Issue Brief

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Navigating China's Maritime Silk Road and Economic Coercion

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China's 21st-century Maritime Silk Road (MSR), the maritime component of the Belt and Road Initiative (BRI), is reshaping global geopolitical and geoeconomic dynamics. While Beijing presents the MSR as a connectivity and infrastructure initiative, this brief argues that it also serves as a strategic instrument for expanding China's influence, leveraging economic dependence and challenging the United States' maritime primacy. Drawing on the theoretical frameworks of Rush Doshi, Xu Chenggang, and Wang Huning, it examines the strategic, institutional, and ideological foundations of China's maritime statecraft. Comparative case studies of Sri Lanka, Pakistan, Malaysia, Djibouti, and Cambodia, illustrate how China employs dual-use infrastructure, elite capture, and asymmetric debt vulnerabilities to achieve its strategic objectives. The brief concludes with policy recommendations for the United States and its allies, emphasizing competitive infrastructure financing, institutional capacity building, debt transparency, and enhanced maritime domain awareness to mitigate the coercive aspects of the MSR.

Introduction: The Strategic Logic and Evolution of the Maritime Silk Road

Launched in 2013 by President Xi Jinping during an address to the Indonesian parliament, the 21st-century Maritime Silk Road invokes the historical legacy of Admiral Zheng He's voyages to project an image of peaceful trade and cultural exchange.[1] Ostensibly, it is a massive infrastructure and investment project designed to connect China's coastal provinces with Southeast Asia, South Asia, Africa, the Middle East, and Europe.[2] However, beneath the veneer of "win-win" economic cooperation and the rhetoric of a "Community of Common Destiny" lies a highly calculated grand strategy.[3]

The MSR serves multiple overlapping imperatives for the Chinese Communist Party (CCP). Strategically, it aims to secure vital sea lines of communication (SLOCs) and mitigate China's "Malacca Dilemma",[4] its acute vulnerability to a potential naval blockade of the Strait of Malacca, through which the majority of its energy imports flow. Economically, it serves as a spatial fix for exporting domestic industrial overcapacity and securing access to emerging markets.

The MSR can act as a conduit for economic coercion. Economic coercion in this context rarely manifests as overt sanctions, embargoes, or kinetic threats; rather, it operates more subversively through the creation of asymmetric economic interdependence. By financing megaprojects in developing nations—often projects that Western institutions deem too risky or environmentally damaging—China cultivates structural leverage. When recipient states inevitably face debt distress due to the economic unviability of these projects,[5] Beijing can convert its economic leverage into strategic and political concessions.[6] These concessions range from alignment in UN voting and the suppression of anti-CCP rhetoric to the acquisition of dual-use port facilities. Understanding this phenomenon requires looking beyond traditional international relations theories and examining the ideological, institutional, and strategic drivers within the CCP.[7]

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Theoretical Frameworks: Decoding Beijing's Strategy

To fully grasp the multifaceted nature of MSR coercion, it is necessary to analyze the initiative through three distinct lenses: grand strategy, domestic institutional economics, and ideological neo-authoritarianism.

Rush Doshi: Grand Strategy and Hegemonic Displacement

In his seminal work "The Long Game: China's Grand Strategy to Displace American Order," Rush Doshi argues that China's grand strategy is systematically designed to displace American hegemony, first regionally in the Indo-Pacific, and eventually globally.[8] Doshi divides China's strategy into distinct chronological and operational phases: blunting American power (post-Cold War to 2008), building Chinese power (2008 through 2016), and expanding Chinese power globally (2017 onwards).

The MSR is the ultimate instrument of the building and expanding phases. Through the MSR, China is building an alternative, Sino-centric economic architecture that bypasses U.S.-dominated Bretton Woods institutions such as the World Bank and the International Monetary Fund (IMF). The establishment of the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund represents institutional manifestations of this strategy. Doshi's framework highlights how the MSR creates asymmetric vulnerabilities. By becoming the primary creditor, technology provider, and infrastructure developer for the Global South, China ensures that recipient nations are highly dependent on Beijing, while Beijing remains relatively insulated from them.

This asymmetry allows China to exercise significant influence over the foreign policies of MSR host nations, effectively neutralizing potential coalitions that the U.S. might build to constrain Chinese behavior. For example, China has successfully leveraged its economic investments in ASEAN countries such as Cambodia and Laos to block unified ASEAN statements condemning its actions in the South China Sea.[9] The MSR, therefore, is not merely an economic venture but a strategic wedge designed to fracture U.S. alliance networks, rewrite global governance norms, and establish a network of pliant client states.

