



# ASIA MATTERS

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# **Asia Matters**

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# **China in India's Neighbourhood**

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## Preface

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As part of China's enhanced global stature, its growing presence across Asia is increasingly becoming evident. South, Southeast and Central Asia have not escaped that trend and China's influence in India's immediate neighbourhood has risen to a significant extent. This can be gauged through policies adopted by Beijing towards countries like Afghanistan, Iran Pakistan, Sri Lanka, Nepal, Bhutan, Bangladesh, Myanmar and the Central Asian Republics. These countries, barring Bhutan, have all joined China's Belt and Road Initiative (BRI). China's policy in these countries is visualized as part of its broader geopolitical goal of potential encirclement of India, a country that has always assumed an influential position in the region and whose soft power and influence in the neighbourhood has traditionally been considerably more significant than that of China. The surging requirement for humanitarian assistance, in the wake of the global pandemic and the concomitant isolationist stance of the United States and Europe, as well as the emergence of non-governmental soft power in its ranks, has significantly abetted China in rewriting its narrative and strengthening its hold in these countries.

A combination of infrastructure financing and trade is being put in place by China to create new realms of influence. This includes providing aid and investments at cheap interest rates. For instance, Nepal received over 90 percent of total FDI commitment from China during the first quarter of 2019-20 with China topping in FDI pledges to Nepal for the last four consecutive fiscal years. Nepal can be taken as a perfect example of how Beijing's ability to intervene in domestic politics and its soft power has seen an increase in recent years following larger investments. This was witnessed recently with the Chinese Ambassador Hou Yanqi mediating in the internal differences of the Nepal Communist Party and avoiding a party split. According to Nepal's former ambassador to India, Lokraj Baral, China is seen to be involved in a micro-management of Nepal politics to further its overall foreign policy goals. In the past, China's involvement was visible mostly in the development of infrastructure of the landlocked Himalayan country but not in soft areas. This has changed with China penetrating in Nepali politics as well as in society. In a way, Beijing is seen to be replacing New Delhi's role in Nepal.

The other Himalayan country in South Asia is Bhutan, which has a cordial relationship with India. However, the Dragon Kingdom has lately been wooed by China, despite the two having no diplomatic relations. This has been done with Chinese shipment increasing in the past decade making Beijing the third largest source of foreign products to import dependent Bhutan. In 2019, Bhutan and China started working out on a process to resolve the dispute in Doklam that had flared in 2017, whereby the holding line will become some sort of a working boundary. China's soft power is also on the rise with China offering scholarships to Bhutanese students and reaching out to Bhutan through sports, religious and cultural visits. For China, the Tibetan Buddhist connection

between its restive Tibetan areas and Bhutan is also of some interest as it looks towards a post Dalai Lama period.

Moving eastwards from Bhutan, the Chinese are seen to be giving priority to Myanmar. It plays an important role connecting China's south west provinces to larger South East Asia. Beijing's footprints in Myanmar have increased with the latter being isolated by the west, due to its role in the killing of the Rohingyas that led to the Myanmar ruling elite looking towards China. On 17 January, 2020, China's paramount leader Xi Jinping paid a state visit and signed several agreements, including a port to be built with Chinese finances, workers and potentially available to the Chinese navy. China has also taken much interest in Myanmar's internal conflicts, particularly those in Rakhine, Kachin and Shan states. These states are near the Chinese border, thus large-scale violence can have a spill-over effect. China since 2013 has also designated a special envoy that facilitates talks between the ethnic armed organisations and the Myanmar government. While China is apprehensive about the fate of its BRI projects following the military coup, it also blocked a UN Security Council statement condemning the coup in Myanmar.

With Bangladesh, China since 2016 has entered into a strategic partnership, through which Beijing has pumped more money into Bangladesh than any other country. Bangladesh saw a record inflow of Foreign Direct Investment (FDI) in 2018, with the country attracting some 3.6 US billion dollars, of which China alone accounts for almost a third of this investment. There is a strong reliance on Chinese money to achieve Dhaka's ambitious target of producing 24,000 megawatts of power by 2022. The Padma bridge, a major road-rail project across the Padma River, is being built by the China Major Bridge Engineering Company. China's Exim bank is providing 3 US billion dollars for the construction of the rail link accompanying the bridge. The Chinese company, the Zhejiang Jindun Pressure Vessel Company Limited has offered to invest 5 US billion dollars in a Special Economic Zone (SEZ) near Chittagong. In South Asia, Bangladesh is the second biggest receiver of Chinese investment. China's economic diplomacy in Bangladesh also saw Beijing announcing tariff exemptions for 97 percent exports from Bangladesh. Thus, through a host of means, ranging from the economic to the political, Beijing is seen to be increasing its influence in India's neighbourhood.

The same policy has been pursued in Sri Lanka which has witnessed growing Chinese influence and economic domination. This has particularly been true under the Rajapaksha brothers (first Mahinda Rajapaksa and later on his brother Gotabaya Rajapaksa). Traditionally, in global interactions (economic, trade and arms and technology supply), China is also not really known to follow the international norms and laws. There have been several accusations of these being wantonly flouted in gaining access. Nonetheless, this has advantages for political regimes in less developed and developing countries in South Asia, which can gain crucial access to technology, funds and materiel. In Sri Lanka, for instance, it was finally the supply of Chinese military equipment and weapons which eventually helped the local army to defeat the LTTE. China has also been prompt to step in when its favoured regime has been in trouble. However, the recent financial and political crisis in Sri Lanka and the resignation of the pro Beijing Rajapaksa brothers would have an impact on China's close ties with the state and its large scale infrastructure investment in the strategically located island state.



