



Israel National Defense College
44th Class 2016-2017

“One Belt One Road –
Implications/Opportunities/Threats
for Israel”

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Date: 04/06/2017



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Abstract

The world is so complex that it would be difficult to overstate the significance of this historic period as efforts to anticipate and understand the reality of the changing world are almost impossible. The momentous shift of influence from West to East is so swift that few have been able to formulate effective responses or reassess strategic alliances. For the West to ignore the current state of global affairs means being left behind. Analysts must be fast and accurate and each must have a bias towards action. Old predictive models no longer work. New ways of thinking, learning, and looking at reality must be developed and embraced for success.

INTRODUCTION

The headline reads, “\$1 Trillion Plan to Shake Up the Economic Order” – China is awake, and it’s going global. Massive infrastructure projects, along with hundreds of others across Asia, Africa, the Middle East, and Europe, form the backbone of China’s ambitious economic and geopolitical agenda. This initiative is the centerpiece of President Xi Jinping’s administration. Named the “One Belt One Road” (OBOR), it was first laid out in President Jinping’s speech in September 2013 in Kazakhstan. The policy has since evolved into a broader strategy for China's engagement with the world. One Belt, or the so-called ground silk road, aims to link China’s inland provinces with central Asia and Europe, while One Road, or the so-called marine silk road, starts from China’s coastal region and goes all the way to Europe via Southeast Asia and Africa. One Belt has three routes:

1. North China – Mongolia – Russia – Europe;
2. China – Middle Asia –Europe;
3. China – Middle Asia –West Asia/Middle East;

and One Road has one route - China – ASEAN – Middle East --Europe.

As the strategy comes into focus it is clear that the scope and scale of this undertaking is without precedent, promising more than \$1 trillion in infrastructure and spanning more than 60 countries. It is global commerce on China’s terms, and it’s happening now. The multi-trillion dollar proposal is President Xi Jinping’s signature foreign policy project — an infrastructure plan that spans more than 60 countries and about one third of the global economy.

The restoration of the ancient Silk Road signals China’s ambitious approach to global issues and challenges. Having overbuilt in many

domestic industries the Chinese government is redirecting its capital abroad. China intends to export its expertise like infrastructure, finance, and trade to new markets. The aim is to reduce excessive industrial capacity at home while increasing financial returns. China is making the calculation that the benefits will outweigh the risks.

But the policy goes much broader in also talking about people to people connectivity, cultural exchange and learning from each other's development experience. The project wields plenty of financial muscle. China has created new financial institutions to fund the strategy. The \$100 billion Asian Infrastructure Investment Bank (AIIB) and the \$40 billion New Silk Road Fund (NSRF) together with the \$50 billion New Development Bank (NDB) and the \$100 billion Contingent Reserve Arrangement (CRA) represent Chinese backed new financial institutions that are not part of the existing Western dominated financial architecture. But with economic growth sharply slowing in most developing economies, Chinese capital investment seems welcomed—at least for now—in most countries.

The United States and many of its major European and Asian allies have taken a cautious approach to the project, leery of bending to China's strategic goals. But it is impossible for any foreign leader, multinational executive or international banker to ignore China's push to remake global trade. China's size and trading status is quickly reshaping the economics and geopolitics of the world. "The West and East are switching their roles," said Ni Lexiong, professor emeritus at Shanghai University of Political Science and Law. "China is awakened."

Chapter 1

Why One Belt One Road (OBOR)?

RELATIONSHIP BETWEEN CHINA AND ISRAEL

On 24 January 1992, in Beijing, the respective foreign ministers, David Levy and Qian Qichen, signed the agreement establishing diplomatic relations between Israel and China. This year, the two countries celebrated 25 years of formal, successful, diplomatic relations that “developed flourishing exchanges in all aspects of bilateral relations, including trade, tourism, culture, the academy, political and strategic dialogue” (Pevzner, 2017).

China has a huge economy and population, with 1.4 billion people and an \$11 trillion gross domestic product (GDP); it is a significant market for Israeli business. The mutual respect developed over the years has led to significant cooperation in many fields between the two nations. The establishment of Sino-Israel relations "can be safely described as one of Israel's major strategic foreign policy achievements" (Pevzner). China has grown to be Israel's largest trade partner in Asia and the third largest overall. Last year, Israel and China began free-trade agreement negotiations that could boost trade and advance cooperation in other areas.¹ “Chinese investments in Israel in 2016 amounted to over \$6 billion, far exceeding American investments in the Jewish State" (Medzini).

China is a growing power, gaining significant influence in the world. Beijing's ambitious One Belt One Road (OBOR) initiative is a powerful tool for diplomacy, though fraught with risks. More easily recognized with the benefit of hindsight, China's historic path has surprised many. Her ascension has initiated a slow, but steady decline in the United States' sphere of influence.

¹ Alexander B. Pevzner, "Israel and China - bridging the two ends of Asia," 24 Jan 2017, [Press Reader - Jerusalem Post](https://www.pressreader.com/israel/jerusalem-post/20170124/281968902398435), 13 Feb 2017 <<https://www.pressreader.com/israel/jerusalem-post/20170124/281968902398435>>.

In the past developing nations sought the United States for her development assistance. The Washington Consensus, a set of 10 economic policy prescriptions, was considered the "gold standard" reform package promoted for crisis-wracked developing countries. These economic policy benchmarks provided the United States with a clearly delineated American inspired checklist of reform requirements it used to compel developing countries to meet in exchange for support.

“The elimination of obstacles to international trade and investment that fueled much of the economic integration the world witnessed in the 1990s, certainly owes a lot to the influence of the Washington Consensus on many liberalizing countries” (Naim, 1999). “Soon, however, it became apparent that the magic of macroeconomic orthodoxy had limits in terms of how far it could take reforming countries on the path toward sustainable and equitable growth” (Naim, 1999). After the turn of the century, the world changed in ways the Consensus did not adjust to, and as such the reliable Washington Consensus no longer produced positive results.

While many were sleeping, China revealed to the world that the Western way is not the only path to economic advancement. China’s innovative, inventive, and consistently adaptive approach has offered developing countries the chance to seize upon international investment opportunities that can help them achieve economic growth and progression, but without the imposition of external values. Widely known as the “Beijing Consensus,” there is little doubt the torch of world prominence appears to be passing from the United States to China.

BENEFITS TO ISRAEL

China is the world's second largest economy and Israel's primary trade partner in Asia. This gives Israel access to all of the world's largest economies and populations. Ongoing free-trade agreement negotiations could further enhance trade opportunities and possibly open up cooperation in other areas of national interest.² Mutual trade has grown dramatically. In addition to its involvement in infrastructure projects across Israel, China is now "Israel's third-largest trade partner in the world; more than a third of hi-tech investments in Israel during the past year came from China" (Pevzner). "In 2015, nearly 40% of funds raised by Israeli venture capital firms came from China, and Chinese investment funds directly invested \$500M in Israeli start-ups in 2015" (Pevzner). In response, many Israeli companies now gear investment and marketing strategies directly toward China.

Participation in China's economic growth, the OBOR, and the AIIB gives Israel the opportunity to participate in projects across the globe. This puts Israel in the unique position to be able to mediate, buffer, and ease frictions between an established superpower on the one hand, and a steadily rising contender on the other.³

BENEFITS TO CHINA

The "Israeli brain" is proven capable of engineering a myriad of solutions that can benefit China; however, Israel's collaboration on China's One Belt One Road (OBOR) initiative is perhaps of primary value. In support of OBOR, Israel was a "founding member of the Asian Infrastructure

² Alexander B. Pevzner, "Israel and China - bridging the two ends of Asia," 24 Jan 2017, [Press Reader - Jerusalem Post](https://www.pressreader.com/israel/jerusalem-post/20170124/281968902398435), 13 Feb 2017 <<https://www.pressreader.com/israel/jerusalem-post/20170124/281968902398435>>.

³ Kevin Lim, [How Israel can align itself with China's Silk Road](http://www.atimes.com/israel-can-align-strategy-chinas-silk-road/), 2017 йил 21-Jan, 2017 йил 4-Mar <<http://www.atimes.com/israel-can-align-strategy-chinas-silk-road/>>.

Investment Bank (AIIB), a vehicle created specifically to fund China's OBOR projects. Israel's alignment with AIIB has been viewed as part of an effort to strengthen Asian ties in general, and specifically, ties with China" (Pevzner). "The growth in collaboration between China and Israel over the past few years is predominately due to Israel's status as a Start-Up Nation which can supply China's technological needs and help it to upgrade many of its industries. Israel is a center of excellence in managing terror threats, an issue that Beijing decision-makers view with concern as they try to mitigate the rise of Islamist groups in China's Western provinces" (Feder).

THREAT TO ISRAEL

Although a longtime strategic ally of the United States, Israel's deepening of economic relations with China has created concerns that this will lead to stronger political or military ties between the two countries. "For now, both sides seem content to accept the necessity of more limited political and security cooperation while they attempt to harvest the benefits of an expanded economic partnership" (Kuo and Tang, *The US-China-Israel Defense: Strategic Common Ground*).

With its greater ties to China, Israel hopes to consolidate ties with the rising power without violating its strong relations with Washington. But even such a path cannot assure Israel that the U.S.-China confrontation will not affect it. While economic relations are the focal point, it is difficult to fully ignore differences between Israel and China in terms of political, social, or military policies. Generally, the relationship between China and Israel has been constrained by both distance and geopolitics. However, China and Israel seem to currently believe the benefits of close economic partnership override sensitive and significant concerns.

ONE BELT ONE ROAD

The One Belt One Road (OBOR) initiative aims to develop a game-changing trade corridor between the East and West. China envisions the route successfully addressing

“overcapacity challenges inherent in the Chinese economy and especially within the state-owned enterprises segment. As part of this plan, China is slated to invest in major infrastructure projects in over 60 countries. This would help it to increase the economic interdependence of OBOR countries in China, to leapfrog the economic developments of China’s western provinces, to increase the use of the RMB as a major trading currency and to create efficiencies in its trading routes” (Feder).

To be achieved through infrastructure diplomacy, the OBOR initiative can be viewed as reinstating China’s significance to its “7th Century Golden Age, when the Silk Road was a critical international commercial route” (Feder). The U.S. has been cautiously studying OBOR development and fears it will cause an undermining of Western spheres of influence in key participating regions.

The Middle East is a key player in its OBOR designs, so it may come as no surprise that China has committed tens of billions of dollars toward the financing of several projects in the region. In addition, China is calling upon Middle Eastern countries to evaluate self-interest and seize the opportunities offered through its OBOR initiative. "As the OBOR consolidates, the actors in Middle East conflicts will be increasingly incentivized to yield to the emerging framework of commercial connectivity and soften antagonisms that serve as obstacles to the flow of trade" (Tanchum, China's One Belt One

Road). "In geostrategic terms, OBOR diversifies and secures both overland and maritime routes for exports and the import of energy and raw materials, putting in motion a veritable global Chinese supply chain. China's most important export markets lie in the EU and the US, whereas its energy imports originate heavily from the Middle East, as well as Central Asia and Russia" (Lim, How Israel can align itself with China's Silk Road). "Israel's role may be to serve as a land link from the Red Sea to the Mediterranean Sea...It is assumed that being part of the OBOR, Israel will become linked to China's greatest economic enterprise, and, perhaps be a major element" (Medzini).

The magnitude of Beijing's "New Silk Road" foreign economic strategy requires a similarly wide lens to digest. Where local commercial undertakings can be viewed in isolation, such a project must consider the entire map - all network effects, to determine the local supply and demand equation. In this instance, merely considering the ground level view, through the lens of current capacities and economic conditions without regard to the larger picture of the OBOR strategic project will lead to incomplete information for the decision maker. City-states along the ancient "Silk Road" trade route became wealthy and powerful beyond imagination while those bypassed withered. Living in a global economy where goods must be moved, the choice to be a transportation hub brings both benefits and costs. Continuing to do things the old way, will achieve nothing.

Whether one chooses to join the OBOR or not, the implications for Israel are likely to be profound.

Chapter 2

One Belt One Road – Economic Implications

CHINA'S INTERNATIONAL RELATIONS

"Who rules East Europe commands the Heartland;
who rules the Heartland commands the World-Island;
who rules the World-Island commands the world."
(Mackinder 150)

While the world is looking toward Washington D.C. for clues into how new US President Donald Trump may affect their region, the future of globalization is being shaped in Beijing. The Chinese economic wonder is not only a model for China but has the potential to redraw the global landscape of development, individual national economies, and political structures. While the US and the West are pursuing policies designed to protect their interests (as they should be), China is amassing and cementing the resources and policies to surpass the West in crucial areas of international relations. Without judging or labeling China's rise as good or bad, there must be an acknowledgment that change is constant in a world filled with volatility, uncertainty, complexity, and ambiguity (VUCA)⁴ and that there may be a "wicked" problem⁵ on the horizon.

That China has accrued more wealth in a shorter amount of time than any country in history is without doubt; that it has been able to do this while maintaining its political system and avoiding social unrest by using both Western and non-Western methods is remarkable. Joshua Ramo details this "mix" of methods in his work, *The Beijing Consensus*. Ramo outlines how China's President Xi Jinping seems to want to take his country's development approach global thus dramatically increasing China's influence

⁴ [Wikipedia - VUCA](https://en.wikipedia.org/wiki/Volatility,_uncertainty,_complexity_and_ambiguity), 2017 4-Jan, 2017 8-Apr
<https://en.wikipedia.org/wiki/Volatility,_uncertainty,_complexity_and_ambiguity>.

