Threat Assessment:
Convergence of China’s Economic Globalisation Strategy and Encroaching ISIS Aspirations for the Asian Caliphate

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Executive Summary

Introduction

The Economic Globalisation Strategy of China is in full motion. This hugely ambitious program of economic expansionism and engagement includes the creation of pivotal Southern and Northern shipping lanes, land corridors traversing Central Asia deep into Europe, and economic highways that swing south into South and Southeast Asia. On the other hand, the Islamic State in Iraq and Syria (ISIS), has declared it’s own sovereign state and continues to expand it’s Middle Eastern borders, as well as develop global affiliates and support. They too have declared equally sized and ambitious strategic plans – the creation of a global Caliphate. This Caliphate would stretch from North Africa, through to the Middle East and eastwards to Central, South and Southeast Asia.

This report examines the prospects of a looming and significant convergence of the global aspirations of ISIS and China’s ‘Go Global’ economic model – of which the Silk Road Economic Belt, and the Eurasian engagement strategy are critical components. This convergence will see Chinese interests collide with ISIS and its local affiliates plus other non-affiliated localised Islamic groups from the Central Asian steppes, through the entrenched lawlessness of Afghanistan and Pakistan, to the volatile and fluctuating insecurity of South and Southeast Asian nations.

How this convergence will manifest itself will depend on the growth of ISIS in Asia and its possible degradation or evolution in the Middle East and North Africa, resulting ultimately in also a greater focus on Asia. Either way the evidence is clear that ISIS has already penetrated Asia and one can be sure that ISIS will continue to grow in the continent. What remains to be seen is whether that expansion takes place through its current form or whether it morphs into a more transnational terror organisation to achieve its strategic aims, or through a mix of the two. This convergence will also depend upon where and how China meets ISIS directly and manages the subsequent inevitability of conflict.

Fifteen months ago when research commenced on this assessment, the belief then was that the eventual military campaign by the Western powers and Arab nations to degrade the existing Caliphate would simply accelerate the globalisation of ISIS ideology and expand the transnational nature of the group, therein exacerabating the threat.
That hypothesis still stands. However, the expected campaign was ultimately not led by the West. Instead Russia along with Iran have taken the initiative and seem to have been more successful in degrading ISIS infrastructure as compared to the Western powers and the ‘moderate rebels’ it supports. Unfortunately the missed opportunities of the past left no other option for other members of the international community but to launch a tangible campaign.

The potential for a significant resurgence in militant and terrorist activities in Russia and the Central Asian nations aligned with Russia has exponentially increased since this report was instigated. Russia’s foray into Syria has seen to that. Although obstinately there to support the Assad government against the array of rebels fighting the government; the Russian attacks on ISIS targets will ensure a response from Islamic State supporters and undoubtedly rekindle Caucasus related militancy. It is the potential spill over and ripple effect into the Central Asian nations that essentially is unknown and has the potential to be underestimated. Obviously this blowback will be determined by how deeply Russia becomes involved in not just the Syrian conflict but in striking ISIS as part of their justification for getting involved in the first place. The dynamics of militancy in Central Asia may change for the worse in the coming years and present ISIS with a fertile recruitment ground that until now was apparently under control.

The real issue will be just how far the cancer will spread and how many other regional or far afield groups are co-opted by the time this occurs. Either way it is academic; but is it a strong statement to say that ISIS is growing at a staggering rate and will simply continue to do so? And as such, China and its Asian partners will face an increasing convergence with international and regional terrorist groups as the globalisation strategy pushes further afield? There are clearly many differing and divergent perspectives and opinions on ISIS’ strength, capability and motivations. Do ISIS melt like hot butter when faced with a properly trained and experienced conventional force or a sustained indigenous resistance?

Hard to say, as, until now, ISIS have only had direct face offs against the Syrian and poorly motivated Iraqi armies, with the latter seemingly melting themselves like hot butter on quite a few occasions against ISIS aggressions. Other than the recent ‘boots on the ground’ assistance from Iran, there is no other properly trained and experienced conventional force seems willing to go toe to toe with ISIS at the moment. Therefore judgment on ISIS’ resilience against a properly trained conventional force will have to be reserved for the time being.
As for the plethora of ‘moderate rebels’ and ‘friendly rebels’ fighting against ISIS and the Assad regime, and amongst themselves; they too seem to have on occasions melted away since the Assad regimes air supremacy has been restored with Russian intervention. There is also the small detail of the diversity of the affiliate groups ISIS has successfully reached out to across the Islamic world or who have offered their allegiance. From the longevity of experience of the battle hardened elements of the Taliban and the Islamic Movement of Uzbekistan, to the ruthlessness of the Chechen rebels, to the relative newcomers, but frighteningly brutal Boko Haram, between them they all bring significant battlefield and terrorism experiences to ISIS.

The fact that much of the leadership of ISIS is constituted by former Iraqi military commanders and Baath party members is also a significant point not to be in any way underestimated and written off. The arbitrary way in which the US disbanded the Iraqi army during their occupation of the country essentially acted as the single biggest ‘radical recruitment and head hunting exercise’ the militants could have hoped for.