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Xu Chenggang: Institutional Economics and the Export of Overcapacity

While Doshi explains the geopolitical "pull" of the MSR, economist Xu Chenggang provides the vital institutional "push". Xu's framework of "Regionally Decentralized Authoritarianism" (RDA) explains how China's domestic political economy inherently drives its foreign economic policy.[10] Under RDA, local CCP officials are incentivized to achieve high GDP growth targets to secure political promotion. This system, combined with soft budget constraints for state-owned enterprises (SOEs) and the proliferation of local government financing vehicles (LGFVs), led to massive, debt-fueled overinvestment in infrastructure and heavy industry within China throughout the 1990s and 2000s.

By the early 2010s, China faced a severe crisis of industrial overcapacity in sectors such as steel, cement, aluminum, and heavy construction. The domestic market could no longer absorb the output of these bloated SOEs. The MSR was conceived, in large part, as a macroeconomic spatial fix for addressing this domestic institutional crisis. By financing infrastructure abroad, Beijing could keep its SOEs employed, export its surplus materials, and prevent massive domestic layoffs that could threaten social stability.

Xu's framework is crucial for understanding why China often funds economically unviable projects in MSR countries. The primary goal is not necessarily to achieve a long-term return on investment for the host country but to ensure the immediate absorption of Chinese overcapacity and the employment of Chinese labor. Chinese state banks provide the loans, but the money often flows directly back to Chinese construction firms. When these economically flawed projects inevitably fail to generate sufficient revenue, the host nation falls into debt distress, inadvertently (or intentionally) creating the conditions for the strategic coercion outlined by Doshi.

Wang Huning: Neo-Authoritarianism and the "China Model"

To understand the ideological underpinnings of the MSR, one must look to Wang Huning, the CCP's chief ideologue, the current Chairman of the Chinese People's Political Consultative Conference, and the intellectual architect of the "Chinese Dream." Wang's philosophy, rooted in neo-authoritarianism, emphasizes strong centralized state power, cultural confidence, and the explicit rejection of Western liberal democratic norms. In his early work "America Against America,"[11] Wang identified the internal contradictions, extreme individualism, and cultural fragmentation of Western democracies, concluding that China must forge its own path based on centralized authority and social cohesion.

"The physical MSR is augmented by the "Digital Silk Road," which exports Chinese surveillance technology, facial recognition systems, and internet censorship tools. By providing this technology, along with elite enrichment and regime-stabilizing infrastructure, Beijing bolsters authoritarian leaders. In return, these leaders become politically beholden to Beijing, facilitating a global environment that is conducive to autocracy and deferential to the CCP's core interests.

Through the MSR, China is actively exporting this "China Model" of state-led development. Unlike Western development finance, which is often conditioned on governance reforms, human rights benchmarks, and environmental standards, MSR financing is famously "no strings attached," consistent with China's Five Principles of Peaceful Coexistence.[12] Wang's ideological framework therefore makes the MSR highly attractive to authoritarian and hybrid-authoritarian regimes in the Global South.

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Comparative Case Studies of MSR Coercion and Influence

The theoretical frameworks of Doshi, Xu, and Wang manifest differently depending on the political, economic, and institutional resilience of the host nation. The following case studies illustrate the broad spectrum of MSR influence, ranging from successful debt-equity swaps and military basing to pushback by democratic institutions.

Sri Lanka: The Debt-Equity Swap Paradigm (Hambantota)

Sri Lanka represents the most widely cited example of MSR economic coercion and the realization of Doshi's concept of asymmetric vulnerability. Following the end of its brutal civil war, the government of Mahinda Rajapaksa sought massive infrastructure investment to stimulate the economy. Driven by Xu's model of SOE expansion, Chinese firms eagerly financed the Hambantota Port in the president's home district, despite multiple international feasibility studies indicating that it was economically unviable due to its proximity to the already well-established port of Colombo.

The project was characterized by deep elite capture, aligning with Wang Huning's model of supporting centralized, strongman leadership. When the port predictably failed to attract sufficient shipping traffic to generate revenue, Sri Lanka faced a severe balance-of-payments crisis. In 2017, unable to service the mounting debt, Colombo was forced to hand over the port and 15,000 acres of surrounding land to China Merchants Port Holdings under a 99-year lease.

This debt-equity swap provided China with a strategic foothold in the Indian Ocean, directly adjacent to vital global shipping lanes. While Beijing vehemently denies military intentions, the dual-use nature of the port allows for potential future naval logistics, thereby perfectly illustrating Doshi's concept of building maritime power to displace U.S. and Indian influence in the region.