⁵ [Wikipedia - Wicked Problem](https://en.wikipedia.org/wiki/Wicked_problem), 2017 16-Mar, 2017 10-Apr <https://en.wikipedia.org/wiki/Wicked_problem>.

beyond its borders. “Jinping’s ‘Chinese Dream’ calls for national revitalization and declares that China will build a new type of international relations...[through a] protracted struggle over the nature of the international order” (Ramo 10). This new international order would take the form of a more multi-polar world with greater input given to developing nations. While not bad in itself, it certainly would be a dramatic shift away from Western interests and ways of thinking.⁶

As discussed by world-renowned Israeli economist Mr. David Brodet during the Israeli National Defense College, Global Economics Seminar, for decades “Western” governments and development institutions (US Treasury Department, the International Monetary Fund, the World Bank, etc.) have acted in-line with what has been called the “Washington Consensus.” The concept of the “Washington Consensus” was defined in 1989 by economist John Williamson and summarizes commonly shared themes believed necessary for national recovery from economic and financial crises.⁷

A careful analysis of these two approaches (Washington’s and Beijing’s) to international development does leave room for serious questions, and there is certainly no shortage of critics of either the Washington or Beijing method. Working against the Washington Consensus are inconsistent results among participating nations as well as the recent shock to the system in the form of the 2008 worldwide financial crisis, which exposed weaknesses and flaws in unchecked economic and financial liberalization. The Beijing Consensus, conversely, potentially poses a threat to the current world order and could be seen to legitimize, empower, fund,

⁶ Joshua Cooper Ramo, The Beijing Consensus, The Foreign Policy Centre (London: The Foreign Policy Centre, 2004).

⁷ John Williamson, “A Short History of the Washington Consensus,” From the Washington Consensus towards a new Global Governance (Barcelona: Fundacion CIDOB, 2004) 1-14.

and preserve authoritarian regimes or bad actors; particularly those within developing nations.

THE WASHINGTON CONSENSUS

After the fall of the Soviet Empire, many were quick to declare liberal democracy and free-market capitalism as the clear winner. Francis Fukuyama famously wrote,

“What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind’s ideological evolution and the universalization of Western liberal democracy as the final form of human government” (Fukuyama 17).

In the same period, John Williamson defined the “Washington Consensus” concept.⁸ This idea drew a map for poor and developing countries seeking development through Western aid, telling them how to manage their economies and governments with a heavy emphasis on Western values. Through institutions such as the World Bank (WB), the United Nations (UN), the United States Department of the Treasury (DoT), and the International Monetary Fund (IMF) the Washington Consensus’ emphasis on tax reform, reprioritizing public expenditures, fiscal discipline, floating interest and exchange rates, loosening trade regulations, liberalization of foreign direct investment, business privatization, deregulation, and

⁸ John Williamson, “A Short History of the Washington Consensus,” From the Washington Consensus towards a new Global Governance (Barcelona: Fundacion CIDOB, 2004) 1-14.

strengthening property rights was shaped by the Bretton Woods institutions that were planned or developed during and immediately after the Second World War.⁹ The plans for these institutions (the IMF, the World Trade Organization (WTO), and the WB), were drawn up at the Bretton Woods conference in 1944, called for the newly formed IMF to regulate international currency exchange rates and act as the lender of last resort to assist with balance of payments; the WTO, which was supposed to be established at the same time but was not officially formed until 1995 to act as an arbiter for international trade disputes and to “level the playing field” for all; and for the WB to lend money to Western European governments for post-war rebuilding, which later shifted its focus to third world countries.¹⁰

In light of the “Chinese Miracle,” today some nations appear to be questioning whether it would not be more in their national interests to look into the alternative being offered by China.

THE BEIJING CONSENSUS

China’s journey, which is often the case with this intriguing and idiosyncratic country, took a different path. China resisted the efforts of the WB and IMF to bring the Chinese economy in line with the Washington Consensus. Randall Peerenboom writes, “Rather than blindly following the advice of the IMF or the World Bank, the government has taken care to adapt basic economic principles to China’s current circumstance” (Peerenboom, 5)

This approach or process of economic liberalization without political liberalization has been dubbed the "China model". The Beijing government

⁹ John Williamson, “A Short History of the Washington Consensus,” [From the Washington Consensus towards a new Global Governance](#) (Barcelona: Fundacion CIDOB, 2004) 1-14.

¹⁰ Brodet INDC lecture

maintains a high degree of control over the economy through a hybrid form of capitalism; the economy is basically free or capitalistic; however, the government controls strategic industries, directs resources and investment through state funds, and influences the banking sector.¹¹ China's economy is best described as state-run capitalism. China finds the seam between the existing neoliberal economic world order and its Marxist-Leninist roots. In his book, *The Beijing Consensus* Stephan Halper describes the Chinese model as a form of illiberal state-directed capitalism.¹²

China enjoys globalization on its own terms, which Ramo calls “practicing globalization with Chinese Characteristics” (Ramo, 26). The government heavily influences China's competitiveness on the international market by maintaining low labor costs, an undervalued currency, heavy state subsidies to boost the export driven-economy, and a highly protectionist market.¹³ (Ramo, 28) Many attribute China's impressive Gross Domestic Product (GDP) growth and immunity from external financial shocks (Asian Financial Crisis and 2008 Great Recession) to this calculated balance between utilizing the markets and free-trade while maintaining state control, seeing both as crucial to China's stable economic development.¹⁴

In 2004, Joshua Ramo coined the term “Beijing Consensus.”¹⁵ Less concrete than the Washington Consensus, the Beijing Consensus “is simply concerned with doing what works in the long term and is not driven by any plan” (Breslin, 6). Ramo's description of his “Beijing Consensus” points to

¹¹ Joshua Kurlantzick, *Why the 'China Model' Isn't Going Away*, 2013 йил 1-Мар, 2017 йил 8-Апр <<https://www.theatlantic.com/china/archive/2013/03/why-the-china-model-isnt-going-away/274237/>>.

¹² Stefan Halper, *The Beijing Consensus - How China's Authoritarian Model will Dominate the Twenty-first Century* (Philadelphia: Basic Books, 2010).

¹³ Joshua Cooper Ramo, *The Beijing Consensus*, The Foreign Policy Centre (London: The Foreign Policy Centre, 2004).

¹⁴ Thomas Friedman, *The New York Times*, 2008, 7-May, 2017, 25-Feb <<http://www.nytimes.com/2008/05/07/opinion/07friedman.html>>.

¹⁵ Joshua Cooper Ramo, *The Beijing Consensus*, The Foreign Policy Centre (London: The Foreign Policy Centre, 2004).

three theorems or axioms: development rooted in innovation, achieving measurable “quality of life” targets vice overall GDP growth, and emphasizing the protection of self-determination (sovereignty).¹⁶

China’s approach appeals to many due to the success of their model and the failure of the Washington Consensus in a sizable portion of the developing world.

“Beijing has provided the world’s most compelling, high-speed demonstration of how to liberalize economically without surrendering to liberal politics...marking a path for other nations...to develop their countries...in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful center of gravity” (Ramo 15-16).

The “One Belt, One Road” (OBOR) initiative, also referred to as the New Silk Road Initiative, could be a vehicle with substantial influence, both ideological and economic, that quickly challenges the influence of the West. Whether this counter to the Western model is intentional or not is unknown, but what is known, is that the Beijing Consensus is pragmatic, flexible, non-idealistic, and has proven successful. China is now ready to export the idea.

China seeks to influence by example and has dramatically boosted its public diplomacy efforts.¹⁷ These soft power efforts are contributing to the

¹⁶ Ibid.

¹⁷ Joshua Kurlantzick, *Democracy in Retreat* (New Haven: Yale University Press, 2013).

spread of the Beijing Consensus and could be China's most powerful instrument to counter the US.¹⁸

China's ability to maintain social order throughout its "economic miracle" has commanded the attention of many developing nations leaders, many authoritarian, who question the efficacy of the liberal, market-fundamentalist model pushed by the U.S. and the West. Following the collapse of the Cold War and the fall of the Soviet Union Francis Fukuyama posited that this triumph (democracy over communism, capitalism over socialism, and liberalism over authoritarianism) spelled out the end of history and that the future world would be populated with liberal democratic states.¹⁹ China's much watched and studied economic success shows that history is in fact still being written. This Beijing Consensus, being exported via the OBOR could very well be the next chapter.

In 2013 the OBOR initiative was announced, today it constitutes a sub-chapter of China's current five-year plan. The initiative is designed to connect Asia to the Middle East, Africa, and on to Europe through a massive logistics and transportation infrastructure network. Roads, ports, rail infrastructure, pipelines, airports, transnational electric grids and even fiber optic lines will connect the dots.²⁰ "The design involves 65 countries, which together account for one-third of global GDP and 60 percent of the world's population, or 4.5 billion people, according to Oxford Economics" (Yan).

The OBOR initiative provides solutions for China's economic needs (markets, industrial overcapacity, etc.) and draws countries along the path

¹⁸ Joshua Kurlantzick, *The Rise of Elected Autocrats Threatens Democracy*, 2014 йил 23-Jan, 2017 йил 15-Feb <<https://www.bloomberg.com/news/articles/2014-01-23/the-rise-of-elected-autocrats-threatens-democracy>>.

¹⁹ Francis Fukuyama, *The End of History and the Last Man* (New York: Avon Books, 1992).

²⁰ Sophia Yan, *World Economy*, 10 May 2017, 11 May 2017 <<http://www.cnn.com/2017/05/10/china-is-about-to-hold-a-giant-meeting-on-spending-billions-to-reshape-the-world.html>>.

into the gravitational pull of China's economy and influence. There is a logic to China's connection of internal networks to external ones and where these links do not already exist, building them. In fact, the market-driven extension of China's expanding logistics system to neighboring countries and beyond had begun even before President Xi Jinping announced his initiative (OBOR).

In the words of the Director of American Studies at Cambridge University, Stefan Halper, "China's rise reflects a familiar historical theme...ideas travel along the arteries of commerce and power. To this extent, the global marketplace has become a transition belt, via which Beijing is inadvertently promoting its most troublesome export: the example of the China model." (Halper, *Legitimizing Authoritarianism*, 32). China will not only export capital, infrastructure, and goods around the globe but also its ideas. These ideas may be the most significant and problematic product of the initiative.

OBOR is a transformational concept that deserves to be treated with the utmost seriousness. Just as President Eisenhower's interstate highway system and its connection to those in Canada and Mexico integrated the North American continent, OBOR looks to integrate the economies of a vastly larger area and number of countries. This would position China as the hub at the center, making her an extremely accessible economy with significant weight in world affairs. In effect, creating a new geography where eastern and southern Asia are the economic centers of gravity and establishing a powerful platform for economic cooperation, policy coordination, trade and financing collaboration, and social and cultural interchange. This enormous undertaking, arguably a "Grand Strategy", illustrates China's massive and growing economic and potential political

power. Just as city-states along the ancient Silk Road trade routes became wealthy and powerful, those bypassed withered. We live in a global economy where goods must be moved.

President Jinping's vision is to develop both "hard" and "soft" connectivity through huge investment in trans-national transportation infrastructure and political cooperation in order to spur regional and global economic growth through "win-win" cooperation.²¹ Through "attraction" and simply by its sheer size and scope, nations along and adjacent to the initiative are inspired to align their individual strategies and projects to those laid out by China, which will, in turn, reduce the cost to China.

WASHINGTON vs. BEIJING

"China presents a complex puzzle to the United States. It is simultaneously a crucial trading partner, a major holder of U.S. debt, an independent diplomatic player, and a strategic competitor" (Halper, *The Beijing Consensus - Dominate the Twenty-first Century*). Despite Halper's characterization of the Beijing Consensus being a rival model to the Washington Consensus, the reality is that China's path to economic growth is very similar to the current "Western" way. China closely followed eight of the ten mandates of the Washington Consensus during its Opening and Reform periods (S. Kennedy, 470). From an economic standpoint the two approaches are comparable; political ideology is where they conflict and begin to deviate. While the Washington Consensus is rooted in democratic ideals, Shaun Breslin argues that, "for most observers, it is this experimentation and non-ideological commitment to doing whatever it takes

²¹ James Scott Williams, [Building a New Economic Silk Road: Advancing the Chinese Approach](#), thesis paper, University of North Carolina at Chapel Hill (Chapel Hill: University of North Carolina, 2016).

to promote growth while maintaining political stability that is the defining hallmark of the Chinese mode of governance.” (Breslin, 1328) Not requiring political and economic liberalization in exchange for development assistance is a nonstarter under the Washington Consensus.

The Beijing Consensus’ power of attraction lies in its respect for autonomy and individualized growth, not to mention the fact that China has successfully lifted 300 million people out of poverty. The option of rapid economic growth without political liberalization is understandably appealing to developing countries that prefer non-interference and self-determination. “China is marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful centre of gravity” (Ramo, 3).

Fukuyama was sharply criticized for his declarations of the “end of history” and the worldwide march to democracy immediately after the Cold War. This premature announcement peaked quickly and has plummeted during the two decades. There is ample reason to believe that the structure of current liberal international institutions can handle the rise of other major global players, including China. However, there is growing doubt in the likelihood of U.S. and Western institutions maintaining the same dominance in the international arena as in the past. The new global configuration of dispersed international power will be “no one’s world.” In Kupchan’s view, “well-run autocracies” will “hold their own” against liberal democracies, and even rising powers that are democratically ruled “will also regularly part company with the West” (Kupchan).