The fact that the Libyan franchise of ISIS, where not many foreign Jihadis are present, is considered to be the most lethal among all ISIS franchisees should subdue any hesitancy regarding the perception that globalisation of ISIS is indeed a clear and present danger. Add to the mix countries like Afghanistan and Pakistan – where all the well-trained conventional forces of the world have failed to defeat the militants there for the last 14 years. The seminal baseline point to take from all these observations and initial points and questions is that ISIS is growing in other parts of the world, irrespective of the outcome of Iraq and Syria. Not many people are recognising or acknowledging this. This report seeks to address that issue.

China is moving to solidify their global aspirations through an ambitious, extensive network of land and maritime trading routes

Globalisation of ISIS is indeed a clear and present danger
Overview of China’s Economic Globalisation Strategy

The big picture is staggering; China is moving to solidify their global aspirations through an ambitious, extensive network of land and maritime trading routes providing inter-connectivity from the Pacific to the Atlantic. It is creating an economic and trading hegemony through an ambitious plan of economic expansionism. Just as the US declared ‘their pivot to Asia’ a few years back, something that was largely conceptual at that time and not quite ready for full implementation, China had their own concept for a ‘pivot’. The US has since responded to the blatant erosion of their hegemony in an overtly aggressive manner. The fact of the matter is that the perception held in Washington at that time was one that simply did not read the Chinese intentions as seriously as they should have been. The Chinese push for globalisation is essentially a counterbalance to US global dominance - on a trade, currency, military (in terms of spread and presence) and cultural basis.

However, it is not just about economic hegemony; it is also about China’s broader security strategy, its energy security, food security and above all its own aspirations to be a hegemonic global power. The land push across Eurasia coupled to the consolidation from the South China Sea to the Horn of Africa all combine into a holistic pivot westwards. The counter argument to this is that the US has dominance on so many levels that China is perceived to be considerably far behind in their aspirations.

Perhaps that perception coloured the view from Washington that the structural weaknesses in the Chinese economy were so severe that on a per capita basis they lagged far behind. Perhaps the same view cloaked the reality that China was pursuing not just a local strategy of engagement in Asia but a much broader and much more ambitious one.

Militarily, China is creating an arc of defence and, when needed, offence, to effectively slice through the US peripheral encirclement of China that has been an integral and fundamental strategic imperative for the US over the past 25 years in Asia and Eurasia. It is not just about China though. Russia is benefiting and will continue to do so from co-operation with China’s globalisation drive and her own eastward re-orientation.
The collaborative approach between both countries has stirred draconian responses in a vain attempt to inhibit the collective re-positioning of geo-political alignments. These alignments have the potential to shift the balance of global forces to the Eurasian heartland, thus creating both an economic and security counterbalance to the US and its allies’ dominance of this land mass.

It is truly a strategy of global projection and proportions, from the virtually unheard of Rajin port in the northern tip of North Korea, through the entire Central Asian region, spreading south and southeast through the Asian states. Land and sea routes will be utilised to bring an economic dynamism to the most important land mass in the world – Eurasia – and link not just countries but continents. This will assist China in securing their energy security requirements and strategic repositioning to counter US influence across Asia and the Middle East.
Silk Road Economic Belt (SREB)

The Silk Road Economic Belt (SREB) is geared to connect Eastern China with Eastern Europe by developing trade routes / economic corridors spanning across the Xinjiang autonomous region of western China, Kazakhstan, Kyrgyzstan, Uzbekistan, Russia and the Ukraine.

China-Pakistan Economic Corridor (CPEC)

The China-Pakistan Economic Corridor (CPEC) is a development megaproject which aims to connect Gwadar Port in southwest Pakistan with Kashgar in Xinjiang. As per the plethora of Memorandum of Understandings (MoU’s) signed under the project, Chinese government and banks will finance Chinese companies to invest US$ 45.6 billion in energy and infrastructure projects in Pakistan over the next six years.

Singapore-Nanning Economic Corridor (SNEC)

The Singapore-Nanning Economic Corridor (SNEC) looks to connect southeastern China with the global port of Singapore, whilst simultaneously bypassing the Malacca strait and further developing highly valued trading relations with ASEAN major and minors alike. The Kingdom of Thailand plays a pivotal role in regard to the SNEC’s development as the route initially enters the Kingdom from Malaysia in the south, covering multiple provinces before passing through the capital city of Bangkok and splitting into two towards the northeast of the city. One route, then extends to the north-northeast of the Kingdom before crossing into Laos, whilst the second route travels to the southeast before crossing into Cambodia.

Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC)

The BCIM-EC passes through some of the poorest countries in the region and is central to the success of China’s aspirations for South Asia and particularly securing energy security from the region. Access to strategically important sea and river ports, transnational land routes and again the sharply growing number of both actual and declared energy infrastructure projects plotted along the proposed BCIM route, the importance of the BCIM-EC geo-politically and economically is self-evident.
The Bigger Picture

In addition to the above developments, when the plans for North Korea and that country's integration into the North East Asia infrastructure network are incorporated (road, rail, shipping and air), the picture expands drastically. With the Trans-Siberian railway integration and interconnectivity along with the inclusion of maritime routes – the opening of the Northern Sea route, and the String of Pearls – the bigger picture becomes even more apparent.