China enjoys certain advantages *vis a vis* India. As a global economic giant, it certainly has a deeper pocket which is used to gain advantage in South Asian countries, like in other parts of the world. Strategically, perhaps the most serious Chinese entanglement in the neighbourhood is to be seen in Pakistan. PRC's interest in Pakistan as a counterpoint to India, even to the point of keeping it as a possibility for opening a second front in the event of a conflict, dates back to the era of the Cold War. Previously, China has generally tended to play the role of a diplomatic counterpoint for Pakistan to India in the international arena, but had seldom invested economically in Islamabad. However, with the China Pakistan Economic Corridor, China's economic and strategic profile in India's immediate neighbourhood has grown exponentially. This trend is further reinforced by discussions in Beijing and Islamabad about China lending Pakistan to save her from debt default in the international market.

The American pull-out from Afghanistan has provided China with an opportunity to negotiate with authorities in Kabul to invest in Afghan infrastructure through the Belt and Road Initiative. China's key interest in Afghanistan is access and Afghanistan offers China the opportunity to access Iran and Pakistan but also the Middle East and Africa. However, there has been caution in the level of Chinese engagement given its experiences with pursuing investment opportunities in infrastructure in areas of endemic violence. There is also scepticism about the level of commitment of the Taliban towards infrastructure development and willingness to bring in foreign capital despite assurances to the contrary. China's official stand in recent times has been one that supports a return to normalcy and a clean break from control of extremist forces but this position is balanced by support for Pakistan that is pushing for Taliban advance on the ground.

The winding up of American presence in Afghanistan and the subsequent American focus on contiguous Central Asian states has also posed questions for the Chinese in Central Asia as there is substantial Chinese investments in (a) rail and road connectivity (b) energy connectivity (c) trade promotion and industrial development and (d) people to people projects. Here, recent overtures from the US administration encouraging the states to accept Afghan refugees who worked with the US government and may therefore face reprisals from the advancing Taliban, with a supporting offer on dialogues on regional connectivity, may offer alternatives to states whose dependence on China for infrastructure finance has been significant. China's attempts to create new realms of influence through infrastructure finance, creation of multilateral development funds and banks like AIIB and markets has played a complex role in determining the contours of the relationship between the Central Asian states and China. A similar combination of partnerships in banking, telecommunications, ports, railways and other projects in Iran is moving towards creating a Chinese foothold in the country. Common international and regional concerns and interests also drive China's relations with Iran which now no longer remains restricted to an interest in oil.

All of these developing relationships are potential flashpoints for India. There has however, always remained a note of caution about these 'infrastructural alliances' with the recognition that dependence on the Chinese comes at a price. Like in other parts of the world witnessing increasing Chinese involvement, mounting debt risking the failure of debt servicing has become a major problem in many Asian countries like Sri Lanka and Nepal with increased levels of Chinese control over the lion's share of the economy. There have also been rising anger and discontent among the local population against Chinese economic ventures or infrastructure development which are not being perceived as beneficial for local economies. Even in Pakistan, Chinese penetration of the

economy without passing any noticeable benefits on to the local population has elicited sharp reaction. Finally, Chinese border incursions have been occurring even in countries like Nepal and Bhutan which have led to local protests putting the pro-China lobbies in the government at a spot.

Despite this, the Chinese shadow has lengthened over the subcontinent and beyond in an unprecedented manner and scale. During the last round of border stand-off between India and China, India's neighbours not only stayed out of the line of fire, some such as Nepal and Pakistan have even taken steps that have been far from friendly. The dragon's footsteps have never been deeper in India's neighbourhood, and warrants being studied in greater detail for that reason alone.

It is largely in the light of the above that Asia in Global Affairs, Department of History and Institute of Foreign Policy Studies, Calcutta University and Loreto College in collaboration with the Indian Council of World Affairs organised a seminar on the 5-6 May, 2022 to deliberate on the actual scope and extent of Chinese penetration in India's neighbourhood. The seminar began with detailed case studies that examined Chinese bilateral relationships in the Indian neighbourhood and then moved on the following day to examining the extent and significance of Chinese influence through the lens of strategic, economic and infrastructural arrangements and Chinese interventions in South, Southeast and Central Asia.

The focus on the first day was not on discussing what Chinese intentions are or have been in the Indian neighbourhood. Much has been written and there are regular debates. The focus was also not on the Chinese narrative (or at least not mostly about it) but what our neighbourhood makes of that narrative and therefore the extent to which it affects the Indian position within the extended neighbourhood. The attempt was to bring together local perspectives from scholars from the regions in the neighbourhood which resulted in several virtual presentations by scholars from a number of neighbouring states or from scholars who have had long years of training and experience in studying these states from close quarters.

The second day was more about deliberations on the extent and significance of these narratives in terms of what Anindyo Jyoti Majumdar referred to as the 'wider storylines of the changing global order.' And it was here that broader issues of 'entangled geopolitics' were addressed. It is here that the 'rewriting re mapping and re making' was examined in terms of, for instance, China's focus on integrating an economically interconnected South Asia and the extent to which asymmetric power relations have affected this re making particularly in terms of what can be called the pandemic years. There was also focus on how and whether the narrative has changed in recent years through debates on the changing nature of BRI as an instrument of Chinese public diplomacy. In addition, there were presentations from young scholars who interpreted the theme from strategic/political and social contexts and a Valedictory lecture by Professor Samir Das.