The economic growth of China and, to some degree, other nations have diminished the international appeal of many Western political ideas. Countries with less than stellar democracies are faring quite well and are not going away anytime soon. Halper contends that a new Beijing Consensus is strong competition for the Washington Consensus and that this “has legitimized authoritarianism in our time.”²²

Contrary to Washington, China does not avoid or end business dealings with countries viewed as corrupt or unethical. As China’s former deputy foreign minister, Zhou Wenzhong, said, “Business is business. We try to separate politics from business” (Kurlantzick, *Why the 'China Model' Isn't Going Away*, 222). When China does business, it pursues its interests and expects those on the other side of the table to focus on their self-interests as well. This approach raises questions from the West that China is enabling corrupt regimes to survive and is unconditionally supporting them through business. The Chinese seem perfectly happy to be the “sugar daddy for human rights abusers” (Halper, *Legitimizing Authoritarianism*, Ch 1). In contrast to China’s hands-off, no strings attached approach, the “West” has been highly interventionist in seeking to promote liberal democracy. One could say that Beijing is actively avoiding confrontation with Washington and the West, but all the while paving a road around them in order to redraw the map.²³

It is troubling that the Chinese Communist Party has shown marginal, autocratic states that state-directed capitalism is a viable option. Adding to that concern are the partners with whom China has lined up to participate in

²² Stefan Halper, *The Beijing Consensus: Legitimizing Authoritarianism in our Time* (New York: Basic Books, 2010).

²³ Stefan Halper, *The Beijing Consensus - How China's Authoritarian Model will Dominate the Twenty-first Century* (Philadelphia: Basic Books, 2010).

OBOR, namely Russia, Sudan, Egypt, and Iran. These countries are not considered the best global partners by Western governments for obvious reasons, and, therefore, have no opportunity for extensive economic and business cooperation with the West. But this does not matter to China; through OBOR, China continues its practice of non-intervention and separating business from politics.

While the West tries to ensure that only good actors collect the benefits of a global system, China is taking steps that, in effect negate those efforts. In its opposition to the Washington Consensus, China has convincingly demonstrated that deregulated, market-based decision making is not the only path to economic growth and integration in the global economy. For better or worse China's business-first approach appeals to many poor countries, where survival of the regime and growth in the economic sphere take priority. At the same time, it also appeals to those in compliance with the Washington Consensus criteria. China's brand of foreign policy may not win over those of the developed world, but it's easy to see its appeal is an inescapable reality.

OBOR comes at a unique time in history, as many developing countries simultaneously grow in power and influence while feeling increasingly disillusioned with the Western liberal democratic, free-market system. The World Bank's shock therapy and structural adjustments don't show enough evidence to indicate they are actually required to effectively ease poverty and create growth. The example of China's economic resilience throughout the 2008 financial crisis has called into question the wisdom of complete free-market capitalism for all.

Hand-in-hand with the OBOR initiative, "China has taken a leading role in the establishment of a new set of international economic institutions,

including the New Development Bank (NDB), the BRICS (Brazil, Russia, India, China, and South Africa) Contingent Reserve Arrangement,” (Wong, Chi and Tsui) the Asian Infrastructure Investment Bank (AIIB), and the Silk Road Fund. Together they represent a viable counterweight to Western-led entities mentioned above (IMF and WB). Of course, in the foreseeable future, China will not replace the U.S. dollar system. China recognizes this and promotes the AIIB and other organizations as complements, not competitors.

It does, however, appear sure that the Renminbi will soon become one of the most important international currencies. If successful, OBOR will have created international financial institutions paralleling the Bretton Woods institutions that “encourage greater use of local currencies including the Renminbi” (Lim). As a result, the developed world, including Europe and the U.S. will see its relative influence decline.

The AIIB represents one of China’s responses to Western economic institutions. Although the US applied pressure on its allies not to join the bank, it has attracted an extensive list of international players. This list includes not only major developing economies such as Brazil, India, and Russia, but also developed nations and US allies such as France, the United Kingdom, Germany, Italy, Switzerland, Israel and others announced their participation. The AIIB challenges the U.S. financial domination that has prevailed since the Second World War. Of course, while not jumping ship from the U.S. dollar-dominated system, it makes sense for these nations to hedge their bets. As noted, participation is very appealing. The world has changed, and the original logic of the Bretton Woods alliance has been slipping for some time. A primary purpose of the system was to facilitate exports of excess industrial capacity and capital from the US. “The interests

of postwar growth in the United States and recovery in Europe were in line” (Wong, Chi and Tsui). Today I’m not so sure.

CHAPTER SUMMATION

The Beijing Consensus openly challenges the Washington Consensus’ “one size fits all” solution. The Chinese experience plainly illustrates how a nation can rapidly develop economically while managing its domestic and international relationships without political liberalization. Its no-nonsense foundation is in-line with the words of the pragmatic former Chinese statesman, Deng Xiaoping, “I do not care if it is a white cat or a black cat ... It is a good cat so long as it catches mice” (Hasmath).

Recent Chinese international development activities have left a chain of infrastructure projects that would not have been built without Chinese investment, manpower, and engineering. The OBOR initiative is leaving a trail of roads, bridges, rail lines, ports, and telecommunications systems that are tangible reminders across the world that all point back to China.

The main threat to the current international system is that this approach is not only appealing to autocrats, but China's soft power offensive has also made Beijing's model of development very attractive to leaders even in freer nations. Stefan Halper argues that the “net effect of these developments is to reduce Western and particularly American influence on the global stage—along both economic and ideational axes.”(Halper, *The Beijing Consensus: Legitimizing Authoritarianism in our Time*)

It can be argued that the spread of the Beijing Consensus will weaken agreement on the values that are the foundation of the current international system. Whether this will lead to increased sacrifice of democratic values for higher growth rates is unclear, but what is clear is that China’s large-

scale aid and cooperation is removing much of the incentive to improve internal governance, human rights, the rule of law, or democracy. “It is widely accepted that the rollback of democracy would lead to additional conflicts”(Kupchan). Both land and sea paths of the OBOR initiative straddle nations where democracy is floundering or non-existent. In the long run, this is dangerous. But then again, as John Maynard Keynes famously said, “In the long run we’re all dead.”

Are the Beijing Consensus and OBOR initiative expressions of China’s Grand Strategy? Does China have a Grand Strategy? According to strategist Edward Luttwak, “all states have a grand strategy, whether they know it or not” (Luttwak). Either way, the Beijing Consensus, spread via the OBOR initiative, has proven an effective and appealing tool for expanding China’s soft power and influence throughout the world.

After all is said and done, this approach could just be the highest return (ROI) “export” that China has. It is obvious that history is still being written, the question that has yet to be answered is, who will be writing it?

Chapter 3

The Middle East Region and OBOR

CHINA'S INTERESTS AND THE OBOR

China's "Go Out Policy" whereby the government is actively encouraging its enterprises to invest overseas is highly visible in the Middle East region. While this policy helps China control its vast foreign reserves and in turn manage the renminbi exchange rate, it is perfectly aligned with the OBOR initiative. As explained above, China's primary concerns are its national interests and economy. The building phase of the OBOR comes at a time where the role of the US in the Middle East has been declining, and the trajectory of the region is in question. Over the past decade, the changes in the Middle East and North Africa as well as the velocity of change have shocked the world. China is trying to decide what to do next.

For these reasons, China may not want to, but needs to look out for her self-interests by accepting a larger position and more responsibility in the region. While many are looking to Washington DC and the Trump Administration for answers, the Middle East region is being transformed 7,000 miles to the east. Integration of the region into Beijing's enormous initiative will have profound effects on the region.

Geostrategic location makes the region crucial to the build out of the OBOR initiative. At the opening ceremony of the sixth China-Arab States Cooperation Forum in 2014, President Jinping discussed, "co-construction that will lead to the building of a community of common interests and shared destiny between nations who have enjoyed mutual understanding and friendship since the original Silk Road, and are natural partners to jointly build the One Belt One Road" (Xi Jinping Attends Opening Ceremony of 6th Ministerial Conference of China-Arab States Cooperation Forum).

China's interests in the region are easy to see, as is its importance to the OBOR initiative. The Middle East is a crossroads and the most

significant chokepoint for global trade. At the same time, the oil it provides is essential to fuel China's continued growth.

China's dependence on the Suez Canal for shipment of goods to European markets is a self-evident ever-increasing risk to continued economic growth. Beijing knows that it must minimize the danger of shipping disruptions, ensure the capacity of the Suez Canal can meet demand, and reduce dependence on a single route through the region.

China's energy security is reliant on supplies from the Gulf. Regional instability, terror, failure of states, or "becoming entangled in the animosity between Iran and the Arab Gulf states would make China's objective more complicated and expensive" (Payne, *The GCC and China's One Belt, One Road: Risk or Opportunity*).

These interests act in both directions. The Gulf Cooperation Council states (GCC) of Jordan, Iran, and Egypt have interests that align with China in this regard. To this effect, China and the countries in the region have developed a strong mutually beneficial trade relationship. China currently imports 60% of its oil and 20% of its liquefied natural gas from the Gulf States (Iran, Iraq, and the GCC) making it one of their largest customers, second only to Japan.²⁴ It is estimated that China's oil and gas import dependency will reach 67% in 2020.²⁵ China is a critical customer and partner to these energy exporters.

China's growing investment in the region has changed the nature of her impact, which for the most part has been economic. Beijing's increasing

²⁴ Arielle Viehe, Aarthi Gunasekaran and Hanna Downing, *Foreign Policy and Security*, 22 Sep 2015, 28 Mar 2017 <<https://www.americanprogress.org/issues/security/reports/2015/09/22/121628/understanding-chinas-belt-and-road-initiative/>>.

²⁵ Ankit Panda, *Know the Asia Pacific*, 23 Sep 2015, 13 Mar 2017 <<http://thediplomat.com/2014/09/china-and-irans-historic-naval-exercise/>>.

geopolitical importance, intensifying energy needs, and its export-driven economy makes the Middle East a top priority.

China has spent billions building the ports, rail, and highway links necessary for her land-locked provinces to gain access to the Indian Ocean, which facilitates the export of goods and the import of required resources. China supports the region, especially Egypt, in its fight against jihadist terrorism and its investment plan will most likely favor those countries in line with her interests. It is clear that security is key to the success of the OBOR initiative and the Chinese economy. Xi made it clear that China is committed to, “working with all countries involved with the initiative to address both the symptoms and causes of extremism and terrorism, including poverty” (Cafiero and Wagner).

While OBOR is intended to expand trade, it will not be able to guarantee equal opportunity for all. In the Middle East, Iran is positioned to get the most benefits. This uneven allocation of possibilities and benefits will create problems and concerns. As the initiative evolves, GCC states will have many decisions to make but cashing in on opportunities presented by OBOR and making the most of existing comparative advantages will enable these countries to offset Iran’s potential windfall. In short, Chinese economic interests in creating and preserving the reliable and cost-efficient flow of commerce across the region will become a dominant organizing principle in the international relations in the Middle East.²⁶

The region is multi-dimensional with many cross currents but if split into four sub-sections China’s interests can be clearly discussed. The sub-sections of the region include Iran and Beyond, the GCC, Egypt and the

²⁶ Michael Tanchum, "Opinion," 24 Jan 2017, [The Jerusalem Post](http://www.jpost.com/Opinion/Chinas-One-Belt-One-Road-reshapes-Mideast-479492), 15 Mar 2017
<<http://www.jpost.com/Opinion/Chinas-One-Belt-One-Road-reshapes-Mideast-479492>>.

Canal, and Israel. The primary focus of each region includes energy security, new and existing trade routes, and new markets.

IRAN AND BEYOND

In January 2016, just before President Xi Jinping's scheduled visit, a train loaded with goods arrived in Tehran. This event, almost unnoticed, marked the arrival of the first direct rail shipment from China's eastern coast after 12 days of transit. Shortly thereafter, President Jinping and Iranian President Rouhani agreed to a 10-year program to significantly increase Chinese-Iranian bilateral trade. This agreement is expected to increase trade from \$52 billion to around \$600 billion a year between the nations.²⁷ In a clear symbolic signal to Iran, President Jinping was the first leader of a major power to visit post-sanctions Iran. Iran is important to China for many reasons, but closer ties between China and Iran are sure to reverberate throughout the Gulf.

OBOR faces many challenges, particularly in the Middle East. In the region the maritime route, for the most part, bypasses everything east of the Gulf of Aden, but the overland route requires significant attention be paid to Iran. Iran bridges Central Asia and the Middle East and is the location of abundant, untapped natural resource wealth, and governed by a regime that has long-standing relations with Beijing.²⁸

China wants to be a prominent player in what is sure to be an economic boom for Iran following the signing of the nuclear agreement. Beijing seeks to leverage its long-standing relations with Tehran, including

²⁷ Steve Mollman, [Iran plan to boost trade with China](https://qz.com/601831/iran-plans-to-boost-trade-with-china-by-about-1000-over-the-next-10-years/), 24 Jan 2016, 13 Mar 2017 <<https://qz.com/601831/iran-plans-to-boost-trade-with-china-by-about-1000-over-the-next-10-years/>>.

²⁸ Saeed Kamali Dehghan, [International Trade](https://www.theguardian.com/business/2016/feb/15/chinas-silk-road-revival-steam-ahead-as-cargo-train-arrives-in-iran), 2016 йил 15-Feb, 2017 йил 8-Jan <<https://www.theguardian.com/business/2016/feb/15/chinas-silk-road-revival-steam-ahead-as-cargo-train-arrives-in-iran>>.

its history of arms sales, in order to acquire better access to Iranian markets.²⁹ Iran is OBOR's priority in the Gulf; however, it is also the greatest threat to the OBOR maritime route due to its backing of the Houthi rebels in its proxy war against Saudi Arabia in Yemen. For this reason, Beijing is mindful of the need to maintain balanced relations between Iran and Saudi Arabia.

Iran's location makes it an essential link in China's Eurasian overland route. Iran connects Central Asia to the Middle East with further connections on to Europe. OBOR's overland links, bilateral trade, and mutual interests will undoubtedly enhance their relations. Accessing and monetizing Iran's oil and mineral resources and exploiting the location as a vital overland connection between east and west are significant economic and diplomatic goals of both nations.