China’s African strategy, largely focused on resources and energy requirements, has already exposed it to the volatility of North Africa and the Middle East. The losses China experienced in Libya with the fall of the Gaddafi regime were colossal. The subsequent chaos created by the Arab Spring and the rolling instability it brought to the region has taught salient lessons to China and those overseeing it’s foreign investments whether public or privately made. The rapid growth of ISIS across North Africa and the associated co-opting in other parts of Africa should focus China’s strategy to take account of the vulnerabilities of ISIS growth strategy in the short to medium term and how these lessons can be applied to other regions where ISIS has aspirations that clash with China’s plans.
Therefore given China is not the only player with such grand aspirations, with ISIS’s declaration of plans for the global Caliphate encompassing North Africa, the Middle East, Central Asia (including much of China’s Muslim Xinjiang province), swathes of South and Southeast Asia, the overlap with the Chinese globalisation strategy, that encompasses the Silk Road and Belt, raises a number of questions:

- Will the Chinese strategy meet the eastward expansion of ISIS?
- How much resistance can China expect to encounter as they push out?
- Where will the impact be felt most and when?
- Where can they expect to see it increase with time and growth?
- What risks will it pose to Chinese and host nations’ business enterprises?

The issue of energy security for China will be paramount in their eventual confrontation with Islamic extremism. However, the growth of ISIS in particular will draw them closer to direct engagements as China continues to court Muslim nations throughout Asia to the Middle East and North Africa. Will this be restricted outside Chinese frontiers or could it penetrate China? ISIS aspirations definitely include Chinese territory, they have made that explicit. What they have been less explicit about is how they plan to attain this aspiration, or do they merely seek to sow discord and spread fear?

**The Bigger ISIS Aspiration**
The prospect of an ISIS-inspired insurgency in China’s backyard, Xinjiang province, poses a particularly challenging problem for the Chinese. It will be all but impossible for ISIS to take and hold ground and create or add to a physical Caliphate. However, to foster and breed an insurgency will add to an increasingly unstable domestic terrorism problem for China. Do ISIS need to take and hold ground to be a thorn in China’s side? Many questions including the following need to be addressed:

- What is behind the increasing threat trajectory in radical Islamism in Asia and where may it go?
- What risks does this present to the Asian region and specifically China?
- How will these risks manifest themselves?
- Is ISIS the main threat or the main instigator of the threat?
- Will indigenous Islamist groups get on board to express local or regional grievances?
- How do China and Asian nations respond to the increasing threat?
- How aware are China and the Asian nations of the threat?
- What pre-emptive risk mitigation or denial strategies are in place or being developed?

China will face many indigenous terrorists groups throughout the region with varying localised and seemingly confusing agendas as well as more concerted and focused enemies in the form of structured regional players such as the Taliban, al-Qaeda and their affiliates. In addition to this, there is the growing threat and emergence of the most potent and dangerous transnational terrorist group since al-Qaeda at its height, namely ISIS. All of these threats will converge with China’s growing globalisation strategy.

China has a different set of problems to consider as a consequence. Unlike the Western powers and the US, ISIS actually has a plan for inclusion of Chinese territory within their Caliphate. When ISIS announced their plans for the global Caliphite China was the first country named in that list, identifying the Xinjiang region as a foreign occupied Muslim land. How prepared is China for the ‘long war’ that lies ahead of it?
The Convergence

The convergence of China's hugely ambitious globalisation strategy and ISIS's brand of increasingly globalised terrorism has, technically speaking, already started. China risks being dragged into the quagmire that is Afghanistan and is most certainly already up to her knees in Pakistan and getting deeper. ISIS has firmly set their sights on a mini Caliphate straddling Afghanistan and Pakistan, it is as strategic to them as the CPEC is to China. It will be ISIS’s foothold and bridge between Central and South Asia and ultimately South East Asia.

Overview of the Regional and Nodal Risks

Central Asia

The Silk Road and Economic Belt (SREB) is by far the most important of all Chinese trade routes as it will provide easier access for Chinese finished products, particularly from its underdeveloped western regions, to the European markets. While this route has great economic potential, it also has the unintended consequence of providing increased connectivity between Xinjiang and the Central Asian nations – particularly Kazakhstan, Kyrgyzstan and Uzbekistan. How the radicalised Uyghur Muslims from Xinjiang will exploit this increased connectivity is an issue which requires serious consideration. Central Asia has its own share of indigenous jihadist groups, a few of which have already allied with transnational groups like ISIS and al-Qaeda.
The Islamic Movement of Uzbekistan (IMU), one of the most efficient jihadist groups, has recently pledged allegiance to ISIS and shifted their base to northern Afghanistan – closer to the Uzbekistan border. There is no clear answer on how the Uyghur radicals will interact and at what levels with Kazakh, Kyrgyz and Uzbek militants; but one thing is certain, Central Asia is all set to witness an unprecedented intermixing of Turkic militant groups.

Further investigation is clearly required to understand the impact of such an eventuality, especially how it will affect the stability of Xinjiang and thus, Mainland China in the future. Of particular importance is how this intermixing of Turkic militant groups would pose risks to the multi-billion dollar investments by Chinese companies in the region under SREB.