Pakistan: The Crown Jewel and Security Nexus (CPEC)

The China-Pakistan Economic Corridor (CPEC) is the USD 62 billion crown jewel of the BRI and the MSR. Centered on the deep-water port of Gwadar in Balochistan province, CPEC is designed to provide China with direct overland access to the Arabian Sea, bypassing the Malacca Strait and directly addressing Beijing's primary strategic vulnerability.

In Pakistan, MSR coercion is less about so-called debt-trap diplomacy and more about deep, structural entrapment. Pakistan's chronic economic instability and adversarial relationship with India have made it highly reliant on Chinese financial and military lifelines. Under Xu's framework, Chinese SOEs have secured highly lucrative energy and infrastructure contracts with guaranteed rates of return, often at the expense of the Pakistani taxpayer.

The strategic implications are profound. Gwadar is heavily fortified and widely suspected of becoming a future logistical base for the People's Liberation Army Navy (PLAN). Furthermore, China's deep economic penetration has given it unprecedented influence over Pakistan's domestic security apparatus. However, the project has also sparked intense local insurgencies, with Baloch separatists frequently targeting Chinese nationals, highlighting the limits of Wang Huning's state-centric model when applied to complex, multi-ethnic societies where local populations feel marginalized.

Malaysia: Democratic Pushback and Renegotiation (ECRL)

Malaysia provides a crucial counter-narrative, demonstrating that MSR coercion is not invincible when faced with democratic accountability and institutional resilience. Under former Prime Minister Najib Razak, Malaysia signed highly inflated contracts for MSR projects, notably the East Coast Rail Link (ECRL) and several pipeline projects.[15] These projects were deeply intertwined with the 1MDB sovereign wealth fund corruption scandal, reflecting the elite capture mechanisms often utilized in MSR diplomacy.

However, in 2018, the Malaysian electorate ousted Najib in a historic election, largely driven by public outrage over corruption and the opacity of Chinese investments. The new Prime Minister, Mahathir Mohamad, immediately suspended the ECRL and other MSR projects, famously warning against a "new version of colonialism."

Because Malaysia possesses stronger institutional capacity, a more robust civil society, and a more diversified economy than Sri Lanka or Pakistan, it was able to push back effectively. Beijing, eager to avoid a public relations disaster that would validate the debt-trap narrative across Southeast Asia, agreed to renegotiate. The cost of the ECRL was slashed by nearly one-third, and the route was altered to better serve domestic Malaysian interests. This case demonstrates that the institutional overreach predicted by Xu Chenggang can be checked by host-nation agency and democratic transparency.

Djibouti: From Commercial Port to Military Outpost

Djibouti illustrates the ultimate endpoint of Doshi's expansion phase. Located at the critical geostrategic chokepoint of the Bab el-Mandeb Strait, linking the Red Sea to the Gulf of Aden, Djibouti initially engaged with the MSR through commercial port developments (including the Doraleh Multipurpose Port) and a railway linking the coastal nation to landlocked Ethiopia.

Over time, China's share of Djibouti's external debt rose to more than 70 percent of GDP. Leveraging this immense economic dependency, China transitioned its presence from purely commercial to explicitly military. In 2017, China opened its first overseas military base in Djibouti, located just miles from Camp Lemonnier, the primary U.S. military facility in Africa.

This transition from commercial MSR infrastructure to a sovereign military base perfectly encapsulates the dual-use strategy of Chinese maritime statecraft. It provides the PLAN with vital logistical support for projecting power into the Indian Ocean, the Middle East, and the Mediterranean, fundamentally altering the regional security architecture.

Cambodia: Elite Capture and Naval Access (Ream Naval Base)

Cambodia represents perhaps the most successful application of Wang Huning's model of elite capture and authoritarian reinforcement. Prime Minister Hun Sen (and now his son, Prime Minister Hun Manet) has aligned Cambodia almost entirely with Beijing in exchange for massive MSR investments, including the Dara Sakor investment zone and extensive infrastructure in Sihanoukville.

The strategic payoff for China has been immense. Economically, Cambodia functions as a reliable proxy for Beijing within ASEAN. Militarily, U.S. and allied intelligence agencies have confirmed that China is funding the expansion of Ream Naval Base on the Gulf of Thailand, securing exclusive access to a portion of the facility for the PLAN. This gives China a critical military foothold in Southeast Asia, expanding its power projection capabilities south of the South China Sea and directly threatening the maritime security of U.S. allies such as Thailand and the Philippines.