In October 2016, Chinese Ambassador to Pakistan Sun Weidong, "welcomed the prospect of enhanced cooperation with Iran on the China-Pakistan Economic Corridor (CPEC)" (Rifaat). This OBOR corridor includes Pakistan, India, Iran, and Afghanistan. Pakistan's Gwadar port (\$57 billion funded by China) is a pearl along the Maritime Silk Road. In an interview, the chairman of the Gwadar Port Authority, Dostain Khan Jamaldini, stated that "Gwadar can become a Shenzhen-level city in ten years," but the project has hit many snags (Jamaldini).

The port is not yet operational due to many issues. First, Pakistan is yet to complete the "East Bay Expressway" that will provide connectivity through Balochistan. Secondly, the Pakistan Government is in the process of creating a 13,700 person Special Security Division due to security

²⁹ Jane Perlez, *Asia Pacific*, 2016 йил 30-Jan, 2017 йил 16-Mar <<https://www.nytimes.com/2016/01/31/world/asia/xi-jinping-visits-saudi-iran.html>>.

concerns, and finally, lack of adequate potable water in the area is in need of a solution for the vision to be achieved. Once resolved China's alternative route to Malacca Strait will be operational.

Gwadar Port and the nearby Iranian port, Chabahar (built by India), are indicative of the importance of access to the Indian Ocean rim as well as from the sea to the interior. For India to monetize the mineral deposits they own the rights to in Afghanistan, the port was a necessity. For Iran, Chabahar provides much-needed capacity relief to handle oil flows for the oil facilities at Bandar Abbas Port and as such is a critical project for regional energy security.



Source: (India Commits to Chabahar Development)

Over time the oil and gas facilities at Chabahar will provide Iran enough capacity to the south to reduce the need for tankers to enter the

Persian Gulf. Iran's strategic advantage is nowhere more evident than in global competition to shape the future architecture of Eurasia's energy landscape.

Energy scholar Micha'el Tanchum argues that Iran is pivotal to the success of China's OBOR initiative in ways that Saudi Arabia is not.³⁰ He suggests that it would be gas supplies from Iran that would determine which way the future Eurasian energy architecture tilts: Will it be in the direction of China, the world's third-largest LNG importer, or in that of Europe?³¹

It is in China's interests to ensure that the OBOR plumbing enables Iran to capitalize on its natural gas reserves (second largest in the world) and its oil reserves (fourth largest in the world), and that the pipes lead to China. "Iran, within five years, will likely have 24.6 billion cubic meters of natural gas available for annual piped gas exports beyond its current supply commitments" (Dorsey). Many of the requirements are already in place. The relationship between the countries is substantial, China's development of Turkmen gas fields and pipeline infrastructure is complete, and the Iran-Pakistan is funded and under construction. Hooking the pipeline to One Belt, One Road would allow China to receive Iranian gas not only by sea on its eastern seaboard but also in its land-locked, troubled north-western province Xinjiang.³²

Chinese companies have a consolidated presence in Iran and have played a pivotal role in the expansion of the level of infrastructure required for a strategic integration of Tehran into Beijing's energy supply line, already inaugurated with the creation of the China-Pakistan Economic

³⁰ James Dorsey, "Global Pairings," 12 Mar 2017, [The Globalist](https://www.theglobalist.com/why-iran-has-the-longterm-regional-upper-hand-saudi-arabia-china), 25 Mar 2017 <<https://www.theglobalist.com/why-iran-has-the-longterm-regional-upper-hand-saudi-arabia-china>>.

³¹ Ibid.

³² Ibid.

Corridor (CPEC).³³ Moreover, China will support Tehran's succession to full membership in the Shanghai Cooperation Organization (SCO) as the primary step to establish and develop a comprehensive strategic framework to contain Washington's influence in Central Asia.³⁴

GCC

GCC states are well aware that Iran's situation is set to improve. The Joint Comprehensive Plan of Action (JCPOA) has set in motion changes that will ignite and reinvigorate the Iranian economy. OBOR will only enhance this fact. A real and valid concern is that by Iran achieving its strategic interests, increased connection and trade relations with the rest of the world could weaken Saudi Arabia's relative position in the Middle East's geopolitical order. A more prosperous Iran threatens its neighbors in the Arab world and poses a threat to regional security.³⁵

While it is true that, "China has also shown no interest in backing the political machinations of the Iranian regime," it is not in China's interests to destabilize the region, the reality of greater gains going to Iran is unchanged (Boulden). The best alternative for GCC member states and China is to use OBOR to level benefits to offset those made by Iran. In January 2016, Chinese Communist Party (CCP) Secretary and Chinese President Xi visited the Middle East on the sixteenth anniversary of the mutual recognition between China and the Arab League. Chinese business interests and OBOR projects in the Gulf are massive and require strategic partnerships with both Saudi Arabia and Iran. Saudi Arabia was the first stop of the tour before

³³ Daniele Ermito, "Assessing China's strategy in the Middle East," 7 Feb 2016, *Global Risks Insight*, 15 Mar 2017 <<http://globalriskinsights.com/2016/02/assessing-chinas-strategy-in-the-middle-east/>>.

³⁴ Hamzah Rifaat, "The Pulse," 25 Oct 2016, *The Diplomat*, 18 Mar 2016 <<http://thediplomat.com/2016/10/china-iran-and-one-belt-one-road/>>.

³⁵ Giorgio Cafiero and Daniel Wagner, "China Power," 24 May 2017, *The Diplomat*, 28 May 2017 <<http://thediplomat.com/2017/05/what-the-gulf-states-think-of-one-belt-one-road/>>.

continuing to Egypt and then Iran. The aim was to strengthen China's presence in the region and attempt to reassure Beijing's partners (especially GCC members) of their strategic commitment to the area. President Xi spoke of China's intent to, "protect vital access to the Gulf's oil while maintaining the status quo in an area deeply affected by political turmoil... [This] remains one of the most evident challenges for Beijing" (Ermito). President Xi Jinping's tour revealed China's willingness to expand its role in the region in order to protect vital strategic interests in its quest to becoming a dominant global power. Instability in the region would be in no nation's interests, least of all China and Saudi Arabia.³⁶

The GCC needs Chinese consumer demand while China needs the GCC's natural resources, markets, and stability in the region. China has a huge demand for oil that is expected to grow alongside its economic growth. Energy security is and will remain a permanent concern for the Chinese Communist Party (CCP). As both GCC and Iranian supplies will be required as far as the eye can see, stable relations in the region are fundamental to China's ambitious aims. Regional stability, the creation of vast trade infrastructure, and connection of an extensive network of petroleum pipelines are all necessary for trade routes to bypass the Malacca Straits chokepoint.

China's energy security strategy is heavily dependent on Middle East political stability; however, Beijing fears that a stronger, more assertive presence in the region could increase social problems and terror within its borders. China will continue a balanced approach to demonstrate its desire

³⁶ Daniele Ermito, "Assessing China's strategy in the Middle East," 7 Feb 2016, [Global Risks Insight](http://globalriskinsights.com/2016/02/assessing-chinas-strategy-in-the-middle-east/), 15 Mar 2017
<<http://globalriskinsights.com/2016/02/assessing-chinas-strategy-in-the-middle-east/>>.

to deepen economic and strategic relations with both Iran and GCC members in the pursuit of national interests.

Arab Gulf states have enormous potential to cash in on OBOR. As mentioned above, China does not want to lose Saudi Arabia as a strategic partner or add to any destabilizing power imbalance in the region. Beijing knows that Saudi Arabia plays a crucial part in the stability of the region. Saudi Arabia for her part views China as a major trading partner vital to achieving her economic transformation vision.

China has invested heavily in Saudi Arabia and is looking for further opportunities. One such investment is the \$10 billion Yarseef refinery in the Red Sea Yanbu Port. President Xi Jinping defined Yanbu as “the regional point of arrival of the 'Silk Road' and at the same time, the axis of the new Saudi industrialization” (Valori).

During King Salman’s visit to China this March, he and President Jinping signed a \$65 billion Sino-Saudi trade and investment package. The package included 20 oil investment and energy projects. The list includes construction of refineries in China and the development of petrochemical facilities in Saudi Arabia. The petrochemicals agreement reflects Saudi Arabia’s ambition to catch up with Iran and insulate its economy from oil price shocks.³⁷ As stated in “Saudi Arabia: Vision 2030” the country is seeking to transform its economy, diversifying it beyond petroleum. Saudi Arabia’s Vision 2030 aims at replacing its basic economic model in which oil exports predominate.

There is also talk of Saudi Aramco going public and selling up to 5% of the company, a deal in which China would be very interested. The initial

³⁷ Micha’el Tanchum, "Saudi Arabia the Next Stop on China's Maritime Silk Road," 23 Mar 2017, The News Lens, 21 Apr 2017 <<https://international.thenewslens.com/article/64185>>.

public offering (IPO) is still more than a year off, but a valuation of the company ranges between \$1.5 to \$2 trillion dollars.³⁸ By becoming a significant stakeholder in Saudi Aramco, Beijing will be better able to oversee the management of Saudi Arabia's aging fields to ensure continuity of supply.

Three days before the Saudi monarch's visit, China's Foreign Ministry declared that 'we stand ready to take King Salman's visit as an opportunity to take China–Saudi Arabia comprehensive strategic partnership to a higher level' (Tanchum, Saudi Arabia the Next Stop on China's Maritime Silk Road). King Salman reciprocated with his declaration in Beijing that 'Saudi Arabia is willing to work hard with China to promote global and regional peace, security, and prosperity' (Tanchum, Saudi Arabia the Next Stop on China's Maritime Silk Road).

After the recent visit to China, Saudi Arabia's King Salman noted that it "points to changing strategic directions in the Middle East–Asia security architecture" (Tanchum, Saudi Arabia the Next Stop on China's Maritime Silk Road). "President Xi is also promoting people-to-people interactions and cultural exchanges. He has proposed that by 2020 China will provide professional training for 6,000 individuals from Arab states. In the coming decade, the Chinese government intends to organize mutual visits and exchanges for 10,000 Chinese and Arab artists, and support cooperation between 200 Chinese and Arab cultural institutions" (Jian). "China and the countries of the Gulf have formed a strategic mutual trade relationship. ...Many countries in the Middle East are undergoing significant industrial adjustments, providing many new opportunities for Chinese investors,

³⁸ Reuter's Staff, Saudi Arabia's Latest Move Could Lift the 'World's Biggest IPO' to \$2 trillion, 28 May 2017, 29 May 2017 <<http://fortune.com/2017/03/28/saudi-arabia-aramco-ipo-tax/>>.

especially in the sectors of high-tech and other emerging strategic industries. ...Expected population growth and wealth accumulation could drive high demand for commodities, housing, and infrastructure. For China, this presents a significant opportunity. Egypt, the UAE, Turkey, Israel, and other countries are expected to make significant investments in infrastructure projects, such as high-speed rail, new road networks, and massive housing projects" (Jian). The Gulf's railway network project is expected to connect the Gulf States from Kuwait to Oman by Saudi Arabia and the UAE.



Source: (Dorrbecker)

Lastly, China will strengthen and broaden energy cooperation with GCC member states. China will spur solar, wind, and other renewable energy cooperation, and explore the peaceful development of nuclear power.

"These investments in energy will be paired with investments in other sectors, including satellite manufacturing, satellite launching, and related technical exchanges and personnel training. To promote the Middle East industrialization process, China will work with Arab states to jointly implement capacity building programs. China has invested \$15 billion in the Middle East manufacturing through special loans and established a total of \$20 billion joint investment funds with the UAE and Qatar" (Jian).

Saudi Arabia "has welcomed Beijing's 'assiduous effort' to achieve OBOR's potential. The Kingdom's energy minister stated that Beijing's efforts to revive such ancient trade routes compliment Saudi Arabia's ambitious Vision 2030 based on both agendas' 'common features and notions.' Situated at a strategic juncture point of OBOR's two main routes, Saudi Arabia has a significant role to play in OBOR as a key driver of regional development. The Saudis and Chinese have partnered on the construction of OBOR and the Industrial and Commercial Bank of China's opening of a branch in Riyadh in 2015 (making it China's first bank with a retail presence in the Kingdom) underscores how China's initiative will help the Saudis lure foreign investment — a requirement for Vision 2030's success" (Cafiero and Wagner).

EGYPT AND THE SUEZ CANAL

In 2014, James R. Holmes, U.S. Navy War College strategy professor, in an article about the Suez Canal, stated, "that any such action will take place is doubtful ... but never say never... Suppose, perchance, that the Suez were closed or disabled for some significant interval. The economic and military effects would reverberate throughout Asia and the Atlantic world" (Holmes).

Egypt, and more specifically the Suez Canal, is a particularly crucial part of the Maritime Silk Road, with the Canal functioning as the main transit point between the Indian Ocean and the Mediterranean Sea. That makes Egypt one of the few essential partners for the One Belt One Road initiative. In fact, the Maritime Silk Road as currently envisioned cannot exist without Egypt's participation.

Global dependence on this waterway is a serious concern, particularly for China who's largest export market is Europe. Closure, delays, or lack of sufficient capacity of the canal represent a valid risk to Chinese economic growth and success of the OBOR initiative. In the past, before the Arab Spring, the focus was on the capacity and infrastructure of the Suez Canal. Chinese State Owned Enterprises (SOEs) invested heavily in the corridor. Chinese SOEs spent \$1.4046 Billion USD.³⁹

The turmoil of the Arab Spring illustrated the importance of the canal and highlighted the gravity of the economic and security risks of China's overdependence on this crucial link.⁴⁰ The viability of the canal and the stability of Egypt are of critical interest to China and its continued ascension. As such, China has increased its investment in canal infrastructure, industrial development zones, and Egyptian port facilities. Some projects included: Extension of Port Said West Port, China-Egypt special economic zone in the Gulf of Suez, a cargo terminal at Al-Adabiya port, and the Suez Canal Regional Development Project (SCRDP) which includes the addition of a parallel channel to the Canal, as well as the construction of sub-sea tunnels under the Canal.⁴¹ "The sides have also agreed to cooperate in over 15

³⁹ Emma Scott, "China's Silk Road Strategy: A foothold in the Suez, but looking to Israel," *China Briefe* XIV.19 (2014): 10-13.