Now throw in ISIS, the most powerful and well-funded terrorist organisation in the world, to Central Asia and we have the making of another ‘Great Game’. And in this episode, an economic superpower vying to establish modern trading colonies is all set to come in direct confrontation with a religious irredentist fanatical group which aims nothing short of global domination and wishes to recreate an empire which existed 14 centuries ago.
Over 900 people from the Central Asian countries of Kazakhstan, Kyrgyzstan and Uzbekistan have gone to fight in Syria, mostly for ISIS, this number is increasing. Yet this flow of recruits is far from one way. There are indications that some have returned back to their respective nations. The burning question in light of these indications is whether these Central Asian nations have the respective or combined capacity to deal with such an influx of foreign trained fighters, which is likely to witness a significant uptick if ISIS encounters major territorial losses in Syria and Iraq.

Interestingly, ISIS’s support base within these nations is usually from those regions which have historically witnessed a high degree of jihadist activities – the Ferghana Valley which traverses Kyrgyzstan, Tajikistan and Uzbekistan being one such region. This trend can be assumed as a key indicator regarding the potential for a migration of the radicalised section of the society moving from local causes, to the global jihadist ideology, which in turn can potentially lead to a merger of these local militant groups with ISIS.

In fact, the ISIS model of expansion into new territories is very similar to how a multi-national corporation sets up business in a new country – by buying stakes in a local entity under a global strategic umbrella. And the lure of ISIS’s massive coffers is something very few jihadist organisations can ignore, particularly when other sources of funds are found to be drying up by sustained international campaign over the last 14 years.
ISIS is co-opting groups across the world and Central Asian groups will be a target, sooner rather than later. If the IMU can ditch its long term benefactors al-Qaeda and Tehreek-e-Taliban Pakistan (TTP) for ISIS, then other groups will follow the same path without much hesitation. ISIS has setup a dedicated media cell to attract Turkic people from Central Asia – indicating that it is quite serious about the region.

The question is whether these recruits are just going to serve as foot soldiers in Syria and Iraq or if they have a bigger role to play in ISIS’s grand strategy? There are three other factors which need careful consideration. First, the establishment of an ISIS chapter in Khorasan, claimed to cover South Asia and parts of Central Asia. Second, the stated ISIS objective of targeting Chinese interests. Third, the presence of large number of Uyghur Muslims as ISIS fighters in Syria. How these factors mix with the overall ISIS ideology of forming a unified global Islamic empire is something that will require further analysis.

Thus far, the Central Asian governments have responded to ISIS threats with extreme prejudice, by restricting media houses from covering ISIS’s propaganda and the arrest and killing of suspected ISIS militants in security operations. Despite such direct actions, however, the governments of this region lack a clear understanding of the ISIS threat to their respective nations and in most cases, they event don’t have any official estimate of how many of their citizens have gone to fight in Syria for ISIS or other extremist groups.

Will this apathy leave these nations unprepared to provide the necessary resistance to ISIS, if and when ISIS decides to make a planned incursion in the region? What about the security of SREB and other Chinese investments in the nation. As China is a stated enemy of ISIS, attacking Chinese interests in Central Asia is very much within ISIS’s top objectives.

**South Asia**

Two Chinese trade routes – CPEC and BCIM-EC – will connect four South Asian nations – Pakistan, India, Bangladesh and Myanmar – with China. The risks these trade routes face differ in level and nature with each country. However, without any doubt, CPEC, which will pass through Pakistan, would face the greatest risk from militant groups in general and ISIS in particular. For the other countries in this region, while direct risks from ISIS are likely to be minimal and emergent at present, the presence of several indigenous militant groups is a cause of serious concern and demands constant monitoring and analysis.
Gaining a foothold in Pakistan remains a strategic objective for ISIS and it is our assessment that the terrorist landscape of that country would undergo a major reshuffle due to the increasing footprint of ISIS. The death of Taliban leader Mullah Mohammed Omar and the contraction of al-Qaeda’s influence is already forcing other militant organisations in the country to re-evaluate their historical association with these two groups. Some observers argue perhaps that China has been engaged in Pakistan and Afghanistan for many years now and there is little need for the Chinese to increase security as it is a nominal threat historically. Possible, but had there been no threat to Chinese companies, then why would the Pakistan government have built from scratch a 12,000-strong special security unit just to protect Chinese workers and projects under CPEC?

There are several credible reports that many jihadist groups from Pakistan are already in negotiations with ISIS for strategic partnerships. The potential growth of ISIS would depend on how well it is able to unite the different rival groups in Pakistan under its banner. The group has chosen the southwestern province Baluchistan as its base in Pakistan, as opposed to the traditional jihadist safe havens in the Federally Administered Tribal Agencies (FATA).

This is not good news for China, as major investments by Chinese State Owned Enterprises (SoEs) are scheduled to take place in the province under the CPEC programme. Also, one of the terminals of CPEC lies in Baluchistan – at Gwadar port, bordering Iran. We have identified three major objectives for ISIS in Pakistan:

- **First, gain ideological superiority over the Taliban and al-Qaeda**
- **Second, create territories under its effective control**
- **Thirdly, carry out attacks inside Iran**
Image 7: Terrorist Threat (2010-2015)
Map for CPEC

Image 8: Major Chinese Infrastructure Projects under CPEC
Image 9: Overlay of Terrorism Incidents 2010 – 2015 on CPEC Projects

Image 10: CPEC Road and Pipeline Projects
Each of these objectives has its own strategic requirements from ISIS’s perspective and will differently affect the security landscape in different regions in Pakistan. Moreover, the association of extreme sectarian Sunni militant groups with ISIS also indicates the potential for an increase in sectarian violence in certain areas of Pakistan.

