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The Rise and Fall of America's New Silk Road Strategy

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Introduction

On the eve of Beijing's May 2017 Summit on its New Silk Road strategy and plans, historians may well ask how China was able to turn the tables on America in Eurasia. Just six years ago, Eurasian strategists were bullish on America's New Silk Road strategy and plans. That perception was punctuated by U.S. Secretary of State Hillary Clinton's "New Silk Road" speech on 20 July 2011 in Chennai, India.

Back then, China was on the sidelines. In contrast, General Dave Petraeus and his tiger team at the U.S. Central Command (CENTCOM) were front and center, creating an inclusive New Silk Road strategy with plans for infrastructure that would go through Afghanistan and turn enemies into friends and aid into trade. And all of this would promote shared prosperity and collective security.

But behind the scenes, policy was starting to change. General Petraeus left CENTCOM and became the commander of the International Security Assistance Force (ISAF) in July 2010. General James Mattis replaced Petraeus and was the CENTCOM Commander from August 2010 until March of 2013. General Mattis felt the U.S. State Department should run the New Silk Road. So by 2013 Mattis had zeroed out the funding for the New Silk Road tiger team at CENTCOM. China turned the tables on America by filling this gap with its own version of the New Silk Road which it called "One Belt, One Road." In contrast to America surrendering its New Silk Road strategy, Beijing was serious. China committed itself to a $1.4 trillion New Silk Road plan. To finance this commitment, Beijing created a New Silk Road Bank and an Asian Infrastructure Investment Bank.

How was China so successful in turning the tables on America? And why is America so reluctant to actually implement its version of the New Silk Road plan? The short answer is China understands how to connect economics and security in its foreign policy. In contrast, American foreign policy keeps economics and security in separate silos. For the most part, America tries to solve conflicts in the world militarily. The Iranian nuclear agreement was an exception – but now the Trump foreign policy team wants to throw that away as well.

Rise and Fall of U.S. New Silk Road

Once every blue moon and almost by mistake someone like a George Marshall or a Dave Petraeus would come along and connect the economic and military dots at a high level. Unfortunately, the economic/security connection is not institutionalized. So when Dave Petraeus leaves the picture, foreign policy problems once again become militarized and America looks for hammers to pound nails. In short, too many American strategists don't understand the importance of connecting economics and security.

Take Afghanistan for instance. President Obama announces in 2011 that the lion share of the 150,000 U.S. troops will come home, leaving only about 10-15% of the troops behind. A simultaneous and proportional 10-15% reduction of about 130,000 military contracts would also happen. U.S. military doctrine says civilians will take the lead in follow on stabilization and reconstruction operations, as the U.S. did successfully in Germany after World War II. But Hans Binnendijk and Stuart Johnson correctly argue that there is now a widening gap between the scale down of combat operations and the start of stabilization and reconstruction operations.

Bad things happen in this gap. So when President Obama announced the U.S. drawdown in Afghanistan, the U.S. Treasury did a study that predicted how much of a negative impact would occur to the overall Afghan economy once 85-90% of the war economy went away. The best case scenario would be a 13% cut in Afghan GDP. That equates to the U.S. Great Depression. The worst case scenario would be a 41% cut in Afghan GDP. Either way, jobless numbers soar.

So what happens militarily if nothing is done to fill this gap between combat power and stabilization and reconstruction? In East Timor, violence rose when UN peacekeepers played cut and run. In Iraq we see the rise of Isis after the U.S. played cut and run with no serious stabilization and reconstruction afterwards. But in Iraq, at least there is oil production separate from the war zones, even if low oil prices recently reduced profit margins.

In Afghanistan, the good news is there is lots of potential wealth. In fact, the U.S. Geological Survey says there is a trillion dollars of potential mineral wealth. Unfortunately, Afghanistan is struggling to turn this potential wealth into actual wealth. Former MIT Professor Walt Rostow would say that Afghanistan lacks preconditions for economic takeoff.

If land-locked Afghanistan had good infrastructure, it could still have market access. But Afghan infrastructure has been largely destroyed because of continuous wars. In this regard, only 7% of the roads are paved. Therefore, this inadequate infrastructure equates to poor market access. When it rains the roads turn to mud or flood. So there is little incentive to increase production.

In essence, therefore, Afghanistan faces a double whammy. On the cyclical side, the war economy is collapsing. On the structural side, it struggles with inadequate infrastructure and poor market access. Together, Afghanistan is facing depression economics. That's why it needs a Keynesian economic strategy to fill the gap in aggregate demand (or at least to soften the blow).

Johns Hopkins Professor Fred Starr has advocated a New Silk Road for decades. His concept is transcontinental in scope and runs from China to Europe via Central and South Asia. But the U.S. government had not pushed very hard for it in the past. If the U.S. government was going to support it, conventional wisdom says the U.S. State Department is the logical place to do it. And the Policy Planning Council at STATE is the logical office at STATE to develop policy.