⁴⁰ Ibid.

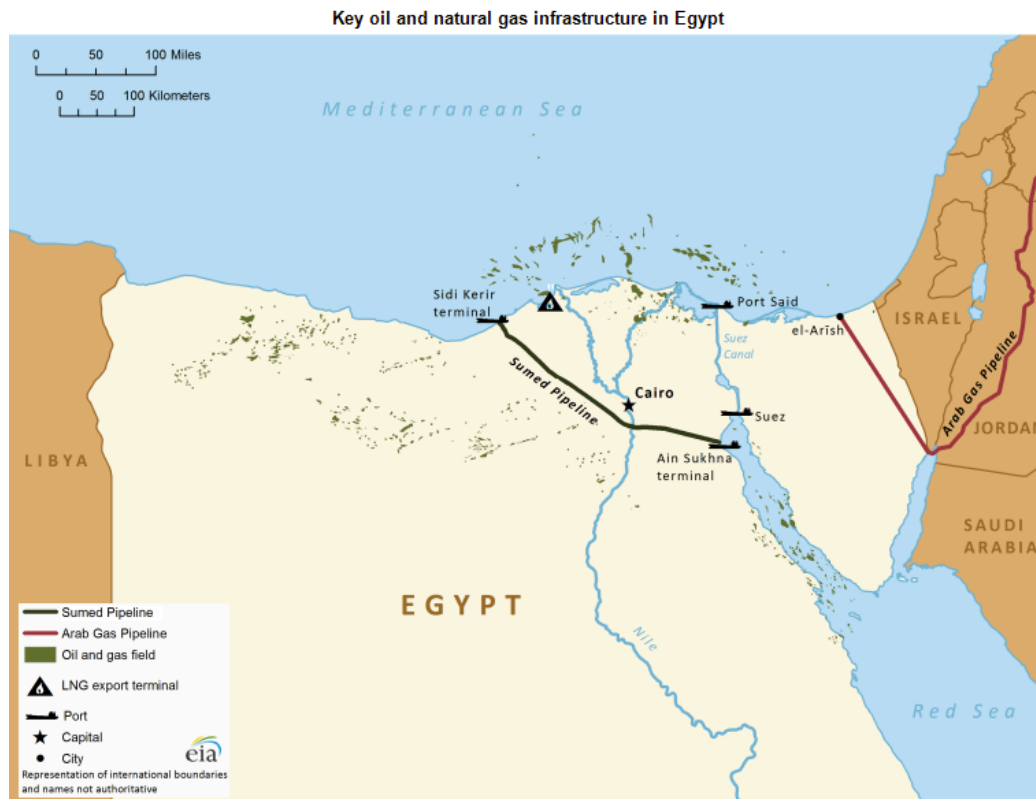
⁴¹ Ibid.

projects in the electricity, transport, and infrastructure sectors. It is expected investment will reach \$15 billion," Xi told reporters during a joint news conference with Egyptian President Abdel Fattah Sisi (China to Invest \$15bn in Egypt). It is estimated that the planned expansion of the China-Egypt Suez Economic and Trade Cooperation Zone would create more than 10,000 jobs for Egypt.

Chinese-Egyptian agreements also include capital and engineering assistance in the development of a new metropolis 28 miles east of Cairo. As part of this project, China State Construction Engineering Corporation agreed to build and finance part of the \$45 billion project to build government agencies and offices in the new administrative capital. In October 2016, a second Chinese company joined the project to bring total investment in Egypt's new capital to \$35b. This just names a few projects.⁴²

Chinese interest means that Egypt matters. Approximately "8% of global sea-borne trade passes through the canal. The SuMed pipeline runs close to the canal, connecting the Ain Sukhna terminal on the Gulf of Suez to Sidi Kerir on the coast of the Mediterranean, and is just as important as the canal. SuMed transports oil, partly from enormous tankers that need to offload some of their cargo before they can transit the canal. ...Around 2.4m barrels of oil are shipped through the canal each day while the SuMed pipeline carries 2.5m a day. That's around 5.5% of world output, according to the latest official forecasts" (Wearden). It is not unreasonable to question Cairo's ability to keep the Suez Canal and the SuMed pipeline secure.

⁴² Micha'el Tanchum, "Opinion," 24 Jan 2017, [The Jerusalem Post](http://www.jpost.com/Opinion/Chinas-One-Belt-One-Road-reshapes-Mideast-479492), 13 Feb 2017
<<http://www.jpost.com/Opinion/Chinas-One-Belt-One-Road-reshapes-Mideast-479492>>.



Source: (Administration)

While the costs of the canal route do vary with fuel prices and fluctuations in shipping rates, the alternatives for shipping between Asia and Europe are rail or a lengthy trip around the southern coast of Africa. Rail options are limited in capacity and are more costly but can be faster. The website of the Suez Canal Authority shows how the use of the canal reduces the distance traveled by freight between Jeddah, Saudi Arabia, and Piraeus, Greece, by 88%. It reduces Jeddah-Rotterdam travel by 41%, and travel from the Gulf to Rotterdam by 42%. According to the Canal Authority, even where Asian nations have the option of traversing the Pacific and using the Panama Canal to reach New York, the Suez route has advantages: from the Gulf to New York through Suez shaves off 30% of the distance.⁴³

⁴³ Suez Canal Authority, *Why the Suez Canal*, 24 Apr 2017, 24 Apr 2017
<<http://www.suezcanal.gov.eg/English/About/Pages/WhySuezCanal.aspx>>.

President Jinping envisions Egypt as a hub for the OBOR initiative.⁴⁴ While in Cairo, Xi declared that his time in Egypt would “cement and deepen the China-Egypt relationship in an all-round way and advance practical cooperation between our two nations for new achievement” (Tiezzi, Xi's Visit Cements Egypt's Place on the 'Belt and Road'). He sees Cairo and the Egyptian coast as the Mediterranean point of arrival of the new Maritime 'Silk Road'. As in other countries, these projects will mainly involve Chinese cooperation on infrastructure projects, with additional investment in industrialization in the host country. To sweeten the deal, China also announced that it would "provide \$1 billion in financing for Egypt's central bank and another \$700 million in loans to the National Bank of Egypt" (Saudia Arabia - Egypt - Iran).

China's special envoy to the Middle East, Gong Xiaosheng, stated that China believes the OBOR initiative "can bring peace and social stability to the Middle East. He also noted that the rapid growth of economic ties between China and Middle Eastern countries “shows that China's influence is increasing as the country can provide them with a new possibility and choice” (Tiezzi, Xi's Visit Cements Egypt's Place on the 'Belt and Road').

ISRAEL

The OBOR doesn't need Israel, but China wants Israel to be a part of it, and that's a good position for Israel. Though situated in a turbulent region, Israel stands as a bastion of stability, a fixed point in the random and muddled landscape of the region. China wants to understand this small nation with an A+ Standard and Poor's credit rating and such a profound sense of purpose.

⁴⁴ Shannon Tiezzi, "China Power," 22 Jan 2016, The Diplomat, 13 Feb 2017 <<http://thediplomat.com/2016/01/xis-visit-cements-egypts-place-on-the-belt-and-road>>.

The growth in collaboration between China and Israel over the past twenty years is easily understood. Israel has what China needs.⁴⁵ This small “Start-Up Nation,” able to fill China’s technological needs and help it upgrade its industries, is the global center of excellence in managing terror. Terror, technology, and security are center stage as Beijing tries to mitigate the rise of terrorist organizations in her Western provinces and areas along the OBOR.⁴⁶

In 2015, the dollar value of trade between these two nations was just over \$9 billion annually. Areas of cooperation and trade span a remarkably broad range, “leveraging heavily on China’s markets, financial capital and manufacturing capacity on the one hand, and Israel’s technological edge in areas, including water treatment, agriculture, cyberspace technologies and medical equipment, on the other” (Lim) Pertaining to the OBOR, China considers Israel’s potential physical contribution as an overland bridge connecting the Far East to European markets. It sees Israel as a strategic outpost, a small dot on the map for sure, but vital for ensuring a much needed alternative trade route to Egypt’s Suez Canal. Beyond Israel’s geographical position, China is well aware of Israel’s innovative human capital and technological know-how that would significantly contribute to the success of this grand project. China is also mindful of the fact that inclusion of Israel risks adding to the complexity of interactions with other necessary players in the region.

Israel should view the OBOR as an opportunity to connect to the growing global trade ecosystem being created in a meaningful yet

⁴⁵ Roi Feder, "What China's New Silk Road Means for Israel," 1 Sep 2016, Diplomatic Courier, 13 Mar 2017 <<http://www.diplomaticcourier.com/chinas-new-silk-road-means-israel>>.

⁴⁶ Ilan Evyatar, "Follow the New Silk Road," 23 Mar 2017, The Jerusalem Post, 30 Mar 2017 <<http://www.jpost.com/Opinion/Follow-the-new-Silk-Road-485061>>.

potentially reversible way. “A primary hurdle to Israel’s “Asia pivot” is that Israel’s infrastructure is oriented westward; it is designed to handle Mediterranean, not Red Sea, trade” (Emont). This is an opportunity to look eastward and to shape Chinese thinking and strategy in the region as a potential mediator between the world’s two leading powers.^{47 48}

China is already very active in the Middle East-Mediterranean region controlling the ports in Greece (Piraeus), Egypt (Alexandria, Adabiya, Port Said), Algeria (Cherchell), Turkey (Amberley) and Italy (Genoa and Naples). These are each a “pearl” along the OBOR route.⁴⁹ Active in Israel too, China’s infrastructural footprint in Israel began with the Carmel Tunnels near Haifa in 2007, six years before OBOR’s formal announcement.⁵⁰ More recently, China Harbor is building a private port in Ashdod, and Shanghai International Port Group is the operator of Haifa Port.

China’s exclusive reliance on the Canal for cargo shipments to European markets is itself an increasing risk to the continued growth of its economy.⁵¹ As mentioned before, the overthrow of Egypt's Hosni Mubarak during the Arab Spring in 2011 brought the economic and security risks of China's overdependence to the forefront when trade was severely delayed and disrupted in the Canal.⁵² Beijing knows that it needs to minimize the danger of shipping disruptions and the best way to accomplish this is by

⁴⁷ Mordechai Chaziza, "The Red-Med Railway: New Opportunities for China, Israel, and the Middle East," 11 Dec 2016, Begin-Sadat Center for Strategic Studies, 14 Mar 2017 <<https://besacenter.org/wp-content/uploads/2016/12/Chaziza-Mordechai-Red-Med-Canal-China-BRI-PP-385-11-Dec-2016>>.

⁴⁸ Roie Yellinek, "The Meeting Between President Trump and President Xi Jinping," 10 May 2017, The Begin-Sadat Center for Strategic Studies, 30 May 2017 <https://besacenter.org/topics/china/#.WS1_7hOG01s>.

⁴⁹ Roi Feder, "What China's New Silk Road Means for Israel," 1 Sep 2016, Diplomatic Courier, 13 Mar 2017 <<http://www.diplomaticcourier.com/chinas-new-silk-road-means-israel>>.

⁵⁰ Kevin Lim, "Israel and China's Silk Road," 17 Jan 2017, Sino-Israel - Signal Perspectives, 25 Feb 2017 <<http://en.sino-israel.org/publications/signal-perspectives/israel-and-chinas-silk-road>>.

⁵¹ Mordechai Chaziza, "The Red-Med Railway: New Opportunities for China, Israel, and the Middle East," 11 Dec 2016, Begin-Sadat Center for Strategic Studies, 14 Mar 2017 <<https://besacenter.org/wp-content/uploads/2016/12/Chaziza-Mordechai-Red-Med-Canal-China-BRI-PP-385-11-Dec-2016>>.

⁵² Emma Scott, "China's Silk Road Strategy: A foothold in the Suez, but looking to Israel," China Briefe XIV.19 (2014): 10-13.

reducing its dependence on a single route or geographic choke point. To compound the issue, the Middle East is both a regional and key global crossroad. It is an area of tremendous geostrategic importance. This explains why the initiative is developing a variety of transportation corridors that are combined land-sea routes. "The Suez Canal has long been a point of contention and, according to the Center for International Maritime Security, the situation is unlikely to improve anytime soon" (Cunningham)

As detailed earlier, "to ensure reliable access for Chinese commercial shipping from the Red Sea to the Mediterranean Sea, the Chinese government has adopted a two-pronged approach, simultaneously expanding its interests in the Suez Canal corridor while also pursuing a land-based route through Israel" (Cunningham). Beijing is seeking construction of the "Red-Med" rail project, to completely avoid the Suez Canal by crossing Israel from Eilat on the Red Sea to the shores of the Mediterranean. These two routes position China to realize its goal of the two Silk Roads meeting in the MENA region.

