-covid-era) and to stimulate economic growth and that of the advanced manufacturing sector.

Thirdly, China’s economic development model has stagnated. It’s advanced manufacturing industries nor its services sector are not large enough to employ a flood of college graduates, [an estimated 30-46% of which are unemployed.](https://www.wsj.com/world/china/how-china-made-a-youth-unemployment-crisis-disappear-32afa255) [Over employment in the public and services sector](https://www.nature.com/articles/s41599-023-01656-4) largely correlates with decreased productivity therein.

These factors, and many others, have ultimately resulted in at minimum a decrease in economic growth, and at worse, a contraction of the Chinese economy and the death of its main engines of growth. These are exacerbated by the aforementioned financial crisis, demographic implosion, deglobalization, and lowering water tables. Critically, Beijing is no longer able to artificially inflate its GDP using debt.

**Factors of Production and Economic Development:**

While the Chinese auto and other subsidized industries are booming and will continue to be profitable within rising factors of production, non-subsidized industries will continue to simply become unprofitable even as China reallocates capital towards the industrial sector from the property sector.

The property sector, previously accounting for [over 30% of Chinese GDP](https://sccei.fsi.stanford.edu/china-briefs/tier-3-cities-hotbed-trouble-chinas-property-sector), was essentially a Ponzi scheme.

Major developers such as Evergrande and Country Garden would begin projects, often concrete shells with no plumbing, electricity, or sewage, and begin collecting mortgage payments during construction. This money would be used to begin other projects, on which mortgages were collected, and so forth.

This is omitting the very large loans and leverages undertaken by the developers to begin even more projects, and which has created a serious vulnerability in the Chinese financial sector, especially in light of rising interest rates.

The consequences of the above, when coupled with a low fractional reserve ratio and dwindling capital, is expected to seriously afflict the Chinese economy.

**Interest and Reserve Rates and the Chinese Growth Model:**

In the past decade, China has [lowered its fractional reserve banking ratio to 7%](https://www.ceicdata.com/en/indicator/china/reserve-requirement-ratio) and has seen a [marked increase in external debt](https://tradingeconomics.com/china/external-debt). This debt is now much more expensive to service as [12-month interest rates for London InterBank external loans, and the Secured Overnight Financing Rate which replaced it, have increased 24-fold since June 2021](https://www.investopedia.com/terms/l/libor.asp). Generally, interest rates have skyrocketed in the past 3 years to above 5% for most floating loans, while the [current LIBOR rate is over 7%](https://www.bankrate.com/rates/interest-rates/libor/). This is proving to be an issue in both Washington and Beijing, however especially the latter as plateauing growth, decreased productivity, and considerable hidden debt in the coffers of local and municipal governments comes to fore.

This is most relevant when accounting for the fact [85% of Chinese federal debt is denominated in USD](https://www.safe.gov.cn/en/2023/1228/2157.html#:~:text=In%20the%20outstanding%20registered%20external,debt%20accounted%20for%203%20percent.), while [75%](https://www.bostonfed.org/-/media/Documents/Workingpapers/PDF/2022/sra2203.pdf) of BRI loans are as well. This increases the risks they pose to the Chinese financial system at large due to the impact of the floating rates to which they are subject to. This risk is exacerbated by a low fractional reserve ratio, meaning less assets are on hand to avert a crisis. Furthermore, the creditors of external loans to both BRI participants and Chinese entities are external, and cannot be manipulated or persuaded to offer favorable debt relief or restructuring plans. This [can be achieved in BRI participants](https://academic.oup.com/economicpolicy/article-abstract/38/114/345/6827797?redirectedFrom=fulltext) as outlined within the terms of their loans, often with the ceding of sovereignty, as seen in the Sri Lankan case. [Other forms of interference in domestic and external affairs are also possible](https://academic.oup.com/economicpolicy/article-abstract/38/114/345/6827797?redirectedFrom=fulltext).

