

FULCRUM GLOBAL



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INTELLIGENCE BRIEF #2

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SUBJECT: China: Expanding Their Global Influence

COUNTRY/REGION: China/South China Sea/Africa/Central America

BACKGROUND OF SUBJECT:

Over the past decade, China has been slowly expanding their influence to areas around the world. Some of these locations are outside of their normal sphere of influence, like South East Asia and the South China Sea. In addition, they are also going into areas like Central America and Eastern Africa that have a strong U.S. influence. The Chinese government is expanding their political, military, and financial influence around the world and it enables them to be in a competitive market with access to more resources at a lower cost.

CUSTOMER QUESTIONS:

1. Where are conflicting zones of influence between China and the U.S.?
2. What type of influence is being used in the various expansions?
3. Where has China made the largest gains in influence?
4. What type of impact does the expansion of Chinese influence have on the geopolitical role of the U.S.?
5. What are the positive influences in these regions that are a result of China's expansion?

CURRENT ASSESSMENT:

The three main areas that China has been expanding their influence are the South China Sea, East Africa, and Central America. In the South China Sea, they have been using dredging ships to move dirt to build artificial islands on preexisting atolls. On some of these artificial islands, the Chinese have been suspected of moving additional military equipment as these islands become more stable enough for building additional infrastructure. These efforts have been implemented in order to expand their military zone of influence. While there is no direct impact on the U.S. in the region from the creation of these islands, they do have the potential to influence shipping

routes. These islands have the potential to be used by the Chinese to repeat a tactic they had incorporated in 2013 throughout the East China Sea, where they declared an Air Defense Identification Zone (ADIZ), in the South China Sea. These islands are also a potential stepping stone for China expanding their 200 nautical mile exclusive economic zone (EEZ). It could make it easier for them to push into other countries EEZs like China did in 2014, moving of an offshore oil rig into the Vietnam EEZ.

In East Africa, China has been part of at least one major economic project that crosses multiple countries. China has been the main contributor to the Mombasa-Nairobi Standard Gauge Railway. This project will link Kenya, Tanzania, Uganda, Rwanda, Burundi, South Sudan, and Ethiopia when completed. China is funding 90% of the \$8 billion project and the construction is mainly being done by Chinese owned companies. The building of this railroad will increase the economic infrastructure as well as the accessibility and capacity to ship goods to multiple areas in Africa and the sub-Saharan region. This has been implemented in conjunction to Chinese commercial operations and the building of a Chinese military base in Djibouti. The end result is a joint combination of economic and military influence in the region. It's important to note that this Chinese military base is being built close to the current U.S. military base that combats terrorism in the region.

The most noticeable Chinese influence in Central America was most noticeable in 2013 when an independent Chinese company, Hong Kong Nicaragua Canal Development Investment Company (HKND), managed by a previously unknown Chinese businessman, Wang Jing. Part of the agreement was a 50-year lease on the land, sea, airports, and tourism resorts around the canal to Mr. Jing. Another part of the deal, that illustrated the corruption that was used in implementing the deal had included the appointment of the Nicaraguan president's 27-year-old son, who is a professional opera singer, as an official liaison to HKND. Following the headline-making launch of the project, nothing has been done in the last four years, due to Mr. Jing losing large amounts of his capital when his telecommunications company had a major loss in the stock market. This canal would be in direct competition with the Panama Canal, which is the main source of shipping for U.S. products. Part of this competition would be the ability of more goods to be shipped quickly from the Pacific to the Atlantic since the larger size of the new canal would provide more shipping lanes. Currently there has been no announcements on any progress or changes to the state of construction on the canal.

ANALYSIS OF ASSESSMENT:

The expansion of the Chinese influence in the South China Sea allows for them to have more influence over other countries that rely on the trade routes going to and from South East Asia. Putting military assets on these islands is a potential indicator on how China is building up their military presence in the region. Having these islands further out from the Chinese mainland also allows for a potential increase in capability to collect MASINT from any newer platforms that may be put on these artificial islands. If it is an attempt by China to prepare for future operations, it would prevent a similar

tactic that had been used by the U.S. during World War II that countered the Japanese island campaign. Ongoing tracking of the islands and their current and future assets is important to determine the type of responses they are preparing for. The current expansion of its artificial islands could also be due to the current problems that the Chinese military is having with the aircraft they launch from their aircraft carriers. There have been issues with the Chinese J-15 fighter jets having a bad track record recently with problems of crashing due to issues with their engines and flight controls. The artificial islands could be a temporary solution to this problem so there would be fewer developments that are needed to be able to gain air superiority with their current technology, instead of having to wait to have more reliable carrier-based aircraft. This would allow for China to control the shipping routes that have more than \$5 trillion in trade annually.

China building projects that are in Africa shows they are building for future access to materials that are lacking inside their own borders. They have limited trading partners on their borders that may have the materials they are requiring for future operations. With limited mining restrictions, access to some of these countries would open up larger precious metal mining for the Chinese. They are unable to take any of the nearby resources with their own companies due to the main locations being in eastern Russia, who have their own companies who may be willing to sell products but may be more restricted based on the needs of the Russian government. This has led to the Chinese expansion into Africa and their interest in the largely untouched resources on the continent. By building a military base on the Horn of Africa, it also allows for them to possibly build an intelligence collection center to gather intelligence on U.S. activity in the region. The piracy in the region has the potential to impact any of their possible actions at sea. The violence in East Africa does justify the need for the Chinese to have a military presence to protect their financial interest. However it also shows they are not currently relying on the host countries to protect its civilians from any hostile action.

There was no known connection of the canal project to the Chinese government. Also, there are no overt ownerships of Xinwei telecommunications by the Chinese government. However, it would allow for much stronger ties in the future for a Chinese-Nicaraguan agreement in regards to priority use of the canal. This would allow for a possible base of operations for the Chinese government or even their military. These bases would allow for them to provide more backing to Cuba and Venezuela. With Central America being a traditional U.S. area of influence, even without direct Chinese government involvement, it does show they are willing to push into new areas. If the canal is built before the end of the 50-year lease, it will allow for more Chinese naval ships to pass through the region with limited tracking. There is also a concern by experts that Mr. Jing will sell off the ownership rights to the ports to other interested countries since it would reduce the potential income to Nicaragua directly.

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FINAL DATE OF ANALYSIS AND SUBMISSION:

Monday, July 9, 2018 - 11:00 AM

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