The "Red-Med" project represents China's efforts to address its overdependence on the Canal and creates a functioning backup route to ensure reliable passage for Chinese commerce from the Red Sea to the Mediterranean Sea and on to Europe. The line proposed is twin-track, dual use, and high speed in nature. The double track construction will allow for running trains in either direction at once and is much more efficient to that of a single track structure. Dual use will allow for passenger and cargo operations. High speed implies construction of the infrastructure will facilitate speeds in excess of 100 miles per hour. Dialog concerning this particular project suggests that, at times, "trains are expected to hurtle through Israel's Negev desert at speeds of 155-185 miles per hour. Of the

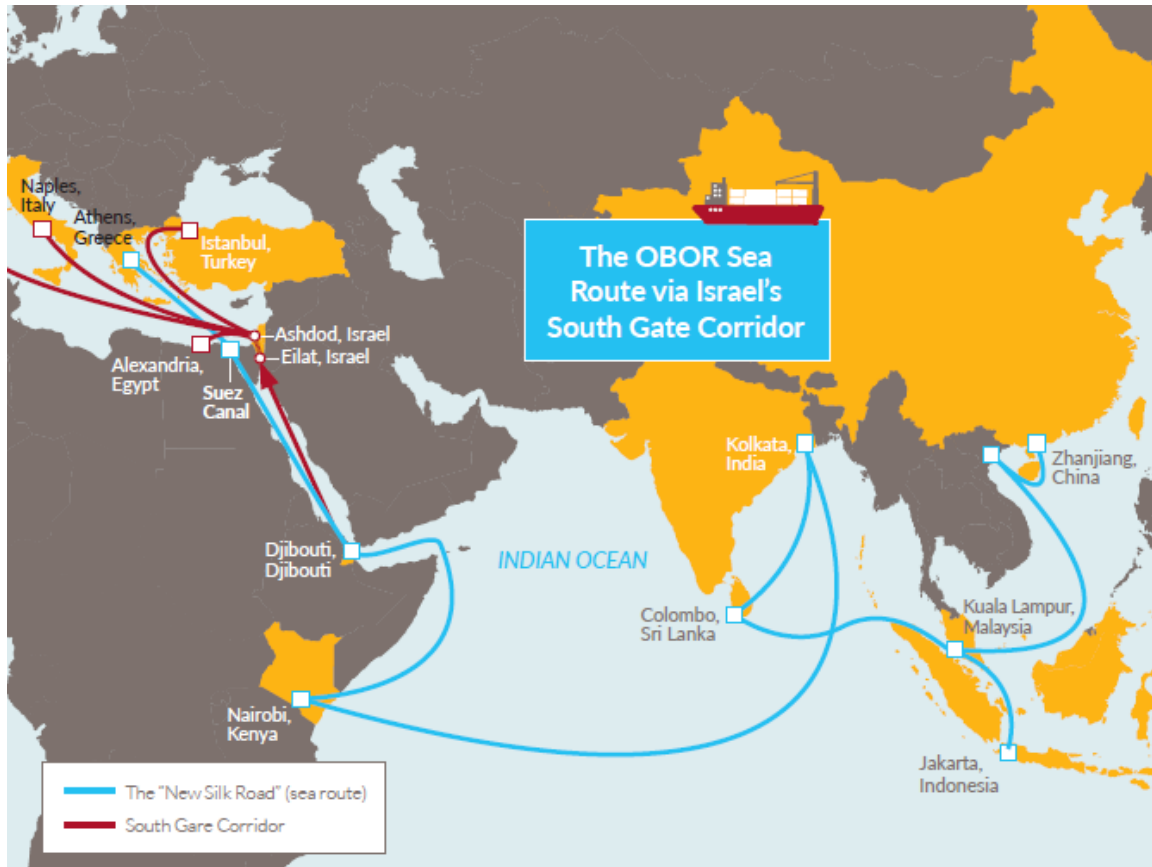
total 217-mile distance, a passenger track of 55 miles from Tel Aviv to Beersheva has already been completed by an Israeli SOE, Netivei Israel; this line will then be connected to an existing track that runs from Beersheva to Dimona, and thereafter a further 150-mile track that has yet to be built will run to the port of Eilat on Israel's Red Sea coast. This "Red-Med" railway will support China's ambitions to carve out Israel as an export market, as it will allow shipping containers coming from China to be transported via the railway to Israel's interior" (Scott, *China's Silk Road Strategy: A foothold in the Suez, but looking to Israel*).

This project is complicated on many levels. Extensive engineering challenges increase the costs associated with construction bringing the economic viability of the project into question. The proposed route would include 63 bridges totaling two miles, and five tunnels totaling five miles.⁵³ "Cost estimates range from \$8-13 billion, and since transportation of goods by rail is more expensive than by sea, the long-term profitability of the project is not assured" (Scott, *China's Silk Road Strategy: A foothold in the Suez, but looking to Israel*). Prime Minister Benjamin Netanyahu commented that he, "welcomes China's railway plan, as long as China is willing to pay for it" (Emont). This is slightly ironic given that in 2003, it was then Minister of Finance Benjamin Netanyahu who advocated for a strikingly similar proposal, funded entirely internally.⁵⁴ Despite the cost estimates and questions of economic viability, memorandums of

⁵³ Emma Scott, "China's Silk Road Strategy: A foothold in the Suez, but looking to Israel," *China Briefe* XIV.19 (2014): 10-13.

⁵⁴ Jon Emont, "Will Bibi's Chinese Choo-Choo Train Save Israel and Transform the Middle East?," 16 Jun 2015, *Tablet Magazine*, 15 Mar 2017 <<http://www.tabletmag.com/jewish-news-and-politics/175373/red-med-link-china-israel>>.

understanding (MOUs) were signed in July 2012, allowing for official negotiations to take place.⁵⁵



Source: (Feder)

For Israel, while asset ownership would be an issue decided through negotiation, expensive and complex infrastructure would be developed and laid down, built and paid for by someone else. Such a development could turn Israel into an essential stop between East and West while boosting its (Shamah) economy, drawing population to the Negev, and deepening diplomatic ties with global business partners.⁵⁶

⁵⁵ Emma Scott, "China's Silk Road Strategy: A foothold in the Suez, but looking to Israel," *China Brief* XIV.19 (2014): 10-13.

⁵⁶ Shaul Amsterdamski, "Blacklisted Chinese Company May Help Build Israeli Rail Line," 22 Oct 2013, *Al Monitor*, 13 Mar 2017 <<http://www.al-monitor.com/pulse/business/2013/10/china-blacklisted-company-iran-build-eilat-railroad-israel.html>>.

For Beijing, China would receive export credits, bolster its state-owned construction enterprises, create employment opportunities for its citizens, form an alternative to the Suez Canal, generate demand for Chinese-controlled Israeli Mediterranean ports, and fully integrate an additional national partner into the OBOR.

At the MOU signing ceremony, China's Ambassador to Israel, Gao Yanping, said, "This project will effectively open up the Israeli market to China" (Shamah).

Israeli Arguments Against Red-Med

There are many valid arguments and security concerns, for instance Yisrael Halevy, Israel's former minister of transportation, argues that, "China is promoting major projects in our area intended to establish points of influence, via the sea and via the ports, that could assist the enemies of Israel, among other things, to greatly increase their capabilities against Israel" (Emont). Halevy has also warned that Chinese involvement in the rail project could damage Israeli-U.S. relations, writing, "China holding the trans-Israel railway, owning it, and operating it, will not be understood by the U.S." (Emont).

Dr. Oded Eran, the former Israeli Ambassador to Jordan now at the Israeli Institute for National Security Studies (INSS), sees it differently. Dr. Eran does not see the Chinese desire for such a land-bridge across Israel as a threat to Israeli security, stating that his, "interpretation is the Chinese are looking for economic ventures, they are not looking for political adventures. And I think the government of Israel is capable of stopping the Chinese from taking advantage of [what is] purely an infrastructure project" (Emont).

Economic Viability of Red-Med

As to the questions of economic viability, how the project is negotiated with regard to overall funding, and post development operations and ownership of the assets, economic viability from Israel's point of view may or may not be required. The point is that if the project (the existence of an alternate route to the Suez Canal) is worth the cost to China – they are willing to fund it - then whether or not it makes economic sense as an ongoing profitable entity doesn't matter, but for the sake of argument it is worth a cursory examination.

Assumptions of the author:

Average ship capacity:

14,000 TEUs (twenty foot equivalent units – standard shipping container)

30 tons capacity per TEU container

14,000 TEUs

X 30 tons per TEU

420,000 total tons per transit (rail or sea)

Costs:

\$625,000 Suez passage fees per direction

\$.015 cost per mile per ton by sea

\$.03 cost per mile per ton by rail

\$250,000 insurance costs per passage during Arab Spring

\$25,000 insurance costs per passage tranquil periods

Suez route:

420,000 tons per ship

X \$.015 cost per ton-mile

\$6,300 total cost per mile

X 200 miles

\$1,260,000 cost for distance

+ \$625,000 Suez transit fee

+ \$250,000 Insurance cost per passage (Arab Spring level)

\$2,135,000 Total Cost

(Note: Cape of Good Hope route adds between 4,708 and 6,000 nautical miles and twelve to twenty days to the journey.)

Med-Red Rail route:

420,000 tons

X \$.03 cost per ton-mile

\$12,600 total cost per mile

X 217 miles

\$2,734,200 cost for distance.

The potential difference in costs between the routes:

\$2,734,200 Med-Red

- \$2,135,000 Suez Canal

\$599,200 potential difference

This “back of the envelope” evaluation, while not a professional financial examination, illustrates that the cost difference could be

insignificant or at least manageable. The \$599,200 figure, while large, represents an approximate \$1.43 additional cost per ton. Agreed, this estimate represents additional costs to the Red-Med rail alternative even during an Arab Spring type scenario. During periods of stability, the Red-Med would be even less competitive. Estimates would be closer to an additional \$1.91 per ton given today's \$25,000 insurance premium per passage. However, the primary purpose of an alternative route of this sort is precisely for periods of Arab Spring and higher turbulence. In the event of a complete shutdown, a Red-Med option would represent a significant value (both cost and time) compared to the extra 4,708-6,000 nautical mile journey around the Cape of Good Hope. In 2014, Lloyd's of London Insurance Market (Lloyd's) simply recommended that ships take the 6,000-mile route around South Africa instead of using the Suez Canal.⁵⁷ In September 2016, Lloyd's welcomed a new maritime hub at Port Sudan to provide a crude oil transportation alternative should Egyptian unrest force the Suez to close.⁵⁸

Dr. Oded Eran is correct when he points out that "it has become common for countries to demand an alternative freight route" (Emont). In fact, it has become prudent as well. Additionally, operation of the railroad within Israel is projected to include both freight and passenger services. These lines of effort could, to some degree, offset the projected losses. Globes reports that "the 180-kilometer line will run through the Arava Valley and Nahal Zinn," linking to and upgrading existing railway in Israel and cutting travel time between Tel Aviv and Eilat to just two hours"

⁵⁷ Joshua Levitt, "Israel-China Alliance Moves Forward With \$2billion 'Red-Med' Freight Rail Link Alternative to Suez Canal," 24 Mar 2014, The Algemeiner, 15 Mar 2017 <<https://www.algemeiner.com/2014/03/24/israel-china-alliance-moves-forward-with-2-billion-red-med-freight-rail-link-alternative-to-suez-canal/>>.

⁵⁸ Luke Graham, "Cargo ships could save thousands by skipping the Suez Canal," 26 Feb 2016, CNBC, 15 Mar 2017 <<http://www.cnbc.com/2016/02/26/cargo-ships-could-save-thousands-by-skipping-the-suez-canal.html>>.

(Rettig). This could generate additional demand and stimulate the economy of Eilat.

“Those who use the canal may find the alternative of train and using the Red Sea cheaper. You see there’s demurrage on the Suez – congestion charges. We pay for waiting in line,’ [Eran told Haaretz. Still, he said the rail link is not a way to compete with Egypt.] ‘We want the Egyptian economy to strengthen,’ he said. ‘[Med-Red] is simply a way of facilitating transport between the industrial centers of the north to the south’” (Levitt). This project affords Israel a vital and economically profitable role in linking the East with the West and a solid foundation for building its own infrastructure in its ‘turn toward the Pacific.’

By facilitating the movement of shipping containers coming from China to Israel’s interior, this “Red-Med” rail line would surely secure Israel as an export market for China.⁵⁹ Nonetheless, short of a meltdown in Egypt, many doubt the ability of such a line to attract enough demand for it to survive, not to mention a problem of capacity. Peter Sand, the Chief Shipping Analyst at BIMCO believes, “the rail line will effectively service Israel-Asia trade but will prove an expensive alternative for freight destined for Europe.” He goes on to explain that, “the trend is for larger and larger vessels to be deployed on the FE [Far East]-Europe trade, limiting the transshipment to a minimum in order to optimize your network and cut cost” (Emont). Transshipment in this case would mean unloading the cargo to facilitate a different means of transportation and, in this case, from ship to rail and potentially back to ship at the end of the line. “To be sure, cargo must be transferred to rail and reloaded at the opposite end, but this is often already

⁵⁹ Emma Scott, “China’s Silk Road Strategy: A foothold in the Suez, but looking to Israel,” *China Brief* XIV.19 (2014): 10-13.

the case when large ships reach the canal” (Rettig). Mr. Sand estimated that “a fully operational Red-Med rail line would at most attract 3 percent to 4 percent of Asia-Europe trade, assuming there are no difficulties with the Suez route” (Emont). This percentage, although small, is applied to a very large amount and could be enough to justify the alternative route. Once again, the idea behind the Med-Red is to be an alternative in case of issues with the Suez, and there is more to evaluating the project than just the obvious cost. There are potentially sizeable benefits for Israel.

Wide Lens vs. Narrow Lens

Given just the “back of the envelope” figures the project may not appear cost effective; however, infrastructure of this sort deals with the allocation of resources and complication of network effects within the transportation sector. Goods flow over networks at certain speeds and costs but the infrastructure laid down and all other development effects (four pillars) must also be part of the equation.

The magnitude of Beijing’s “New Silk Road” foreign economic strategy requires a wide lens to digest. While local commercial undertakings can be viewed in isolation, such a project as the Med-Red must consider the entire map, all network effects, to determine the local supply and demand equation. In this instance, merely considering the ground level view, through the lens of current capacities and economic conditions without regard to the larger picture of the OBOR strategic project or the national strategic pillars of Israel will lead to incomplete information for the decision maker.