**Hidden Debt and Artificial Growth:**

Much of Chinese growth has been driven by debt-fueled infrastructure projects, which have failed to catalyze economic activity and have left gapping, sometimes unrecorded, debt burdens at the municipal, local, and corporate level. The true debt-to-GDP ratio is debated, however a very conservative figure of [280%](https://asia.nikkei.com/Spotlight/Caixin/China-s-debt-to-GDP-ratio-climbs-to-record-287.8-in-2023#:~:text=China%27s%20debt%2Dto%2DGDP%20ratio%20climbed%20to%20a%20new%20record,state%2Dbacked%20think%20tank%20shows.) is widely accepted. The author believes it is considerably higher, likely anywhere from 15-30% higher than stated.

Beginning in [2008, a stimulus plan worth 13% of Chinese GDP](https://www.reuters.com/breakingviews/chinas-growth-is-buried-under-great-wall-debt-2023-09-13/#:~:text=His%20plan%20to%20throw%204,that%27s%20still%20haunting%20Beijing%20today.) was unleased to tame the 2008 crisis. Similarly, to the Quantitative Easing of Western markets, it would appear the Chinese economy became addicted to the stimulus. The [trend of fueling growth via infrastructure investments would continue until only recently](https://asia.nikkei.com/Spotlight/Caixin/China-doubles-down-on-infrastructure-to-spur-growth#:~:text=Policymakers%20are%20doubling%20down%20on,2020%20in%20the%20second%20quarter.), however macro conditions are such that it is simply unsustainable.

Unlike the US, whose stimulus was centered on money printing through low interest rates, the Chinese stimulus packages were based on government infrastructure projects, [mostly funded by debt](https://www.bloomberg.com/news/articles/2024-01-10/china-s-cleanup-efforts-for-lgfv-debt-to-drag-on-economy-in-2024), and [unproductive overemployment in the public](https://journals.sagepub.com/doi/10.1177/09500170221092585?icid=int.sj-full-text.citing-articles.9) and [service sectors](https://www.elibrary.imf.org/view/journals/001/2019/263/article-A001-en.xml#:~:text=Services%20labor%20productivity%20growth%20has,the%20changing%20structure%20of%20services.), either directly or indirectly. Today rising rates have seemingly corrected the issue, however the Chinese growth model is dependent on growth and investment, and rising rates have made both existing and future debt costlier.

A [lack of stimulus has significantly decreased market sentiment, spending, investment, and consumption](https://thediplomat.com/2023/08/why-china-isnt-pulling-the-stimulus-trigger/#:~:text=The%20lack%20of%20a%20major,worsened%20to%20politically%20worrying%20levels.), expected to bring about catastrophic effects, as Beijing reins in [corporate](https://asia.nikkei.com/Spotlight/Caixin/China-s-effort-to-cut-10tn-of-hidden-debt-faces-uphill-climb) and [local](https://asia.nikkei.com/Business/Markets/China-debt-crunch/China-s-hidden-local-government-debt-soars-to-over-8tn) debt.

Many [local and regional infrastructure projects were funded at the regional or local level via Local Government Financing Vehicles](https://www.sciencedirect.com/science/article/pii/S0264837723004301#:~:text=LGFVs%20are%20firms%20set%20up,specific%20urban%20and%20infrastructure%20projects.&text=Local%20governments%20not%20only%20inject,two%20benefits%20for%20local%20governments.), which hid debt from traditional metrics. These vehicles often [received a majority of their funding from land leases to housing developers](https://www.sciencedirect.com/science/article/pii/S0264837723004301), leading to positive and secondary feedback loops, and ultimately, the downwards spiral we observe today.

Approximately 1-2 years ago, Beijing had [begun regulating the amount of debt corporate entities could have](https://www.reuters.com/world/china/china-may-ease-three-red-lines-property-rules-bloomberg-news-2023-01-06/#:~:text=The%20%22three%20red%20lines%22%20metric,more%20details%20about%20their%20debts.), while recently Beijing has [ordered some local and regional governments to rein in infrastructure spending and public sector employment](https://asia.nikkei.com/Business/Markets/China-debt-crunch/China-s-hidden-local-government-debt-soars-to-over-8tn). The former will continue to depress artificially inflated growth figures, while the latter will continue to afflict youth unemployment rates, which are now worse than Southern EU member states.