With this in mind, Michael Gfoeller, Political Advisor at CENTCOM and I (CENTCOM's Chief Economist back then) flew from Tampa to Washington D.C. and met with the Policy Planning Council at STATE. Unfortunately, the folks there wanted no part of it. Richard Holbrooke, the Special Representative for Afghanistan and Pakistan (SRAP), wanted no part of it either.

Since nobody else in Washington wanted to develop policy for a New Silk Road either, General Petraeus signed off on CENTCOM doing policy formulation for a New Silk Road to close the gap in aggregate demand. We created "tiger team" to plan. We developed about 20 hard and soft infrastructure projects. Our hard infrastructure included transport, mining, energy and telecom projects. Transport included completing the Afghan Ring Road completion, the Afghan North-South Road Corridor, the Afghan East-West Road Corridor, the Kabul-Jalalabad-Peshawar Expressway, finishing the Salang Tunnel, the Northern Rail Corridor and commercial aviation. Mining included the Aynak Copper Mine and the Hajigak Iron Ore Mine. Energy included the Turkmenistan, Afghanistan, Pakistan and India (TAPI) gas pipeline, the Central Asia-South Asia Electricity Project (CASA 1000) and the Sheberghan Gas Fired Thermal Power Facility. The Fiber Optic Ring would be the telecom project.

Fortunately, interest rates are low and actually negative in Germany and Japan. So the time is right for public infrastructure. Harvard's Lawrence Summers says it's actually irresponsible not to invest in public infrastructure now. He explains that for every $1 in input you get $3 in output. To prove we had no white elephant projects, we had a rigorous evaluation system. We had macroeconomic indicators such as job creation, per capita income and government revenue. Our cost benefit analyses only included infrastructure projects where there was a strong benefit to cost ratio. We rejected all others.

Our predictions of successful infrastructure projects also had demanding risk assessments. We rejected Oxford Analytica because their work only included economic risk. Instead we opted for interdisciplinary Senturion which included political, military and economic algorithms. We also included soft infrastructure projects. These included a) legal, policy and regulatory reforms, b) cross-border economic zones and c) harmonizing regional customs.

We gave the Afghan private sector persuasive reasons to stay in Afghanistan and the Afghan diaspora enticing reasons to return. We feel Afghan rural communities lack soft infrastructure to facilitate education and job creation. In particular, they lack affordable electrical and internet services, resources and access to digital education libraries and entrepreneurship/mentorship programs.

Our strategic enablers involved building soft infrastructure in rural communities to create sustainable resources to support education and foster entrepreneurship. The small business center we like includes a solar powered convenient store and a micro-grid enhanced with a conferencing E-station. This enables video teleconferencing and access to educational E-library centers and training videos to foster entrepreneurship.

Step by step we got 35 U.S. government agencies onboard. Thanks to Marc Grossman, the new SRAP, we enjoyed a declaratory policy victory when U.S. Secretary of State Hillary Clinton embraced the CENTCOM New Silk Road initiative in a speech she gave in Chennai, India on 20 July 2011. With all of our persuasive feasibility plans behind us, we were ready to execute our implementation plan. General Petraeus was the ideal choice to help us get Wall Street onboard for our finance plans and the media onboard for our plan to mobilize public opinion. He holds a PhD in International Relations from Princeton University and he taught economics at West Point.

Then we suffered a fatal defeat when President Obama -- who never understood the strategic value of CENTCOM's New Silk Road initiative -- ill-advisedly sent General Petraeus to Afghanistan. That demotion meant Petraeus would get bogged down with tactical military matters and have little or no time for the long view and our strategic New Silk Road Initiative.

No Hollywood producer would ever miscast his military commanders the way Obama did. Like George Patton, General Mattis was a "legendary warrior" who should have gone to Afghanistan. Instead, Obama had Mattis replace Petraeus at CENTCOM. Like Obama, General Mattis never understood the economics or the strategic value of the New Silk Road. So Mattis zeroed out the funding for the New Silk Road at CENTCOM and tried to eliminate the Chief Economist position that Admiral Fallon had created to link economics and security. General Lloyd Austen ignored the advice of General Mattis and kept the Chief Economist position at CENTCOM after Mattis retired. But the damage to the New Silk Road at CENTCOM was fatal.

As we've seen, Policy Planning Council at STATE never wanted the New Silk Road. Secretary of State Colin Powell created the Coordinator for Reconstruction and Stabilization (C/RS) in 2004 to address these matters in theory. But it never had enough resources to go from policy to implementation. The Bureau of Conflict and Stabilization (CSO) replaced C/RS in 2011. But it had much the same resource shortfalls. And instead of beefing up the CSO budget for serious implementation, it now appears that CSO is on President Trump's chopping block. The Task Force for Business and Stability Operations (TF/BSO) in OSD was created in 2006 to develop pilot projects. But TF/BSO and USAID had turf battles and TF/BSO was zeroed out in November of 2014. With no plans to fill the gap between a) combat power and b) stabilization and reconstruction, a muscle bound America continues to win operational military victories, lose the peace and surrender U.S. Silk Road Strategy to China.