Uriel Lynn, of the Federations of Israeli Chambers of Commerce, believes that would substantially impact Israel’s economy in a positive

sense, by accelerating Israeli-EU and Israeli-Chinese trade in mutually beneficial ways.⁶⁰ What is this economic impact? It is conceivable that this could stimulate the development of heavy industry in the Negev which would create jobs, develop higher tax revenue, provide an internal use of the recently discovered natural gas fields, and increase exports of final goods. In addition to a new ability to move freight, Israel's potential could lie in becoming a regional commercial logistics hub similar to historical port cities with a leg on each side of key trade and shipping routes. (i.e. Singapore, Hong Kong, and Colombo).⁶¹ Roi Feder, Managing Director of APCO, Tel Aviv points to the possibility of Israel becoming something of a 'one-stop shop' by maximizing all of its comparative advantages. "In view of Israel's growing gas reserves...a potential Israeli role as in-situ industrial-manufacturing base for China (and other countries) – more cost-effective than importing liquefied natural gas shipments to home industries from Israel via its Cyprus terminal – with easy access to energy and export markets such as the EU" (Lim, *Israel and China's Silk Road*). He believes that the interaction of Israel's human capital, efficiency, and technology applied to a combination of port-to-port land bridge, transit hub, and industrial center all with the capital, energy, and innovative spirit would produce remarkable results.

Society benefits as the businesses created then attract population to the Negev thereby fulfilling Ben Gurion's dream and strengthening the middle class with well-paying, manufacturing jobs. Additionally, there would be increase usage of the new international airport in Eilat as this mode

⁶⁰ Jon Emont, "Will Bibi's Chinese Choo-Choo Train Save Israel and Transform the Middle East?," 2015, 16-Jun, *Tablet Magazine*, 2017, 15-Mar <<http://www.tabletmag.com/jewish-news-and-politics/175373/red-med-link-china-israel>>.

⁶¹ Kevin Lim, "Israel and China's Silk Road," 2017, 17-Jan, *Sino-Israel - Signal Perspectives*, 2017, 25-Feb <<http://en.sino-israel.org/publications/signal-perspectives/israel-and-chinas-silk-road>>.

of high-speed transportation and the increased economic activity in the south would make them an even more attractive destination.

Rail is a strategic asset for the moving of heavy military equipment from north to south/south to north vs. the road infrastructure, which is easily damaged by heavy military transportation. Large-scale troop movements can occur more rapidly with the increased capacity of the new rail service.

From a diplomatic point of view, the Med-Red, with inclusion of goods destined for Jordan or potentially having the port of Aqaba being the end of the line, could possibly strengthen relations between Israel and Jordan as well as provide a lever for diplomatic pressure.

City-states along the ancient “Silk Road” trade route became wealthy and powerful beyond imagination while those bypassed withered. We live in a global economy where goods must be moved. The choice to be a transportation hub brings both benefits and costs. Whether using a narrow or wide lens, “land freight is cheaper than air and faster than sea, but maritime shipments remain the cheapest existing option. Part of the viability of the historical Silk Road was precisely that it comprised alternative routes such as those that skirted Western China’s treacherous Taklamakan Desert” (Lim, *How Israel can align itself with China's Silk Road*), just as the Med-Red provides an alternative to the Suez Canal or transit through Syria.

Additionally, city-states along the ancient “Silk Road” trade route became wealthy and powerful beyond imagination while those bypassed withered. Israel does not want to be bypassed. Living in a global economy where goods must be moved, the choice to be a transportation hub brings both benefits and costs well beyond the obvious. “If Israel seizes the current window of opportunity while being sensitive to America’s regional interests, it may become a critical trading route between East and West” (Feder).

“Successful implementation of the Red-Med project as part of China’s BRI would make Beijing a major player and a “responsible stakeholder” with an increasingly significant impact on Middle Eastern peace, stability and security. China can choose to become a stabilizing regional force, a position that would suit the local states as well as safeguard Chinese interests” (Chaziza)

Chapter 4

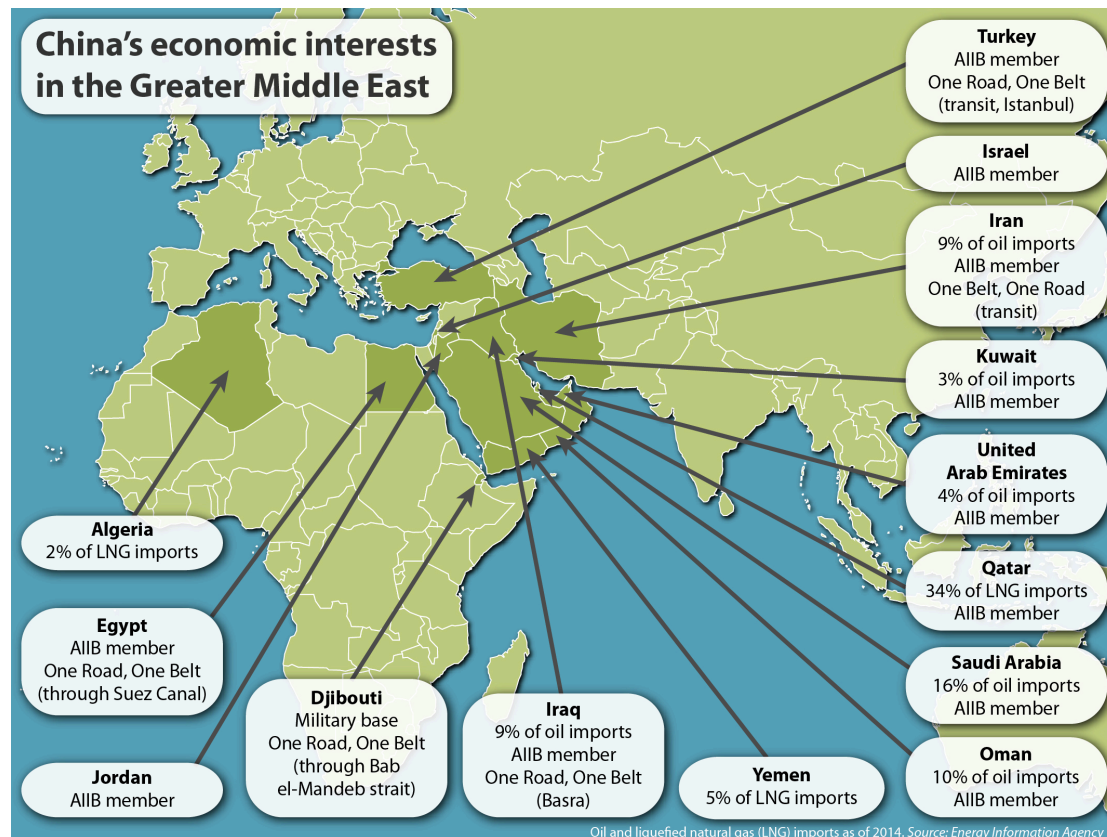
Moving Forward with OBOR

INTERESTS: CHINA

China's broad national interests discussed in detail throughout this paper drive the OBOR initiative. They include continuing rapid economic growth, preserving its political system, defending its sovereignty, and expanding its global economic and political influence. The question is, what are China's interests concerning the Middle East? This question revolves around the four pillars of national security: security, political, society, and economics.

China's economic goals have been discussed and go hand-in-hand with China's social concerns. About energy, raw materials, and trade route security there is more to be discussed as they demand China establish close relations with the relevant governments and the securing of its regional presence. Because China relies on these commodities she invests in developing the durable infrastructure that will ensure access for years to come; therefore, far greater involvement in the region is unavoidable. When forced to take a stand on regional politics, China will most likely side with forces of regional stability.

Today Russia is China's largest single energy supplier; however, the Middle East and North Africa (MENA) remain the largest sources of oil imports. The bulk of these supplies travel by sea. Just as the Suez Canal can be a chokepoint for trade, so too is the Strait of Malacca a potential point of failure for China's energy and raw material imports. In a nutshell, the OBOR's primary purpose is to build multiple routes and to encourage (ensure if required) the regional stability needed to keep them open.



Source: (Agency)

Since the Persian Gulf supplies half of China's domestic demand for oil, political instability in the Middle East Region is a constant concern for Beijing. Matan Vilna'I, the former Israeli Ambassador to Beijing, wrote, "China's policy in the Middle East has a proven ability to conduct fruitful ties with a range of players in the region, and even maintain parallel relations with bitter enemies (Iran and Saudi Arabia; Israel)" (Evyatar). He continued that, "Based on this potential, it would be appropriate to promote joint initiatives for China, Israel, and the pragmatic states, so as to maximize existing and developing potential and highlight China as a significant player in advancing regional stability using an economic strategy that incurs limited risks" (Evyatar).

As highlighted in chapter IV, many cross currents affect the region as a whole, while at the same time, OBOR priorities are split between

accessible trade routes in the West and the free flow of oil and gas in the East. China requires the organized and unrestricted movement of economic factors. With this as its goal, it is encouraging partner nations to cultivate multifaceted mechanisms for the purpose of building inclusive and balanced economic cooperation architectures that benefit all.

The current Middle East political, economic, and security situation echoes the age-old hostility between Teheran and Riyadh, exemplified by multiple conflicts. While there is no shortage of specific examples, the region continues to reflect radicalism and destabilization; however, there may be room for optimism. These forces bent on decay seem to have created something new. An emerging pattern of regional networks of nations has developed to counterbalance the rise of those devastating the Middle East. These include such unlikely partners as Israel, Saudi Arabia, and other Gulf Countries. In response to this, Prime Minister Netanyahu said: “for the first time in my lifetime, and for the first time in the life of my country, Arab countries in the region do not see Israel as an enemy, but, increasingly, as an ally” (Haghirian). He continued, “the great opportunity for peace comes from a regional approach involving our newfound Arab partners in the pursuit of a broader peace with the Palestinians” (Haghirian).

INTRESTS: PERSIAN GULF – IRAN & GCC

The Persian Gulf is critical to the global energy market, making it one of the most significant strategic waterways on the planet. Iran’s location and relationship with China guarantee that it will disproportionately benefit from the OBOR. The GCC states are rightly concerned about the initiative enhancing Iran’s position in the Middle East’s geopolitical order. The best option for GCC countries is to use OBOR to their advantage to offset

relative gains made by Iran. The threat comes from Iran, which will use greater material wealth to develop greater political influence outside its borders.⁶²

Business transactions and energy needs will inevitably pull the GCC and Iran closer to China in the future. Oil-rich nations in the Gulf are inextricably linked to China's economy. This will only increase in the foreseeable future. It is in Beijing's interest to maintain neutrality and balance between Riyadh and Tehran's escalating tensions, knowing full well that it cannot please all actors in the polarized Middle East.

Both the GCC and Iran needed to find alternatives to the Strait of Hormuz. Ideally no nation would have to exclusively rely on the Gulf. As to exports, ever since the Iranian Revolution, policymakers have looked nervously at the Strait of Hormuz, through which a fifth of the world's oil passes. And recently there have been increased tensions over sanctions and Iran's nuclear program has led to more jitters about the strait.

Threats over the waterway kept just below the boiling point have the side effect of increasing oil prices and insurance rates. Hostilities in the Gulf increase insurance premiums on tankers as much as \$6 per barrel, benefitting any nation who has alternative access to the sea. These players can charge the same total price even though their product is not charged the premium.

To counter this perverse incentive, Iran is actively building a pipeline to its southeastern Chabahar Port with access to the Indian Ocean. This port in southeastern Iran has geostrategic importance with associated rail and pipeline infrastructure serving as both an oil and freight terminal that gives

⁶² Jeffrey Payne, *The GCC and China's One Belt, One Road: Risk or Opportunity*, 2016 йил 11-Aug, 2017 йил 7-Feb <<http://www.mei.edu/content/gcc-and-china-s-one-belt-one-road-risk-or-opportunity>>.

Iran direct access to the Indian Ocean and the world. It is intended for future trade between Russia, Iran, and India, but more specifically it is required for the transportation of vast natural resources that are to be extracted from Afghanistan's interior. The facility will give Iran's petroleum industry access to additional markets as goods will flow through Chabahar.

A little over 100 miles to the east China is building Gwadar Port with 30 times the cargo capacity. Though China is unlikely to worry about Chabahar given the smaller trade capacity, the fact that Chabahar opens prior to Gwadar is a detriment to China as once businesses establish a route they often do not change. Chabahar allows Iran to circumvent and compete with the desired routes in which China is investing as once the pipelines are flowing the oil is no longer a trapped resource destined only for China but a resource now available to the world market.⁶³

Additionally, Saudi Arabia has a partial capacity (5 million barrels per day (BPD)) through its Petroline pipeline to the Red Sea. Abu Dhabi's Habshan-Fujairah pipeline's 1.5 million BPD capacity to the Indian Ocean is a first step in a much-needed wider Gulf network. A Petroline expansion to 11 million BPD would be enough, not only for all Saudi exports but Kuwait's and Qatar's, too. But, despite their proximity, the countries' oil pipelines are not linked.⁶⁴ A shutdown of oil production would leave most Gulf countries short of the natural gas required to generate electricity. In summer, air conditioning and desalinated water are not luxuries but essential to life.

⁶³ Faseeh Mangi, "China's New Silk Road Hinges on Small Pakistan Port," 30 Sep 2016, [Bloomberg](https://www.bloomberg.com/news/articles/2016-09-29/china-s-new-silk-road-hinges-on-a-small-pakistan-port), 30 Apr 2017 <<https://www.bloomberg.com/news/articles/2016-09-29/china-s-new-silk-road-hinges-on-a-small-pakistan-port>>.