Furthermore, Iran is already aware of ISIS’s plans and has started taking counter-measures, through the development of an alliance with the Taliban and a potential understanding with al-Qaeda. An active Iranian involvement in Pakistan would also contribute towards a deterioration of the overall security condition and thus, the country’s stability. To make things worse, the ongoing Baluchi insurgency in Baluchistan considers Chinese projects in the province as against the interests of the indigenous populace and has threatened to disrupt the projects in every possible way.

Baluchi insurgency in Baluchistan considers Chinese projects in the province as against the interests of the indigenous populace
At present approximately 60% of these projects are estimated to be completed by 2017, a year before the next general elections in Pakistan take place. So, Chinese SoEs on one side will face an extremely hostile operating environment and on the other hand would be under massive pressure from Beijing and Islamabad to finish the projects within the deadline. A proper understanding of the 'on the ground' realities is therefore extremely important for the successful completion of the projects under CPEC. Pakistan has promised to deploy large numbers of security personnel to protect Chinese nationals working on these projects. How effective these measures will be is another issue that requires further investigation to properly comprehend the risks involved.

In the case of India and Myanmar, the risks posed by ISIS are likely to remain minimal in the near term. However, the presence of indigenous militant groups, particularly along the regions through which BCIM-EC is expected to pass, is likely to expose the project to elevated risks. Pertinent questions that need to be addressed before making any investment decisions in BCIM-EC corridor are as follows:

- Which groups are operating in these regions?
- What are their operational capabilities?
- Whether they have any cross border linkages?
- How effective are the security agencies of the respective nations in those regions?
The risks to Chinese trade routes in Bangladesh are much different from the other countries in South Asia. ISIS does not have a significant presence in the nation as yet, but indications are clear that ISIS are focused to change this position and build a local platform for operations and a potent support network. Given the ongoing political instability within the nation, it is extremely important to understand the impact of ISIS on the broader political landscape.

Incidental risk from politically motivated violence remains the biggest threat to foreign investment in the nation and companies planning to invest in Bangladesh need to properly understand the trends in order to put in place a suitable risk management strategy. Our political violence database indicates a worrying intersection of major political violence with BCIM-EC and other planned Chinese investments (see Image 14) – something investors should be seriously concerned about.

What is the differential between nationalist separatism or local terrorism as opposed to Islamic terrorism?
Localisation versus Regionalisation – which is the greater risk?

What is the differential between nationalist separatism or local terrorism as opposed to Islamic terrorism? Why are they different? How are they different? What is the potential for co-opting, (akin to the franchise system favoured by al-Qaeda)? How do or can local groups or organisations feed into the growing regional or transnational risks as a consequence of the potential for co-opting?

Motivation must be understood, because if it is not then the cause and effect is grossly misunderstood and can consequently become a major catalyst for the growth and propagation of a localised or domestic terrorism problem into a regional one. Take for example the issue of increasing radicalisation in China’s western province of Xinjiang.

The issue of increasing terrorism and radical fundamentalism in Xinjiang is, and has been for a long time, a thorny and very difficult subject to analyse in a meaningful, advised, insightful and objective way for several reasons. Firstly, the Chinese government and security services have always closely guarded information and been extremely subjective as to what information, if any on occasion, they release on incidents and attacks in the province. This denies, or restricts access to accurate and timely information and thus hinders proper analytical evaluation of the increasing threat trajectory, for most observers.
Moreover, until perhaps last year, arguably, this ‘denial’ of information to the general populace helped to foster a false sense of security, evidenced by peoples utter lack of appreciation and understanding as to what was happening around them when caught up in the midst of a terrorist attack, of which there have been more than a few in western China in particular and Mainland China more broadly in recent years. Secondly, perception, both external and internal also fuel the problem and the understanding, or lack of understanding, of the problem. For example, western media report on incidents in Xinjiang in a biased manner, citing frequently the oppressive nature of the Chinese government policies in Xinjiang and harsh security services reactions as causation or justification for Uyghur actions.

Regardless of the motivation of this biased reporting from both China and the West, the consequence in the eyes of the respective audiences is essentially confusion. The Chinese authorities do themselves a disservice and do not in any way help themselves by denying or restricting information on incidents and attacks. On the contrary their actions in this respect open the door to liberal interpretations of events, unfounded opinions based on speculation and innuendo by western observers and media, which in turn gives them free range to pretty much apply uninformed opinions and factually incorrect versions of events.

Frustratingly, it seems that the western world in general and the media apply a hypocritical set of double standards to the issue of terrorism when it occurs in China. The irritating and age old adage ‘one man’s terrorist is another man’s freedom fighter’ seems to be the preferred meme that is cited often. This approach also undermines a national understanding of the extent of the risk, in that the general populace, largely the victims of indiscriminate terrorism, fail to understand the magnitude of the risk and act accordingly. It denies a coherent security apparatus approach to countering the problem in a holistic manner. How do you prepare for and fight what you deny or suppress?