Asia Matters brings these presentations together in an open format for wider circulation. The first set of articles explore relations between diplomacy and politics beginning with Anindya Jyoti Majumdar's article on "Security Narratives of China's Impingement in the Indian Ocean" which explores dominant narratives pertaining to the security scenario in the Indian Ocean region and seeks to find the relations between the narratives and policy. In a similar vein Raunak Bhattacharjee in his article "The Indian 'Pivot': Contesting Chinese Preponderance in the Indian

Ocean” examines the predominant Chinese middle kingdom narrative to explain Chinese policy in the Indian Ocean region.

Two other articles explore the rationale for China’s neighbourhood policy and recent reappraisals arising out of its efforts at national rejuvenation. Subhadeep Bhattacharya in “China’s Neighbourhood Policy: A Critical Analysis” delves into Chinese foreign policy in the neighbourhood as a reflection of decolonization in the region. Ratnadeep Maitra and Debayan Ghatak in their article “China’s Wolf Warrior Diplomacy: An Appraisal” looks at an aggressive reassessment of Chinese diplomacy and its internal rationale before examining the emerging resistance to this in the neighbourhood.

History, trade relations and contemporary realities is the focus of Jigme Yeshe Lama’s article “Dragon Meets Dragon: Bhutan-China Relationship”. Lama examines ‘encounters’ ‘dialogues’ and ‘interactions’ between Bhutan and China to argue that it is geopolitics in recent times that have transformed states on the borders of India and China into buffers whereas historically traditional norms and trade formed the basis of the relations. Mirzokhid Rakhimov and Vladimir Paramonov in their article “Mutual Relations between Central Asian countries and China” emphasize upon the growing importance of China in Central Asia in the aftermath of the disintegration of the Soviet Union both in economic and political spheres. The article analyses multifaceted issues of interaction between Central Asia and China that emanated from several developments during the period 1992-2021 which continue to be vital but as a result of the sum of global, regional, and national factors, have acquired new dimensions.

Sanjay Pulipaka and Deepika Saraswat examine China’s complex relationship with two states in two geographical neighbourhoods in terms of history, culture, geopolitics and geoeconomics. Sanjay Pulipaka looks at the power asymmetry between China and continental Southeast Asia in general and Cambodia in his article “Cambodia and China: Between Geo-economics and Geopolitics”. He argues that bandwagoning rather than balancing China in what was traditionally Indo-China has been Cambodia’s position and he argues that this is a consequence of historical experiences. Deepika Saraswat in her article “Iran’s China ties amid Great Power Competition: A View from India ” elucidates the geo economic and geopolitical drivers of Iran’s pursuit of long-term strategic cooperation with China. In doing so, it argues that while seeking a long-term partnership with China, Iran is committed to pursue diversity of partnerships to maximize the opportunities for raising Iran’s geoeconomic standing in the region. Two other articles reflect similar positions. Abdolmajid Eskandari in his article “An overview of Iran-China Relations” and Bahram Amirahmadian in his article “Iran-China Multipurpose Relations” reflect on common global positions beyond China’s necessity for Iranian oil that drives the relation. Reflecting on a range of common, conflicting, and parallel interests and their declared common policies on significant international and regional issues the articles focus on a natural evolution towards a more comprehensive partnership. The latter dwells on the BRI in some details.

Part of this results from a re-imagining of relations that the Belt and Road Initiative envisages. Transit capacity and trade has become a significant part of the equation and the BRI has affected prospects of Chinese economic presence in regions like Central Asia. Yunus Emre Gurbuz, Mehmet Yahya Çiçekli and Maksat Ajiykan Uulu in their article, “Prospects for Continuity and Change of China’s Role in Central Asia: Example of Kazakhstan and Kyrgyzstan” examines the

prospects of change and continuity in the relationship particularly in relation to the BRI. They contend that the BRI would not result in any significant increase in Chinese economic presence or investment in the region and underline global, regional, and domestic reasons for the same. They argue that China will become a significant factor in the region only in the long term with implementation of carefully planned soft power policies.

China's 'soft' presence in India's North and Northeastern neighbourhood through 'cultural idioms and the significance of soft power politics is the subject of Anup Shekhar Chakraborty's paper "Muddled Friendships and Disgruntled Geographies: Lung Dragon in the Neighbourhood". It cautions against this innocuous presence and 'debt diplomacy' given the experience of other South Asian states. A similar recalibration of strategy is the theme of Raghav Sharma's article "Comrades in Arms? Decoding China's Taliban Gamble " which focuses on China's embrace of the Taliban in the light of American withdrawal but also cautions against inherent contradictions that will challenge the relationship. The paper argues that the key areas of strategic and economic interests that underpin Beijing's interest, however, will be negatively impacted by the lack of political process and exclusionary character of the Taliban which in turn would result in an economic freefall.

Economics and re-defined regional dynamics is the theme of San San Khine's article "The Impacts of Chinese Economic Policies on Myanmar" where she focuses on Chinese economic strategy in Myanmar and ways in which Myanmar can effectively balance these strategies through development of its own material and human resources, institutional reforms and a comprehensive policy for development. While Khine investigates the impact of Chinese investments in Southeast Asian economies, Avipsu Haldar in his article on "Chinese Economic Networks in South Asia: An Alarm for India?" examines the political economy of the BRI and its ramifications for the South Asian economies. By analyzing the operational dynamics of the AIIB, Chinese state-owned enterprises and their financial institutions in the developing states of South Asia he notes that although the AIIB seeks to project an alternative way functioning different from the World Bank, the Chinese dominance in deciding the courses of action cannot be overlooked. He argues that the Indian policy option in the face of this is to focus on sub-regional economic forums.