⁶⁴ Robin Mills, "GCC needs to find alternatives to the Strait of Hormuz," 22 Feb 2012, [The National](http://www.thenational.ae/business/industry-insights/energy/gcc-needs-to-find-alternatives-to-the-strait-of-hormuz), 13 Mar 2017 <<http://www.thenational.ae/business/industry-insights/energy/gcc-needs-to-find-alternatives-to-the-strait-of-hormuz>>.

As to the import of goods, a non-Gulf and rail alternative is required. The Saudi Land bridge Rail Line from Riyadh to Jeddah should be accelerated. This line will open the Jeddah Port on the Red Sea for unhindered delivery of resources and freight capable of servicing the needs of all GCC members. "There are numerous opportunities to safeguard the Gulf's lifeline. To capitalize on the possibilities requires the GCC to realize its intended purpose: achieving collective security" (Mills). These projects should be linked to ensure regional and, in this case, global economic security.

INTERESTS: ISRAEL

For Israel, there are questions that must be answered as well. But first, they must be asked. What are Israel's interests concerning China? How can the OBOR promote Israeli interests? These, she will have to answer herself.

The focus is twofold: in which areas can China promote Israeli interests, and how can China's help be enlisted in this regard. As above, the questions divide primarily along the four pillars of political, defense, social, and economic lines. Israel's economic interests are to increase GDP and per capita income, to maintain a positive balance of trade (with China in particular), access to markets, and to incentivize investment in the local market. Because trade stimulates diplomatic activity, such a situation would improve Israel's balance of payments, as well as strengthen relations with China and other trading partners.

Israel's geographical position, innovative human capital, and technological know-how make it possible for Israel to play an outsized and pivotal role in China's massive project, and the opportunity to shape Chinese thinking and strategy in the region. China and Israel have a great deal to

offer each other, mutually beneficial trade is easy to imagine, e.g., desertification prevention, alternative energy sources, security expertise, and water desalination, high-tech, goods, infrastructure, etc. “As the Chinese [and all nations along the routes] go about restructuring their economy, they need assistance in preventing desertification, refining water desalination, improving their agricultural capacities, and integrating high-tech into their economy” (Tepper). For these fields, Israel is an international leader bringing the ideas and innovative mindset to reality across the globe.

Israel stands to make substantial contributions to the OBOR due in large part to its ability to synthesize risk into pragmatic outlets for cooperation and technological innovation. Most prominently featured in security, water management, and agricultural domains, Israel has used its adversity to carve a niche into the international arena as the preeminent ‘startup nation.’ For China and the broader fate of the OBOR, Israeli participation would be value added to the extreme. Israel could solve intricate and unforeseen challenges part and parcel in a multinational initiative such as the OBOR. As a globally recognized leader in innovation and security technology solutions, Israel has the possibility of mitigating many of the massive security challenges that may be faced by the OBOR. Israeli technological innovation and start-up culture would help decrease project operational and investment risk.

“As over 60% of the BRI covers areas with significant drought, Israeli water management technology and agricultural solutions could help decrease investment risk while promoting environmentally sustainable solutions to increasing agricultural demand across the 60+ countries” within the initiative (Witte and Sunshine). Sino-Israeli collaboration projects in both areas are already underway. For example the Chinese “city of water”

Shaoxin has benefited from Israel's innovative water technologies for the development of municipal, agricultural, and industrial water infrastructure. This serves as an example of just how Gwadar's, and its delayed megacity's, water and local agricultural production problem could be solved by the little "Start-Up" nation.⁶⁵ Opportunities for Israel along the OBOR are many. Newly established sea ports and airports, railways, warehouses, and transportation systems require advanced technologies and related systems for trains, aircraft, and marine engineering, security, and measurement.

The innovative tech originating from Silicon Wadi has clear (market ready) applications within existing Chinese investment projects. China and OBOR partner nations stand to be the beneficiaries of extensive Israeli R&D investments (over decades) to meet the evolving needs of the OBOR initiative.⁶⁶

Clearly, Israel can profit by capitalizing on the opportunities presented by the OBOR, whether or not the land route across the country is pursued. However, if the Red-Med is shelved, the greatest potential win for Israel and the region will have been missed.

⁶⁵ Carice Witte and Yehudah Sunshine, "Israel & The Belt & Road Initiative Blue Book Essay," Essay xsl:call-template name="templ_prop_Comma"/> Signal, 2017.

⁶⁶ Ibid.

Conclusion

ISRAELI LAND BRIDGE

In order to ensure reliable access for Chinese commercial shipping from the Red Sea to the Mediterranean Sea, the Chinese government has adopted a dual-track approach, simultaneously expanding its interests in the Suez Canal corridor while also pursuing a land-based route through Israel.⁶⁷ The Red-Med railway through Israel thus has regional geostrategic and geo-economic significance. The rail project, as described, would "increase economic cooperation and strengthen security coordination, thus helping to maintain regional peace and stability, stimulating economic activity, and furthering diplomatic relations with China, the region, and other trading partners" (Chaziza).

Questions of whether or not to include Jordan in the project have arisen. Jordan and Israel's governments already enjoy good relations, and the newly renovated Aqaba Port has higher capacity and access to deeper waters than that of Eilat. If the rail line were extended to Aqaba the amount of cargo traveling the line could increase dramatically. Dr. Eran believes the Red-Med project without a link that would include Jordan would be an opportunity missed. He states, "It doesn't exploit fully the benefits of relations with Jordan, especially in relation to transport," he said. "There's a semi-used port in Aqaba, Jordan – we could have used that infrastructure. It would have been economically and politically correct to work together on this." Eran says including Jordan would make the link much more appealing to importers and exporters" (Cunningham, *New Rail Freight Link Could Become 'Israel's Suez Canal'*) Dr. Eran is correct; it is the policy maker who

⁶⁷ Emma Scott, "China's Silk Road Strategy: A foothold in the Suez, but looking to Israel," *China Brief* XIV.19 (2014): 10-13. Emma Scott, "China's Silk Road Strategy: A foothold in the Suez, but looking to Israel," *China Brief* XIV.19 (2014): 10-13.

is asking the wrong question. While moving in the right direction, the question is indicative of a vision that is much too narrow.

The OBOR, this project, in particular, could transform the region. It has the potential to align the interests of great and regional powers, find common ground against extreme Islamic elements and regional conflicts, which threaten all parties and their interests.

Although a strategic alternative, the route being discussed, even with the inclusion of Jordan's Aqaba Port, would be relatively unimportant. It would in effect be simply an alternative route to the Suez with weak demand and, barring turmoil in Egypt, underutilized. A more comprehensive land-based trade corridor could create a route that offers greater value, solves the deeply troubling issue of the Strait of Hormuz, and strengthens relations between GCC members (specifically Saudi Arabia), Jordan, and Israel at the same time.

Israel, throughout her history, can reasonably be described as “absurdly ambitious: Irrigating its desert, designing microprocessors, developing drones, shooting down rockets, being the smallest country to launch its own satellites” (Gelernter) Israel is the ultimate “Chutzpah Superpower.” Proposing Israel embark on a preposterously complex infrastructure project with potentially insurmountable political implications isn't altogether out of the question.

Tracks for Peace

Israel's Minister of Transportation and Intelligence, Israel Katz, is advocating for what he has called “The Regional Land bridge & Hub Initiative.” Minister Katz goes on to say that, “It can be a game-changer” (Ignatius). In light of steadily improving regional relations with many Arab

nations, Minister Katz is proposing to link existing and new rail lines that could cut overland travel distances between the Mediterranean and key Arab destinations by a half or two-thirds.⁶⁸ "The plan would take a railway line that dates to Ottoman and British times, known back then as the Hejaz Railway and its Haifa Branch. A recently reconstructed part of this line links Haifa to Beit Shean at the border along the Jordan River. The idea is to continue that line to Irbid in northern Jordan and then connect it with a Jordanian rail hub that would stretch north to Damascus, east to Baghdad, southeast to Riyadh and the Gulf, and south to Jeddah and the Red Sea" (Ignatius). While not being advertised as a peace plan, if a spur line running south to Jenin in the West Bank were completed, it would offer some economic benefits for the Palestinians.

Such a "“land bridge”" would mean a striking reduction in travel distances: The overland rail connection between Haifa and Dammam in Saudi Arabia would be 1,763 kilometers, compared with 6,169 kilometers by sea; a trip to Irbid would be 120 kilometers, vs. 1,446 by sea, via Aqaba. The Baghdad link would be 2,145 kilometers vs. 7,782 by sea, via Basra.⁶⁹ Many diverse stakeholders could easily find shared interests in such a plan. The Palestinian Authority and Jordan would receive a much-needed lifeline. "Jordan would become a regional transportation hub connected to the Israeli rail system with access to the Mediterranean and also have the potential to link up with the rail systems in Saudi Arabia, the Gulf states, and Iraq to the east and southeast" (Keinon). Additionally, there would be a viable alternative to the Suez Canal; the Gulf States would have a freight

⁶⁸ David Ignatius, "Israeli hard-liner proposes railway link to Arab destinations," 11 May 2017, [The Washington Post](https://www.washingtonpost.com/pb/blogs/post-partisan/wp/2017/05/11/israeli-hard-liner-proposes-railway-link-to-arab-destinations-it-can-be-a-game-changer/?outputType=accessibility&nid=menu_nav_accessibilityforscreenreader), 20 May 2017 <https://www.washingtonpost.com/pb/blogs/post-partisan/wp/2017/05/11/israeli-hard-liner-proposes-railway-link-to-arab-destinations-it-can-be-a-game-changer/?outputType=accessibility&nid=menu_nav_accessibilityforscreenreader>.

⁶⁹ Ibid.

alternative to the Strait of Hormuz. From a security standpoint, such a strategy would relieve shippers of the need to depend solely on the Strait of Hormuz, where goods now borne via the waterway and through the Red Sea could instead be taken overland straight to port by railway, while simultaneously boosting the Jordanian and Palestinian Authority economies. As for eastbound trade, they would also have an alternative to the Bab el-Mandeb Strait at the mouth of the Red Sea. Much of the rail infrastructure to accomplish this is already in place.

Israel — strategically located at the apex of three continents — is a logical land bridge already in use by Turkey. In fact, though not using a rail line, Turkey is already using Israel by landing, via ferry, 5,000 Turkish trucks at Haifa and then moving them overland from Haifa to the Jordan River Crossing/ Sheikh Hussein Bridge. Once here the trucks move further east to Jordan, Saudi Arabia and the Persian Gulf.⁷⁰

"Katz said the railway would bolster economic and strategic ties between Israel and its Sunni neighbors. Also, he said, it would give West Bank Palestinians greater access to regional trading partners other than Israel and Jordan, and Saudi Arabia would earn more secure overland trade routes and access to the Mediterranean Sea" (Tobin). Ideally, then many nations would step in to sweeten the deal with political, logistical and economic backing. The benefits would be amazing, but still leave much on the table. Minister Katz's plan as presented would accomplish the following:

1. All but ensure that the Hejaz Line (at least to the Jordanian border crossing) and spur to Jenin be funded by the Israeli government,

⁷⁰ Herb Keinon, "'Historic' Plan Unveiled To Link Arab States to Israeli Ports," 5 Apr 2017, [The Jerusalem Post](http://www.jpost.com/Israel-News/Historic-plan-unveiled-to-link-Arab-states-to-Israeli-ports-486179), 30 Apr 2017 <<http://www.jpost.com/Israel-News/Historic-plan-unveiled-to-link-Arab-states-to-Israeli-ports-486179>>.

2. Completely negate any justification for the Red-Med line to Eilat with the construction of the Hejaz line to the Jordanian border would

By altering the plan slightly, all players could receive the same benefits, while at the same time, Israel would gain a north/south freight and passenger line with the additional social, economic, security, and diplomatic benefits outlined in previous chapters. Alterations to the “Tracks for Peace” plan would be as follows:

1. The recently reconstructed line from Haifa to Beit Shean should end in Jenin. This will ensure benefits to the West Bank,
2. The Red-Med line, to include the ports of Eilat and Aqaba, and its funding should be the focus of international diplomatic efforts,
3. The existing Aqaba Railway will connect to the Hejaz line, thereby tying it into the same network discussed above,
4. The Hejaz line heading south to the Muslim holy city of Medina will create direct connection to the ports of Yanbu and Jeddah as well as connection to the Saudi Arabian Land bridge rail infrastructure to Riyadh and beyond.



Source: (Dorrbecker)

The effect of these minor changes would include the following additional benefits:

1. External funding,
2. North-South, high speed, freight and passenger rail line to Eilat,
3. Ability for GCC members to completely bypass the Strait of Hormuz, and
4. Creation of an alternative for the Suez Canal from Jeddah/Yanbu to the Mediterranean.
5. Israeli jobs and transit revenue from traffic along the line from Eilat/Aqaba.



Source: (Ghazaleh)

While not a peace plan, this could surely be very positively marketed to a variety of nations with a broad spectrum of interests. China, the United States, the European Union, and GCC member states would all share an incentive to see such a project through. By grouping stakeholders by individual segments of the overall project, Israel would be able to effectively spread the investment risk among interested parties. Israel could maneuver in such a way as to potentially shoulder none of the investment risks but enjoy all of the benefits, while at the same time be able to reverse the decision in the event of unacceptable security concerns.

This, slightly modified, proposal for the “Red-Med” railway must, of course, compete with a number of projects seeking donor nation funding around the world. The advantages it has over these competing projects are that China wants an alternative route to the Suez Canal and the West doesn’t

want China to be seen as creating a new reality in the Middle East. Minister Katz's statement holds true, "Beyond its contribution to Israel's economy, to the Jordanian economy, which is under pressure, and to the Palestinian economy, the [Red-Med] initiative will connect Israel economically and politically to the region and will consolidate the pragmatic camp in the region;" therefore, it is in Israel's interests to pursue the Red-Med as a viable opportunity (Keinon).

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