The Chinese government’s lack of transparency in respect to the availability and release of information is undermining their case against an increasingly aggressive indigenous terrorism problem and a growing regionalisation and internationalisation of the threat they face and will continue to encounter not just in their own backyard, but potentially helping to spread the threat to their growing diverse interests and their diaspora. The evidence and combat indicators point to a clear and unequivocal threat escalation of the indigenous terrorism issue in China. However, it
is no longer merely indigenous, it is regionalising, and the local groups are being co-opted into larger regional groupings and transnational groups. As this integration accelerates the threat trajectory also exponentially increases. Several examples follow to support this assertion.

Firstly, the Turkestan Islamic Party (TIP) or East Turkestan Islamic Movement (ETIM) or East Turkestan Movement (ETM), the definition is always vague from the Chinese side, all or collectively operate internally within China, but are also integrated into the Islamic Movement of Uzbekistan (IMU), who are in turn under the protection of the Pakistan Taliban, or were until recently. The IMU commander overseeing this relationship is from Myanmar.

The IMU recently pledged allegiance to ISIS and have relocated into the lawless Northern provinces of Afghanistan closer to home. Therefore, is TIP or ETIM or ETM a local problem or a regional actor? Has their capability, training, combat exposure, cross fertilisation and financing been enhanced? If part of a regional network then the answer must be yes. Why then define and treat them as a local or internal threat?

By far the most salient example to use in this regard is the recent bombing in Bangkok. It is the most recent and vivid choice to exemplify this point. Contrary to what the Thai regime would have people believe this was not just an attack in Bangkok by a loose criminal group of people smugglers. Both evidence and intelligence findings demonstrate that this was an attack against Thailand and China for their collaboration in the treatment / expulsion / deportation of Uyghurs from Thailand back into China. It is a statement of intent by a sub group (Turkic) of the Umma (global community of Muslim believers) and this context should not be ignored or disregarded or taken out of context from the motivation for the attack and what message they wished to convey. It clearly demonstrates that the Uyghur issue is no longer an internal problem for China, they have essentially regionalised.

This question of definition and reality will become a much more vexing issue for China as they push out their globalisation strategy and come into direct confrontation with local groups in different countries, be they nationalist separatists, Islamic fundamentalists or local issue groups taking advantage of the general instability being wrought upon many of the countries that China seeks to engage with. Defining them and consequently understanding their motivations will assist in measuring the cause and effect and planning effectively to mitigate the risks and threats. The fact that the threats exist locally to begin with and China’s engagement in these localities means that the any failure to take account of ‘locally orientated groups co-option by other regional actors’ and define the threat accordingly will mean the difference between restraining them or amplifying them.
Financial Risks

The BCIM-EC, CPEC and SNEC each represent a significant opportunity for China and its Asian partners to achieve deeply significant gains through sub-regional economic co-operation via these multi-modal corridors. The success of these corridors is crucial not only from regional politico-economic policy perspectives, but as platforms for the efficient and cost-effective exportation of Chinese goods into new and growing markets. Success in further penetrating and the development of these markets are critical requirements for China to maintain its economic growth and stability.

The construction and launching of each corridor and their associated megaprojects, require very significant investment from financing partners, be they government funds, regional or national development banks or commercial entities.

Principal challenges to retain financing under security risks

The threats and risks to the completion of projects, more exactly their completion within budget and timeline, must be correctly analysed and understood. Moreover, although the securing of sufficient financing is indeed a core aspect to a project’s success, it is the ability to sustain financing, should unexpected delays occur, that is equally important. Therein a failure by either the bank or the borrower to demonstrate a clear understanding of pre-investment and post-investment risks is to ignore financial risks and to tempt both financial and opportunity loss.

A borrower’s failure to show, both upfront and throughout a project’s lifetime, an understanding of critical risk issues such as threats to completion posed by security risk, may lead to a loss of faith from one’s bankers or financiers. Such a situation, wherein the perceived feasibility of a projects delivery has come into question could very quickly lead to the effective drying up of access to capital. A very real further consequence of this could be the crippling of wider strategic objectives being continued or achieved as projects within the same country or province affected or potentially affected by these same risks also being perceived as rendering other projects within the region as non-deliverable. Given the political-diplomatic element attached to these economic corridors and associated projects’ success, a loss in their financial viability owing to a perceived inability to be completed to schedule and budget, may well lead to local political support floundering.
Megaproject failures – their wider impact on financial risk assessments

Given the significant size of the investments required (initial estimates for the BCIM-EC route alone stood at USD 22Bn), a failure to recognise that economic development will not sweep away, or somehow aid the containment of direct security risks, or worse still, give grounds for ignoring an investment’s risks at the ground level, are unacceptable from a banker’s perspective. Such an approach by the borrower, or the perception of this being their mindset, would see a viable investment being rejected. The definition of ‘opportunity loss’, owing to inadequate risk analysis!

Staying with the BCIM-EC example, this proposed route passes through several areas of known separatist and / or Islamic extremist groups, where serious disruption to construction, failure of completion, the deaths of workers by militant actions of existing megaprojects have been documented. To put this financial risk in further context, the BCIM-EC’s initial estimates for completion account for 55% of the Silk Road Investment Fund (“SRIF”), a fund established by China in 2009 to finance large sections of the economic corridors strategy.