Indian policy options is the theme of Subir Bhaumik's article "China in India's Eastern Neighbourhood: Emerging Dynamics and Policy Options". His article focuses on recent developments in India's eastern neighbourhood and suggests a way forward for Delhi to handle the emerging dynamics. The other article which falls within this rubric, Soma Ghosal's "The ethnic dynamics in China Myanmar strategic interests: Implications for the Region" examines China's intentions at furthering its strategic interests in Myanmar through the rhetoric of *paukphaw*. The author contends that shared boundaries constitute an intrinsic part of the Chinese policy as most of its strategic projects are in ethnically contentious regions.

# **Diplomacy and Politics**

# Security Narratives of China's Impingement in the Indian Ocean

Anindya Jyoti Majumdar\*

The first decades of the twenty-first century have been turbulent in terms of varied security challenges, and the trend continues. Factors that contribute to instability in international politics include both conventional threats and non-conventional ones. While problems of both kinds erupted intermittently, there had been a constant source of common apprehension essentially focusing upon the increasing assertiveness of Chinese foreign policy. As Xi Jinping came to power in 2013, replacing Hu Jintao, and consolidated his hold over the Party, his vision of 'making China great again' as a strong country with world class forces – in other words, the 'Chinese Dream' – became a priority goal for the State. This calls for an expansion of China's maritime and overseas interests. As a result of growing economic engagements, more Chinese citizens, officials and enterprises now operate overseas and China's economy has become dependent on resource inputs and trade.<sup>1</sup> Though, as Erickson points out, Xi's Belt and Road initiative, in its huge scope and scale, 'risks modern-day versions of imperial management challenges and overreach,' in his opinion, 'competitive coexistence' could be a preferred policy option for others.<sup>2</sup> Be that as it may, Chinese vision and the strategies to achieve its goals have forced others to interact in contested spaces and one such crucial contested space is the Indian Ocean region where another 'emerging' power, India, finds Chinese forays to be directly against its security interests and policy priorities. Unresolved land border disputes that have marred India-China relations for decades further acerbate India's discomfort with the Chinese activities in the Indian Ocean region.

States assess evolving conditions and respond to those by formulating policies, strategies and tactics, and out of these interactions emerge narratives. Appeal of the narratives is perennial and much of the present perceptions of changing international power politics is based on such narratives. This paper briefly explores the dominant narratives pertaining to the security scenario in the Indian Ocean region and seeks to find the relations between the narratives and policy.

## **Formulation of Narratives**

As mentioned above, geopolitical narratives arise out of state behaviour and the responses of major actors to ever-changing environment of international relations at particular junctures of history and the attempts to understand, explain, interpret and theorize the consequent patterns of international politics by the scholars in the field and the media, including social media. A narrative can be

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<sup>1</sup>Andrew Erickson, 'Make China Great Again: Xi's Truly Grand Strategy', Texas National Security Review, *War on the Rocks.com*, October 30, 2019, accessed on July 2, 2022.

<sup>2</sup>Ibid

defined as a way of establishing inter-linkages among events in order to present a unique account of trends that is attractive and easy to understand often invoking emotional attachment.

Lessons from the past teach us that instead of brutal pursuit of national interests, a tolerant pursuit of interests is more suitable in the contemporary world that takes into account issues of common concerns. Mutual gains, advantages and benefits help all States to prosper and towards that end, collective and collaborative actions are often prescribed. Nevertheless, while durable peace, deep and intense cooperation and rule-based order are immensely desirable, States, by applying national goal-oriented strategies, usually make them highly improbable. As S. Jaishankar puts it, not idealism but enlightened self-interest is at work now<sup>3</sup>. The objectives and application of policies help develop narratives that usually provoke formulation of counter-narratives. Geopolitical narratives fashioned to justify policies may lead to assertive diplomacy and can at times also be counter-productive as security-centric competition ensues among the major actors with competitive narratives.

Unlike strategies and official doctrines, narratives are often non-official, presented by think tanks or individuals, who may or may not be working in tandem with the official line. Perception of motives and interpretation of policies thus formulate security narratives often highlighted with a fanciful or catchy phrase inspiring popular imagination. While the policies and the attempts to understand policies shape narratives, the narratives themselves can influence the policies of the states in turn.

Foreign and security policies of states are justified within the folds of largely acceptable and dominant narratives and these narratives are often accepted as the trends that shape and guide foreign policy choices. Foreign and security policies of states have to consider time dimension i.e. over time the political environment changes necessitating change in responses and the place dimension i.e. at different points certain areas become strategically significant or prioritized and become the focus of great power politics. Such shifts require a suitable narrative to support policies. It may be said that

Narratives constructed and used by policy-makers in pursuit of national interests lead to imaginative geographies affirming particular political perspectives and legitimizing foreign policy decisions. The interplay of imagined spaces and imposed identities, changing perceptions of emerging geopolitical realities and the continuous attempts to construct and tag new regions suitable to the preferences of the major powers of the day determine the probabilities of conflicts and feasibility of durable peace.<sup>4</sup>

A narrative can be deliberately created with a specific motive or can itself evolve into one. In the post-cold war period, a major narrative has been of 'Rising China'. In spite of many other challenges that the world faced during the last three decades – ranging from international terrorism and war on terror, climate-change, ethnic conflicts and refugee flow to pandemics and the war in Ukraine, just to name a few – the 'Rising China' narrative has always been at the centre-stage as China sought to expand its economic spheres of influence and concomitantly, flexed its military muscles. It reinvigorates the classic Thucydides Trap. As described by Graham Allison in his book *Destined for War* (2017), a tendency to conflict and war becomes inevitable when an emerging

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<sup>3</sup>*Sunday Times of India* (Kolkata), August 2, 2020.