Ultimately, rising interest rates and ballooning debt, much of it hidden or obscured, will continue to limit the tools available to the CCP to continue artificially inflating growth. Having met the laws of diminishing returns in the property sector and in infrastructure investments, [capital is being redirected to the manufacturing sector](https://www.reuters.com/world/china/with-manufacturing-loans-rising-can-china-avoid-new-supply-glut-2023-11-12/). Here, factors of production are outpacing the majority of China's industrial sector, while the service sector is seeing its productivity diminish rapidly, plagued by so-called "[shadow offices](https://threadreaderapp.com/thread/1397962235704717318.html)" and [public sector over employment.](https://books.google.com/books?id=TfUhAQAAQBAJ&pg=PP1)

**Decreasing Productivity, the Middle-Income Gap, and Economic Development;**

While services account for 53% of Chinese GDP, so-called "Shadow offices" and [over-employment in the public sector](https://books.google.com/books?id=TfUhAQAAQBAJ&pg=PP1) complicate the validity of this figure. This is supported by a significant [decrease in productivity](https://documents1.worldbank.org/curated/en/839401593007627879/pdf/Chinas-Productivity-Slowdown-and-Future-Growth-Potential.pdf) in recent years, and by a recent [Chicago study by Luis Martinez of China's GDP growth](https://www.ft.com/content/43bea201-ff6c-4d94-8506-e58ff787802c) over several decades, which found it has been severely overstated.

It is hypothesized China's true GDP is, at minimum, 15% lower than stated and possibly as high as 30%. This assertion is supported by an analysis of [satellite imagery, freight data, and other metrics supporting Martinez's study](https://www.ft.com/content/43bea201-ff6c-4d94-8506-e58ff787802c), which has been largely acknowledged. The nail in the coffin, however, was a [comprehensive analysis of night-time satellite imagery which analyzed the growth in night lighting with claimed GDP markers](https://www.ft.com/content/43bea201-ff6c-4d94-8506-e58ff787802c). This method has been [proven in other studies determining the validity of GDP figures in autocratic states](https://www.journals.uchicago.edu/doi/abs/10.1086/720458) and confirmed Martinez's conclusion.

What we are certain of is urban youth unemployment is in freefall; Beijing stopped publishing data last year when it [reached 21%](https://www.wsj.com/world/china/how-china-made-a-youth-unemployment-crisis-disappear-32afa255), however, this figure was calculated using a new metric which was much more generous. It is currently estimated at 30-46%.

[Deflationary pressures are also increasing](https://www.cnn.com/2024/02/08/economy/china-cpi-fall-deflation-intl-hnk/index.html), as a very disappointing recovery from the COVID-19 slump has led to [reduced spending and prices](https://www.cnn.com/2024/02/08/economy/china-cpi-fall-deflation-intl-hnk/index.html), worsening [historically low domestic consumption](https://chinapower.csis.org/tracker/china-gdp/#:~:text=In%202021%2C%20consumption%20accounted%20for,figure%20was%20above%2080%20percent.).

Youth unemployment rate, expected to be between 30-46%, in addition to other poor macroeconomic realities, suggest China's economic recovery is beginning to stall. This is most true with a [stagnation in exports by value](https://tradingeconomics.com/china/exports), most notably to the US, German, and French markets, to say nothing of exports to ASEAN members. These are positive and expected to rise within the minilateral global order.

Ultimately, pronounced issues in domestic Chinese credit markets and its BRI loans may seriously challenge Beijing’s grander ambitions, however it is certain the CPEC and facilities in Cambodia, Djibouti, and the Gulf of Aden will be prioritized, if at all possible.