Do examples exist of security risk failings leading to project failures and financial losses? The answer is ‘Yes’. The Myitsone Dam in north-east Myanmar located on the route selected for the passage of the BCIM-EC. This dam was at the time a flagship investment of the Chinese government budgeted at USD 3.6Bn, one now indefinitely suspended due to provincial level security risk incidents and severe ongoing associated pressures and security failures. From a banker’s perspective, when assessing an investment on the BCIM-EC route or SNEC and especially the CPEC route through Pakistan, past pedigree and performance of security risk assessments in relation to the past, current and future internal security risks, and how they are managed when they emerge, is a critical criterion for a project’s financial viability assessment. In short, the Myitsone Dam will act as a benchmark for the risk assessment of megaprojects. No bank or financier will rightly lend or continue to lend to a project it feels has been incorrectly assessed as to the risks it will face throughout the life of the associated loan(s). Again, if Bankers do not see a borrower having access to comprehensive risk analysis prior to their approach for funding, and a proven ability of the prospective borrower to maintain such risk analysis and intelligence over their investment for the duration of the loan, the banker would by definition be immediately negatively disposed towards the project.
Security Risk Assessments – managing banker expectations at crisis points and maintaining affordable financing

Critically, from a borrower’s perspective, where internal security problems are low level, emergent or severe in nature, any agreement with a financier should be predicated by an understanding of the current and ongoing risks and threats posed. As aforementioned, this should certainly include the ability to forecast from the beginning of discussions potential delays to project completion from this type of risk. Furthermore, when potential security threats appear imminent, occur, or equally important are found to be diminishing, it is imperative that the mitigation structures established by the borrower are seen by the lending institution as current and effective. Only ongoing objective intelligence and risk reports can provide a borrower with such a position.

Why is this so important for a borrower? Bankers will aggressively look to renegotiate terms in their favour when apparently ‘unforeseen delays or risk incidents’ occur. These terms may well be repayment timelines, loan interest rates, and other terms of lending or most simply expressed as the threat of a sharp increase in the cost of the loan(s). The greater a borrower’s failure to be able to demonstrate (in a timely manner) to their financier that they have understood the latest version of threats to the project, the weaker the borrower’s negotiating position will inherently be with the lending institution.

In countries or provinces with high levels of security risk and terrorist incidents, renegotiations of loan requirements are most likely, if not a given. In such a scenario where an understanding of risks to the projects is not demonstrated by the borrower, this will eventually prove unacceptable to the lending institution(s). It is at this exact point that a borrower’s ability to defend the initial and most probably more favourable terms of the loan(s) is crucial. As investors in frontier and emerging markets are aware when a lending institution loses confidence in a project’s financial viability, a very real consequence may be that affordable financing will cease to be available, and / or the associated political will to see financing continued also lost.

Bankers will aggressively look to renegotiate terms in their favour when apparently ‘unforeseen delays or risk incidents’ occur.
Financial viability and ongoing political backing for projects

Bankers whether they are Central Bank officials or commercial lenders are concerned not only with the black-and-white scenario of their loan or investment not being able to post a return, but are equally fixated on its repayment timeline – i.e. when it will post a positive return. The viability of an investment is always predicated on when positive returns will be earned. Delays from poor project management, political interference, technical-engineering problems, and environmental pressure groups all carry significant weighting in a risk assessment.

The damage inflicted from single or repeated terrorist actions against physical infrastructure or a project’s workforce will not only increase project funding requirements (replacement of damaged assets, loss of operating time etc.) but may increase costs to a point where a project is no longer viewed as financially viable. It is, of course, a well-recognised fact that in economic development investments such as large scale infrastructure projects, when financial problems overstress necessary political backing, the potential for loss of such backing and even a negative domino effect on other projects starts to loom very quickly.

In real terms, the aforementioned Myitsone Dam project is now as well as being a borderline or realised ‘bad debt’ for its bankers, has significantly delayed western China’s energy security strategy and is also near ‘political kryptonite’ within Myanmar owing to the provincial security issues the dam’s construction sparked. Serious security risks and intelligence failings ahead of the construction were the common denominator to the investment’s current ‘indefinite hold’ status. The Myitsone Dam’s budget equated to a financial loss of approximately 9% of the SRIF. To contextualize this financial loss further, this amount is equivalent to the construction budgets for 6-7 smaller energy infrastructure dams (such as the Stung Tatay Dam in Cambodia), or the equivalent of 3 further coastal crude oil refineries in Bangladesh (such as Unit 2 of the Eastern Refinery in Chittagong) seen in the SNEC and BCIM-EC routes. Such losses whether realised or not, not only represent a failing of one project, but importantly deny funding to projects in other economic corridors, and as such can notably weaken the overall and multiple strategic aims these corridors seek to achieve.
Variance in financial risk appetites – importance in a Chinese and Local entity partnership

A final aspect to consider here is that for the vast majority of existing megaprojects involving Chinese SoEs along the proposed economic corridor routes is that they are mainly Public-Private-Partnerships. These partnerships, are also most commonly between local and Chinese entities. The point here is that although the delays to projects caused by terrorist actions may be tolerable to the Chinese entity from a financial perspective and given China’s Global economic strategy; the local partner may not have the same elasticity to their investment horizon and / or debt-carrying capacity.