<sup>4</sup>See Anindya Jyoti Majumdar and Sohini Bose, "Geopolitics, Conflicts and Peace" in Anindya Jyoti Majumdar and Shibashis Chatterjee eds. *Peace and Conflict Studies: Perspectives from South Asia*, Routledge, 2021, 83.

power threatens to dislodge an existing great power as a regional or global hegemon. Instead of rising power Athens, read China, and the dominant power Sparta, read the US at the global level. However, in an oligo-polar set up (usually described as multipolar), adjustments in power equations become necessary for other major actors – for example, India, Japan, Australia and others – as well.

The post-Cold War new world order narratives therefore, emanating from the West and predominantly from the US scholarship, upheld the liberal democratic values as the hallmark of any such world order narrative and have painted China as the system-challenger. As a result, China is viewed as a revisionist state with non-liberal political system and values, working its way towards an eventual power-shift. This pre-supposes the need for existing actors to step up with renewed commitment to the betterment of the liberal world order and re-set the democratic forces in motion.

In the evolution of Western narratives, we see how the dominant narrative began to take shape in the early years of this century that presupposed a contest between a group of democratic countries vs. authoritarian regimes, symbolized especially by China and Russia. A number of scholars used terms like ‘Concert of Democracies’ (James Lindsay; G John Ikenberry; Emiliano Alessandri) or ‘Federation of Democracies’ (John Davenport)<sup>5</sup>. The Prime Minister of UK, Boris Johnson advocated the idea of D-10 (G7 countries plus South Korea, Australia, India) – basically as an arrangement against authoritarian powers. The US President Joe Biden convened in December 2021 a summit for democracy attended by over 100 countries. China and Russia were not invited and they charged that this attempt reflected Cold War mentality destined to create ideological confrontation and a rift in the world. These narratives included India as an important member of such League of Democracies. Consequently, India, the Indian Ocean, and the Indo-Pacific became crucial strategic theatres in terms of time and place dimension of foreign and security policy providing India with opportunities to derive advantage out of the existing situation. Basically, such geopolitical narratives that create imagined geographical spaces (like the Indo-Pacific) and imposes particular identities (like the expansionist China) provide the foundation upon which the policies are formulated. To achieve policy goals, strategies are applied and various tactics are followed to achieve the goals of strategies.

### **China in the Indian Ocean: Narratives in Abundance**

The expanse of China’s maritime silk route (as a component of Belt and Road Initiative) and its strategic implications, its search for overseas military bases with Djibouti as one, its interest in protecting supply lines for commercial and military interests to Africa, West Asia and beyond, movements of submarines, modernization of its navy with warships capable of operating in the Indian Ocean – all contribute to much uneasiness in India-China relations.<sup>6</sup> Coupled with the vision of the leadership - Xi Jinping’s ‘China Dream’ - aspiring to be a dominant power in the world and

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<sup>5</sup>James M. Lindsay, “The Case for a Concert of Democracies”, John J. Davenport, “For a Federation of Democracies”, *Ethics and International Affairs*, 23(1), 2009; Emiliano Alessandri “World Order Re-founded: The Idea of a Concert of Democracies”, *The International Spectator*, 43(1), 2008. DOI:10.1080/03932720801892555

<sup>6</sup>Anindya Jyoti Majumdar, “The Indian Ocean as a Theatre of Conflict: Past Patterns, Present Trends” in Vivek Mishra and Sarvani Gooptu eds., *The Regional Great Game in the Indian Ocean and India’s Evolving Maritime Strategy*, KW Publishers, 2020.



its assertive ‘wolf warrior’ diplomacy have contributed to the construction of security narratives for the Indian Ocean. Wolf-warrior diplomacy, named after two patriotic blockbuster movies, “...describes offensives by Chinese diplomat to defend China’s national interests, often in confrontational ways” and is reflected in Chinese combative words and aggressive actions, says Zhiqun Zhu; however, it hurts China’s foreign policy as it generates pushback.<sup>7</sup>

China’s penetration into South Asia and greater forays into the Indian Ocean provoked counter-measures and counter-narratives from India. The pattern of Chinese moves became quite apparent over time: China lures vulnerable countries with generous infrastructural loans but as the recipients fail to pay back, China starts using the countries for its geostrategic interests. Such a policy has attracted interesting sobriquets. As China began to issue huge loans towards the countries, initially it was termed as ‘cheque-book diplomacy’ highlighting China’s formidable economic strength, that was much softer in tone compared to ‘debt-trap diplomacy’ when the world witnessed the state of defenseless recipients of Chinese loans reeling under China’s diktats as a consequence. The terms that have been used to describe a particular brand of foreign policy captured the imagination of people and helped develop a particular brand of narrative cutting into China’s image. A line of thinking maintains that such debts will hardly be repaid and though they look grand and buy friends, overtime they add to the strain of China’s finances.<sup>8</sup> Still, one cannot deny the fact that in 2022 the QUAD countries have resolved to invest \$50 billion on infrastructure development in the Indo-Pacific region, followed by similar initiative launched by G7 countries to mobilize nearly \$600 billion by 2027 under Partnership for Global Infrastructure and Investment, ostensibly to counter China’s Belt and Road Initiative. These policies stem from Joe Biden’s 2021 plan of ‘Build Back Better World’ (B3W) – clearly a value-laden term.