Modest growth rates, when accounting for already depressed figures, and a growth-dependent economic model not dissimilar to start-ups such as Gorillas, would suggest the Dragon is beginning to plateau. To say nothing of a complete demographic collapse, or the fact its global or arguably regional kinetic power projection pales in comparison to that of the US. Its network of Chinese-operated ports will certainly ameliorate this deficiency, however the PLAN still lacks the deep-sea replenishment capabilities of the USN, and while it is by far the [largest naval power, by tonnage, the US is still twice as powerful than China due to the size of its ships and their global reach](https://www.forbes.com/sites/davidaxe/2021/11/10/yes-the-chinese-navy-has-more-ships-than-the-us-navy-but-its-got-far-fewer-missiles/). Force structure is also important; US forces are centered around Carrier Battle groups, designed to project decisive power anywhere in the world. The PLAN is designed to operate in the South China Sea, and must now be developed to ensure blue-water operability.

Nonetheless, as an avid believer of the Plateauing Dragon school, this author must also entertain the possibility that China's appetite for foreign energy, food, and raw materials will continue to rise and that it will continue attempting to address its strategic vulnerabilities. However, some of the pillars of the Great Chinese Bypass Project may pose even greater vulnerabilities than that of the current status quo.

While the CPEC alleviates key threats to Chinese strategic autonomy, it equally concentrates risks, both physically and metaphysically.

**Pakistan:**

Pakistan is the key linchpin in China’s Great Bypass project, however its outlook is arguably worse than China’s.

Pakistan, the pillar of the Great Bypass plan, has an abysmal outlook. It is the only project location whose ports are not incredibly easy to blockade by any of China's rivals, namely India, however financial, political, and social issues that have been repressed for years are resurging.

Pakistan has been [teetering on the brink of default for years](https://economic-research.bnpparibas.com/html/en-US/Pakistan-Default-risk-remains-high-4/14/2023%2C48469) , while Imran Khan's ouster has reintroduced levels of [political uncertainty and polarization](https://www.bbc.com/news/world-asia-65462347) not seen in well over a decade. A long-awaited IMF bailout has been complicated by large Chinese debts, leading Pakistan to begin playing America's favorite by selling ammunition to Ukraine among other endeavors. A [last-minute and minimal bailout from the IMF](https://www.reuters.com/markets/asia/imf-board-approves-700-mln-loan-part-pakistan-bailout-2024-01-11/) will run out this spring, while Saudi Arabia has made it clear it is no longer interested in propping Pakistan up. It has, however, recently [extended an emergency credit line](https://www.middleeasteye.net/opinion/saudi-arabia-pakistan-out-in-cold-why) which facilitated the aforementioned IMF bailout. As explained above, China is seemingly entirely incapable, or at least unwilling, of doing so.

[Record high inflation](https://www.arabnews.com/node/2469426/pakistan) when coupled with a [rapid depreciation of the Pakistani Rupee](https://www.xe.com/currencycharts/?from=USD&to=PKR&view=5Y) has made even the importation of basic staples precarious. In early 2022, [Karachi asked citizens to reduce their tea consumption to ameliorate the current account](https://www.economist.com/the-economist-explains/2022/06/21/why-is-pakistans-government-asking-people-to-drink-less-tea#:~:text=On%20june%2014th%20Ahsan,their%20way%20across%20social%20media.) and preserve it's scare foreign exchange reserves.

Slow growth due to new regulation and reforms has also exerted sharp economic pressure, worsened by deteriorating macro conditions globally and rising interest rates.

This entirely omits the issue of Baluch Independence and the numerous separatist and independence groups fighting for it, namely the Tehreek-e-Taliban Pakistan (TTP). [TTP militants have consistently attacked Chinese personnel and assets](https://ctc.westpoint.edu/the-tehrik-i-taliban-pakistan-after-the-talibans-afghanistan-takeover/) and [impeded the construction of key CPEC projects](https://asia.nikkei.com/Politics/Terrorism/Pakistani-Taliban-s-shadow-province-threatens-China-BRI-projects). Some funded by Iran, these groups also attack Pakistani targets, and a [recent escalation](https://www.usip.org/publications/2024/01/making-sense-iran-pakistan-cross-border-strikes) in the Pakistani-Iranian proxy was has seen the two states begin to directly strike each other’s territory.