Policy Recommendations

Countering the coercive elements of the MSR requires a comprehensive, proactive strategy that goes beyond mere rhetoric and reactive condemnation. The U.S. and its allies must address the underlying infrastructure deficit in the Global South while actively building the resilience of vulnerable states.

Operationalize and Scale Competitive Alternatives

The U.S. and its allies cannot fight something with nothing. Developing nations require infrastructure, and if the West does not provide it, they will turn to Beijing.

Initiatives like the G7's Partnership for Global Infrastructure and Investment (PGII) and the Blue Dot Network must be rapidly scaled from conceptual frameworks to operational realities with tangible funding.

The U.S. Development Finance Corporation (DFC) should be granted greater risk tolerance, expanded funding caps, and streamlined bureaucratic processes to compete directly with Chinese SOEs in strategic maritime nodes.

All initiatives should focus on quality over quantity. Western alternatives should emphasize green energy, digital connectivity, and transparent financing, contrasting sharply with the environmental degradation and opacity often associated with MSR projects. The temptation to prioritize scale is understandable, but sustainable projects that deliver meaningful growth without strings attached cultivate trust and long-term partnerships.

Enhance Host-Nation Capacity and Institutional Resilience

As demonstrated by the Malaysian case study, strong domestic institutions are the most effective defense against MSR coercion.

In line with this experience, the U.S. State Department and allied development agencies should deploy rapid-response legal, environmental, and financial advisory teams to assist developing nations in negotiating complex infrastructure contracts with Chinese SOEs.

Funding should be increased for civil society organizations, anti-corruption watchdogs, and independent investigative journalism in MSR host nations to expose elite capture and the hidden environmental and financial costs of Chinese megaprojects.

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Implement Comprehensive Debt Transparency Initiatives

China relies on strict non-disclosure agreements and hidden debt (often channeled through LGFVs or other off-balance-sheet entities) to maintain asymmetric leverage over host nations.

Accordingly, the U.S. should use its voting power and influence in the IMF, World Bank, and Paris Club to promote strict debt transparency as a prerequisite for multilateral debt relief or restructuring.

Through international collaboration in an expandable plug-and-play minilateral, participating states should establish an international, publicly accessible clearinghouse to track and publish the terms of Chinese bilateral lending, stripping Beijing of the secrecy that enables coercion.

Strengthen Maritime Domain Awareness (MDA)

To counter the dual-use nature of MSR ports and the potential for rapid militarization, the U.S. and its allies must continuously monitor commercial infrastructure.

The Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA) should be expanded to include nations in the Western Indian Ocean, the Persian Gulf, and East Africa. Partner nations should also receive commercial satellite imagery and AI-enabled tracking tools.

Intelligence sharing must be increased with regional partners regarding the activities of Chinese SOEs, maritime militias, and the PLAN in commercial ports, ensuring that host nations are fully aware of the security implications of their commercial agreements.

Leverage Multilateral Coalitions and the Private Sector

The U.S. cannot counter the MSR alone; it requires a burden-sharing approach. It should utilize the Quad (U.S., Japan, India, and Australia) to coordinate regional infrastructure investments, pooling capital and technical expertise to outbid Chinese SOEs on critical port projects in the Indo-Pacific. A plug-and-play approach based on functional cooperation could bring significant capital to the region.

It is important to incentivize Western private sector investment in emerging markets through enhanced political risk insurance and tax incentives, mobilizing private capital to far exceed state-led Chinese investments.

Conclusion

China's 21st-century Maritime Silk Road is far more than a benign infrastructure connectivity initiative; it is a highly sophisticated vehicle for grand strategy, driven by domestic economic imperatives and ambitious ideological goals. By leveraging the theoretical insights of Rush Doshi, Xu Chenggang, and Wang Huning, it becomes clear that the MSR is systematically designed to secure critical sea lines of communication, export industrial overcapacity, and create asymmetric economic dependencies that can be weaponized for geopolitical gain.

The diverse case studies of Sri Lanka, Pakistan, Malaysia, Djibouti, and Cambodia demonstrate the varied outcomes of this strategy. They highlight its potent coercive power when applied to fragile states, its ability to reshape political and economic relationships in advanced economies, and its vulnerabilities when confronted with democratic pushback and institutional transparency. To secure a free, open, and rules-based global maritime order, the United States and its allies must move beyond reactive postures. They must offer viable, transparent, and high-quality economic alternatives to Chinese maritime statecraft, while actively bolstering the institutional resilience and maritime domain awareness of vulnerable nations across the globe.

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