In the very first decade of the century, a very popular security narrative that emerged was that of encirclement of India by China. The supposed plan was branded as the ‘String of Pearls’ strategy and generated much interest among the China watchers. In 2005, a study by Booz Allen Hamilton was published in the *Washington Times*. China’s quest for a network of naval bases in the Indian Ocean (or a ‘String of Pearls’) was viewed as “the manifestation of China’s rising geopolitical influence through efforts to increase access to ports and airfields, develop special diplomatic relationships, and modernize military forces that extend from the South China Sea through the Strait of Malacca, across the Indian Ocean, and on to the Arabian Gulf.”<sup>9</sup> It was soon interpreted as an example of China’s naval ascent concomitant with the Rising China theme, aimed at reducing American influence in vast parts of Asia. It was presumed that China’s aim of a unipolar Asia required subjugation of India and Japan, two other strong Asian powers. ‘String of Pearls’ was viewed by the Indian scholarship more as an attempt by China to encircle India and thereby to restrain India’s sphere of activity. This was projected as a threat to the freedom of navigation by extrapolation of Chinese activities in the South China Sea. China’s access to and investments in developing ports like Sittwe (and Kyaukpyu) in Myanmar, Chittagong in Bangladesh, Hambantota in Sri Lanka and Gwadar in Pakistan had a clear geopolitical semblance to a possible naval encirclement strategy. China however maintained that the so-called ‘String of Pearls’ construct

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<sup>7</sup>Zhiqun Zhu, “Interpreting China’s Wolf Warrior Diplomacy”, thediplomat.com, May 15, 2020. Accessed on July 2, 2022.

<sup>8</sup>Sulmaan Wasif Khan, *Haunted by Chaos: China’s Grand Strategy from Mao Zedong to Xi Jinping*, Harvard University Press, 2018, 234.

<sup>9</sup>Christopher J. Pehrson, “String of Pearls: Meeting the Challenge of China’s Rising Power across the Asian Littoral”, Strategic Studies Institute, US Army War College, Carlisle, July 2006.

was nothing but a distortion of their regular economic engagements. At the same time, the metaphor is used to explain the ‘need-based’ relations between China on the one hand and a recipient of Chinese largesse: ‘pearl requires string and vice versa for a garland’ says Manoharan.<sup>10</sup>

However, by 2000 itself, India was convinced that its legitimate area of interest stretched from the Persian Gulf to the Strait of Malacca and its naval expansion plan predates the so-called ‘String of Pearls’ strategy of China. In 2004, Indian Maritime Doctrine endorsed this point. The Chinese scheme at best introduced urgency to the already existing plan and greater need for precaution. In response from the Indian side, the conception of the ‘Necklace of Diamonds’ made its debut as a non-official incoherent counter-move in 2011. The phrase is credited to India’s former foreign secretary Lalit Mansingh. It was more of an idea than a strategy but the spirit of response was perhaps a greater encirclement of China by close cooperation with the navies of the East and Southeast Asian states – not by forming an alliance or acquiring naval bases but by making arrangements of port access, fuelling facilities, and establishing a regular contact through joint naval exercises deepening defence ties. Changi Port in Singapore, Sabang Port in Indonesia, Duqm Port in Oman, Chabahar Port in Iran – India has ensured access to such ports but more than encirclement, the focus is on strengthening strategic cooperation and preventive counter-measures. In fact, a crescent from Chabahar in Iran on the West to Okinawa in Japan on the East looks like a geo-strategic encirclement. India has concluded important treaties with the US for operational coordination (LEMOA, COMCASA, BECA<sup>11</sup>) and India has built up naval posts and listening posts in Maldives, Madagascar, Mauritius and Seychelles. Naval exercises like the Milan and the Malabar have become a regular feature. However, here too, the idea is not endorsed in the Indian Government’s official documents.

The Narendra Modi government announced the initiative of Project Mausam in 2014. It is again assumed that Project Mausam’s objective is to counter the increasing Chinese influence in the Indian Ocean Region. However, India has identified 39 countries, including China and Pakistan, to be brought on board the project. Project Mausam plans to reestablish India’s ties with its ancient trade partners in the Indian Ocean Region stretching from East Africa to Southeast Asia. Another idea came in 2015 in addition, that is of Security and Growth for All (SAGAR) in the Indian Ocean, as advocated by the Prime Minister Modi. This led to Mission SAGAR of the Indian Navy towards fulfilling the goals of economic and security cooperation.

We can see, neither the ‘String of Pearls’ nor the ‘Necklace of Diamonds’ are officially endorsed strategies of China or India. These are constructs based on the activities of the States concerned connecting various policies and responses together towards providing an overarching explanation of the pattern of relations between two aspiring States with the conviction that eventually confrontation would dominate their relations. The constructs or narratives provide a context that justifies the policies of the States involved as logical and appropriate. And new narratives bolster the main theme of the story.

The Far Eastern Naval Command of Andaman and Nicobar Islands as a Tri-Service strategic command provides an all-encompassing defence not only in case of attacks by any adversary but to prevent acts of terrorism and piracy and conduct effective monitoring of the region. Here comes

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<sup>10</sup>N Manoharan, ‘Pearl in the String: Sri Lanka-China relations in the twenty-first century’ in Adhuri Subramanyam Raju ed., *South Asia and China: Engagement in the Twenty-First Century*, Routledge, 2022, 161.