A failure to understand the security risks faced by a project or series of projects, and therefore the potential timeline or structure of financing necessary to complete the project, may well mean that when security risk incidents occur, delays and extra financing needs may rapidly go beyond the local partner’s tolerance and capacity. This commonly leads to them exiting the ‘joint-project’ and the consequential loss of opportunity, potential wider damage to strategic goals and the loss of ‘face’ for all parties involved.

The exiting of local partners in several of these countries, owing to financial difficulties brought on by security risk related incidents may possibly be survivable for certain joint Chinese-Local projects, however the loss of such local partners and their cultural or provincial ethnic sensitivities, may well be detrimental or fatal to others. The bottom-line here being that if collapses in key local partnerships were to occur, the development of the respective economic corridors would be very uneven, and certain stages could remain incomplete indefinitely.

Conclusion

Realities versus desires?

There are a plethora of questions that need to be addressed in respect of the growth of ISIS in Asia. To begin with the fundamentals, ISIS in the Middle East is the prequel to ISIS in Asia, as it was to ISIS growth in North Africa, simple. In short "what's happening in the Middle East and North Africa is coming to Asia, so “get ahead of it and get prepared”. The declared ISIS plans, operational plans in Syria for Asian jihadists, unequivocal evidence already in existence, the repatriating of alumni of ISIS, sworn allegiances with existing pivotal regional players, existing Islamic extremism in pan-Asia, targeted social media etc. are but a few amongst many facets of their growth already known, but they are plans for what exactly?
There should be really little doubt that this ISIS risk is not just a case of selling a 'look at this fertile land for a new extremism scenario' or a painful rehash of existing common knowledge, if you think that then you are not the person whom this report is written for. The reality is ISS Risk is informing you that the seeds are already laid! They are already germinating! They are propagating! More importantly, we can show you where to spray the proverbial insecticide as we lay bare the breaking-ground on this entire issue!

Take Malaysia, it already holds (interned) 100+ people associated to ISIS. So, to be blunt, do you read the news and follow that blindly? Do you read what the distant observers have to proffer? Or do you want a ‘let’s get ahead of this’ security position approach? What really happened in Thailand when Bangkok suffered its worst terrorism incident in history? What is really happening in Southern Thailand? What is the trajectory of that conflict? What is happening in Mindanao? Will an autonomous Islamic region resolve or exacerbate matters in the Southern Philippines? Which country in Asia is the target for a first big strike by ISIS-Asia on an ASEAN-major level?

Are you China centric? What is the Turkic connection? How does the Turkic connection affect China? Who are the Uyghurs? What is changing there? Why are terrorist attacks increasing in China? Is this Turkic-Uyghur connection a figment of China’s imagination to cloak their repressive policies in Xinjiang? Is it a conceptual threat to allow China to ramp up repression in Xinjiang?

What is the Bahasa connection if your focus is Indonesia? Who are the Bahasa battalion of ISIS in Iraq and Syria? How many of them are really there? Does the Indonesian government know the answer or do ISIS? How many Malaysian’s are members of the Malay Battalion of ISIS? Where do any of these fighters who are not killed or captured go? Continue fighting or return home?

Indonesia? Should one be concerned by the existence of a battalion sized (300-500) Bahasa speaking veteran combat unit in Syria? Essentially why was such a unit created? So people can tell jokes in Bahasa to one another, and not get homesick? No. Besides recruitment logic, it was to create a multi-national unit with greater cohesion that could be built up and could be deployed in multiple theatres with multiple roles. A combat ready battalion size deployment in Syria or subunits actions across SE Asia? Or elements there of?

Which country in Asia is the target for a first big strike by ISIS-Asia on an ASEAN-major level?
Let’s not take just one battalion, but let’s take hypothetically three, Malaysia, Indonesia and Xinjiang, forget for a moment the spurious possibility that such are in existence. What if they are? How many trained, combat experienced and willing volunteers would be available if say 10% survived their experience with ISIS in the Middle East and returned home? Yes, that’s circa 60-150 trained, combat experienced hardened terrorists let loose in just three Asian countries. Does the concept of regionalisation then become a reality or remain in the realms of fiction? Were the 20 people killed in Bangkok and 120 injured by people smugglers or by the regionalisation of a local terrorism issue?

ISIS is about to engage a pincer movement in Asia, using their presence in Afghanistan and Pakistan as the launch pad for what is to come. This pincer move in Asia will essentially be the regionalisation of existing organisations. Is this a threat or a concept? To stress the Uyghur - Turkic point, the recent bombing in Bangkok, whether by Uyghur separatists, Uyghur Islamic fundamentalists or Uyghur human traffickers, it was still motivated by Uyghur resentment. How a particular country may wish to spin that for their benefit is entirely down to them, it is either a problem (China – when it suits, or it’s not a problem, Thailand – think tourism!) or it is being completely overplayed?

The trend of domestic terrorism in China over the past decade would suggest strongly that it may well be a growing problem. The trend of terrorism in Asia generally suggests that where al-Qaeda left off, ISIS is about to and is for that matter picking up. Where will the pincers start or connect? Indonesia or Southern Philippines? Or will it be both? Or perhaps the ‘Turkic brethren' coming together across the ‘Stans of Central Asia and Western China and the ‘Bahasa’ (Indo-Malay - Rohingya - Southern Thailand across to Mindanao) coming up from the South East? That’s a classic pincer manoeuvre.