More recently the [majority of BRI loans have been revealed to be barely averting default](https://www.statista.com/chart/31150/yearly-amounts-of-cross-border-rescue-lending-by-china/), and then only technically, with most having to be renegotiated or be settled with emergency life-line loans. In essence, Beijing is lending or renegotiating to avert default. Nearly all are denominated in USD, the interest rates for which have skyrocketed to approximately 5.5%.

This suggests China's capacity to keep Pakistan, a nation objectively on the brink of collapse for the past few years, is significantly diminished and will continue to decrease in the short- to mid-term. As China will have to decide which SSP or BRI projects receive an ever-shrinking pool of available capital, it will force China to choose between strengthening its footprint closer to the origins of its food and energy imports, or ensuring they can bypass key chokepoints which may be blockaded in the future. Saudi Arabia, Pakistan's protector of old, has also [stated it is no longer willing to keep bailing it out](https://www.middleeasteye.net/opinion/saudi-arabia-pakistan-out-in-cold-why). It must be mentioned they recently did so again, with an emergency life-line of $2 billion USD.

**Conclusion:**

Should Beijing, somehow, manage to escape the present financial, economic, demographic, and environmental crises which threaten its very existence, the 4 BRI projects mentioned above will be prioritized.

If completed, they would allow Beijing to ensure critical imports of food and energy from Eastern African coasts and the Persian Gulf. They will increase in necessity over time, as soil erosion, the lowering of water tables, and the pollution of increasingly scarce water supplies congruently worsen. These factors are minimal when compared to accelerating global destabilization, and the onset of the minililateral order which propels it. Most notably, this destabilization is driven by the American return to isolationism, and the manifestation of conflicts across the globe which its global hegemony kept dormant.

The location of planned SSPs, and of forfeited BRI ports now operated by a Chinese state-owned enterprise which cannot refuse docking, service, or replenishment to the PLAN, validate the arguments and basis of this analysis.

These SSPs, and a newly attained PLAN capacity to replenish vessels while underway, will allow the PLAN to escort energy and food from East African Ports and energy terminals in the Persian Gulf to Gwadar. From here, they are transported overland into Yunnan province in South-Western China.

Alternatively, vessels carrying gas, oil, or containers can take the possibly treacherous route past Indian shores to Myanmar. Here a port with an oil terminal and connected pipeline can move imports into Yunnan province, bypassing the Strait of Malacca. An avoidance of Indian BrahMos I and BrahMos II missiles is hypothetically possible but unlikely.

If sufficient bombardment of the Andaman and Nicobar Islands could take place, in the case of a hostile India, the Thai Overland Corridor and the Thai-Laotian-Chinese Rail Link would prove a promising tertiary bypass route. This would also require considerable naval assets in theater. Containers and possibly oil and gas could be transferred overland to vessels waiting on the other side of the Thai Peninsula, allow imports to bypass the strait of Malacca.

Should the overland corridor be connected to the main Thai rail-hub just North of Bangkok, imports could directly be imported into China via Laos.

All is not so simple, however; only the China-Myanmar Economic corridor is truly operational, however the refinery to which its pipelines lead is only capable of synthesizing 12% of Chinese energy needs.

Severe structural and systemic issues, namely environmental, demographic, financial, and economic, are projected to worsen considerably in the medium to short-term.

These are expected to wholly reduce the chance these projects will be completed. The SSP network is expected to be prioritized.

Pakistani instability in every metric have made the CPEC too expensive of a bet to take. This is truer as it becomes increasingly clear its completion would force China to take Pakistan under its guardianship as a protectorate, assuming the role of Saudi Arabia as its primary financier. This is due to its atrocious financial health, and the complications Chinese debt and structural financial and economic brings to future IMF bailout negotiations.

However, if China is able to overcome the aforementioned issues, this is how it will seek to bypass the obstacles to its strategic autonomy and sovereignty. In short, and without delving into a myriad of alternative possibilities beyond the scope of this analysis.