<sup>11</sup>LEMOA 2016 Logistics Exchange Memorandum of Agreement; COMCASA 2018 Communications Compatibility and Security Agreement; BECA 2020 Basic Exchange and Cooperation Agreement

the narrative of the ‘Iron Curtain’. Naval analyst Zhang Ming proclaimed that the islands of India’s Andaman and Nicobar archipelago could be used as a ‘metal chain’ to block Chinese access to the Strait of Malacca. In other words, India is building an ‘Iron Curtain’ in the Indian Ocean.<sup>12</sup> The phrase itself, though used more in a strategic sense than political, brings back memories of the Cold War when the division between the West and the Eastern blocs in Europe was amplified by Winston Churchill with the same analogy. Taking recourse to past to explain the present is not new. Holmes and Yoshihara refer to India’s own ‘Monroe Doctrine’ and talks about a ‘constable policy’ of benign dominance including efforts to ‘police the nation’s oceanic environs’. Such a policy accompanied by naval build-up could be seen as an effort to contain China and a countervailing build-up would become China’s viable option.<sup>13</sup>

Before these narratives lost steam, the macro-geopolitical zone of Indo-Pacific was construed as an emerging theatre of contest and the Quadrilateral Security Dialogue began. While this dialogue (better known as the QUAD) saw its ups and downs but gradually turned into a platform for the US, Australia, Japan and India to consolidate cooperation against possible security challenges in the region. Yet again a Cold War analogy was revived. While the Cold War military alliance led by the US, the North Atlantic Treaty Organization (NATO) continues to function and its continued expansion creates international crises (as in Ukraine), the Chinese Foreign Minister Wang Yi attacked the US policy and emphasized that the US was seeking to create an Asian NATO to suppress Beijing’s rise. He said that the US is staging a 5 4 3 2 posture: where 5 refers to the Five Eyes<sup>14\*</sup>, 4 refers to the QUAD, 3 refers to the AUKUS<sup>15\*\*</sup> and 2 refers to bilateral military alliances<sup>16</sup>. However, the QUAD as the ‘Asian NATO’ narrative lost its significance as India’s recalcitrant attitude towards a military alliance made it a multifunctional platform. The QUAD has acquired a new character – it is a platform for cooperation on three urgent global challenges: the economic and health impacts of COVID-19, and vaccine development as a response; climate change; and future technologies. Nevertheless, the narrative of the Asian NATO persists and the assumption is, if the situation so demands, QUAD can very well turn into a military alliance with other states joining in.

## **Policy and Narratives**

While exploring into narratives one can surmise that though a lot of assumptions go into the making of a narrative still, over time, narratives tend to illustrate at least three major characteristics.

A narrative is not a policy but can serve to achieve policy goals.

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<sup>12</sup>Ranjit B Rai, “China’s String of Pearls vs India’s Iron Curtain”, *Indian Defence Review*, 24(4), October-December 2009, uploaded 2013.

<sup>13</sup> James R. Holmes and Toshi Yoshihara, “Strongman, Constable or Free-Rider? India’s ‘Monroe Doctrine’ and Indian Naval Strategy, Comparative Strategy, 28(4), September 2009, 332-48.

<sup>14\*</sup>Five Eyes is an intelligence sharing arrangement of Australia, Canada, New Zealand, the United Kingdom and the United States. There is a possibility of expansion of this alliance by inclusion of South Korea, Japan, India and Germany.

<sup>15\*\*</sup>AUKUS is a trilateral security alliance comprising Australia, the United Kingdom and the United States formed in 2021 for the Indo-Pacific region.

<sup>16</sup>*The Economic Times*, March 7, 2022.

In the contemporary world, a matrix of complex relations among states comes to the fore where clear divisions between the friends and foes are non-existent. Under the circumstances, States ordinarily have reservations to commit themselves entirely to provocative postures until a challenge is interpreted as an existential threat. If we try to locate the trends in India's foreign and security policy, in the post-cold war oligo-polar world, we notice a shift to multi-alignment (more appropriately, multi-engagement), attempts for membership in multilateral institutions; management of strategic partnerships with multiple states in multiple issue areas and according to Ian Hall, normative hedging – avoiding commitment to any particular normative agenda - western or otherwise.<sup>17</sup> The narratives of 'Emerging India' (sometimes as 'swing power' but at the end of the day, a liberal democratic State) help India to engage and deepen ties with the West.

Narratives serve the purpose of and mobilise grand strategy.

China will continue to impinge on India's Himalayan borders and in the Indian Ocean region because it has its own strategic interest to protect. Counter-measures would also be adopted by India as it has its own strategic interests to protect. However, the assertive, expansionist 'Rising China' narrative with all its supporting mini-narratives actually helps India to grow into a major player. It has provided India with the impulse, justification and the motive to grow into a major power without causing undue concern in the existing power equations. The 'Emerging India' narrative becomes largely acceptable as India projects itself as the largest democracy of the world that is also a system-supporter of a rule-based order with non-provocative defence and the image of net security provider in the region. Thus the China-centric narratives and the India-centric narratives are actually opposing each other and these narratives create a geostrategic environment that compels India and China to fashion foreign and security policies to effectively respond to it.

While each of these have important policy components, India does not scrupulously follow the Western world order narratives (of Democracies vs. Authoritarian Regimes variety) but seeks to project – in keeping with its tradition – an idea of, *Vasudhaiva Kutumbakam*, the world is a family. In effect that means keeping independent relations with the major actors, faith in diplomacy and negotiation, seeking greater economic opportunities and possible self-reliance inter-alia on defence preparedness in the days to come. The grand narrative of *Vasudhaiva Kutumbakam* thus provides a direction towards which the policy goals are oriented and strategies are applied to reach those goals.