China's New Silk Road

The New Silk Road tiger team members at CENTCOM may have felt partially vindicated when Beijing announced in 2013 that it would initiate their own version of the New Silk Road. The good news is that China is serious. China is committed to spending $1.4 trillion on this project. China has already allocated $40 billion for the New Silk Road Bank and $100 billion for the Asian Infrastructure Investment Bank.
The bad news is that much of China's New Silk Road goes around Afghanistan. CENTCOM's idea was to build infrastructure through Afghanistan, which in turn would strengthen the Afghan economy and foster transcontinental shared security. In any event, when America ill-advisedly dropped the New Silk Road ball, China happily picked it up and ran with it.

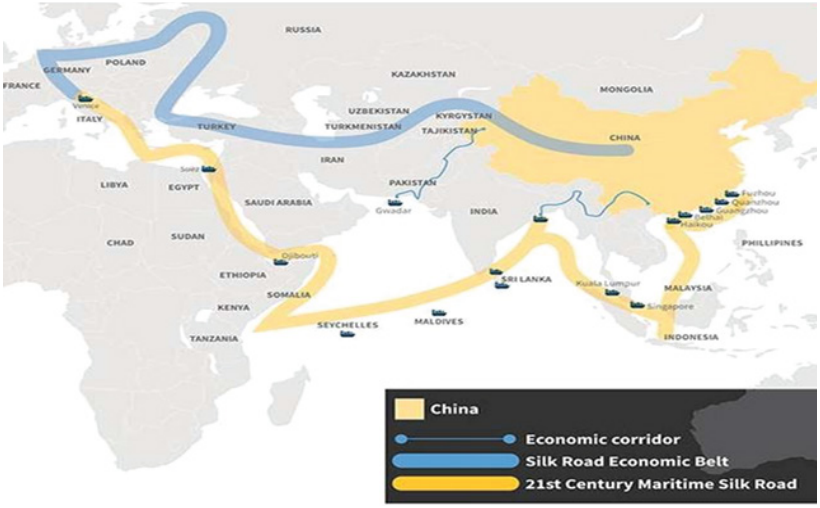
Promising Benefits for Africa

China's New Silk Road consists of a new economic belt of connective infrastructure westward into Eurasia and a new maritime "road" connecting Asia not only with Europe but also with Africa. A critical African node for China is Djibouti, where China is building a naval base, which should be completed in 2017. China also financed reconstructing a railway that links Djibouti to Addis Ababa in Ethiopia. In January 2017, Africa's first electric transnational train made its inaugural 446-mile journey from Djibouti toward Addis Ababa. To engage Africa in the New Silk Road, China's Foreign Minister Wang Yi also paid a visit in January 2017 to other selected African countries, including Madagascar, Zambia, Tanzania, Congo and Nigeria.

Dmitry Bokarev notes that Madagascar is the first major African country one would encounter on the way from China to Africa and has promising potential for a valuable New Silk Road destination. While Madagascar's economy is rather poorly developed, participation in China's New Silk Road could raise it to the ranks of an important regional trade and transport hub.

The Chinese foreign minister also visited Zambia, a landlocked country whose trade has been sluggish because it had no access to seaports in the past. However, China financed the construction of a railway connecting Zambia with Tanzania, a coastal country Wang Yi also visited. The Chinese foreign minister focused most of his time in Tanzania on the construction of seaport-rail connections. There are good chances that this Madagascar-Tanzania-Zambia axis may well become the starting point for the African leg of China's New Silk Road.

Following his successful African trip, the Chinese foreign minister spoke at China's National People's Congress on 8 March 2017. He said China and Africa had a common destiny and said China would never stop supporting Africa. China would fulfill all of its promises made at the Johannesburg Summit held on the sidelines of China-Africa Cooperation Forum in December 2015. The parties there adopted an Action Plan for 2016-18. Africa should feel good. China is committed to investing $60 billion in the economic development of Africa and implementing a number of railway and port construction projects consistent with its New Silk Road leg in Africa.



Source: Peter Cai, Understanding China's Belt & Road Initiative, Lowy Institute, 22 March 2017

About Author

Dr. Leif Rosenberger

Dr. Leif Rosenberger is Head, Global Division, Global Economic Institute for Africa. An Adjunct Professor of Economics in the Strategic Studies Institute at the US Army War College, he served as a practitioner, scholar and educator in the US government for 35 years before retiring in March of 2016.

Dr. Rosenberger's specialty is connecting economics and security. His last assignment was Chief Economist at US Central Command (CENTCOM) in Tampa, Florida from 2008-2016. Before that he held a similar position as the Chief Economist at the US Pacific Command (PACOM) in Hawaii from 1998 to 2008. He previously worked at the U.S. Army War College (USAWC) from 1986 to 1998 where he rose to the position of Full Professor of Economics and was a prolific writer in the Strategic Studies Institute where he held the General Douglas MacArthur Academic Chair of Research.

Dr. Rosenberger holds a B.A. with honors from Harvard University; an M.A. from Boston University; and a Ph.D. in International Relations from Claremont Graduate School, where he held the Merit Fellowship as the top ranking student.