Fanciful phrases are indicators of the evolving patterns but may or may not be reflective of reality.

At any given point of time, multiple narratives co-exist based on trends in collaboration and/or confrontation. Repetition and re-cycling of the key symbols and metaphors keep fuelling the narratives. With the world being in continuous flux and the contemporary is in many ways different from the past, always a new reality emerges that is perceived by different actors differently. As perceptions differ, realities too differ. As a result, many realities can simultaneously co-exist and multiple narratives are presented. Narratives would compete and the most acceptable and the dominant ones by means of their popularity establishes themselves as the pre-eminent explanations and guiding principles for State behaviour with particular identities, tags and templates bestowed upon places and peoples. As this means an admixture of reality with imagination, narratives may or may not reflect reality. This may allow human ingenuity to re-shape relations, adopt reasonable

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<sup>17</sup> Ian Hall, "Multialignment and Indian Foreign Policy under Narendra Modi", *The Round Table*, May 2016. DOI:10.1080/00358533.2016.1180760

policies towards mutual advantage between India and China in general, and in the Indian Ocean in particular, only if suitable narratives could be constructed and by sustained repetition and recycling, could be popularized.

# **The Indian ‘Pivot’: Contesting Chinese Preponderance in The Indian Ocean**

Raunak Bhattacharjee\*

The precipitous growth of Chinese maritime capabilities in the Indian Ocean Region, under the garb of the Maritime Silk Roads, a part of the Belt and Road Initiative (BRI) is something that has elicited much interest. In fact, the geopolitical significance of the IOR, coupled with the expansionist diktats of the People’s Republic of China is an illustration of the *Zhong Guo* or Middle Kingdom narrative that enjoys particular influence in Chinese policy circles. The American Pivot strategy employs India as an instrument to counter the expanding Chinese influence in the region. India’s positional superiority relative to the Indian Ocean is indeed advantageous in comparison to China. The growth of requisite *blue water* capabilities, as well as significant *green water* strength in the 21<sup>st</sup> century India, places her as a formidable competitor to challenge Chinese preponderance in the region. This paper seeks to analyse the basic nature and the conceptual structure of the ‘Pivot’, and shall also, focus significantly on the understanding of the Chinese psyche. Analytical and theoretical instruments ranging from Kautilya and Sun Tzu to the contemporary writings on geopolitics shall be delved into. Avoidance of possible conflict must be in tandem with contestation of Chinese claims in the South China Sea region. The fact that India needs to play a greater role in Asian geopolitical affairs shall be highlighted and the possible expansion of the roles of the Quadrilateral Security Dialogue (Quad) shall also be discussed. Finally, it shall be endeavoured to provide a multilateral solution to augment the harmony of interests, while keeping in check the revisionist power, and avoiding the entrapment in the Thucydides’ Trap by preventing the rise of a Chinese equivalent of the Monroe Doctrine, that requires a greater understanding of the Chinese Marathon Strategy, especially the concept of *shi*.

The development of Chinese Preponderance in the Indian Ocean region is indeed something that should be of alarm to New Delhi. The rapid growth of infrastructure, the development of Green Water Navy capabilities, as well as the burgeoning geopolitical influence of the Chinese PLA Navy, have not exactly gone unnoticed in policy circles and the muscle-flexing of the Chinese polity, albeit as the trailblazer of the 21<sup>st</sup> Century, and pushing forward a temporal discourse highlighting a teleological agenda of securing an ontological superiority using its epistemological and ideological resources, are not really unforeseen; if one casts a glance at Chinese civilizational ethos and particularly Chinese Political Philosophy of the Warring States age, it can be easily comprehended. The series of goals that have been placed by the current Xi Jinping regime based on temporal facets are seeing realization that must foment some form of trepid reaction from its immediate neighbours, as well as the current hegemon, the United States of America. The creation of conditions conducive for a Maritime Silk Road has been commented upon, by some scholars, as not particularly pertinent to Indian Defensive position vis-à-vis China, and that, it is much more pertinent to have capabilities for continuing the Continental offensive against China, as opposed to securing an option for some form of Maritime detriment.

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It is of little doubt that China's present endeavour is directed towards the safe passage in the Sea Lanes of Communication (SLOCs) that are especially requisite for fulfilling its energy needs. The return of the Taliban in Afghanistan signifies a condition of uncertainty in West Asia, that directly hampers Chinese efforts at the construction of energy linkages with Eurasia, and in particular, Central Asia. Despite the Chinese diplomatic overtures to the Taliban, with formal recognition and enlisting their services in the Xinjiang region to counter the Uighur populace, the very anarchic modus operandi of the Taliban is surely going to be very detrimental to the requisite stability for pursuing the Chinese target of interconnectedness. Therefore, the focus on the Indian Ocean cannot totally be given up by the Chinese. Moreover, the endeavour to foment a Chinese 'Monroe Doctrine' is not entirely lost, and the South China Sea region happens to be of particular pertinence, due to its positional superiority of median presence vis-à-vis the Indo-Pacific region. The paramountcy of Maritime power, as chronologically established, is something that the Chinese political class does understand, and looks into, with much perceptive brevity (Mearsheimer 2014<sup>18</sup>; Pillsbury 2015)<sup>19</sup>.

The United States, on its part, has taken cognizance of the certain situation that has arisen in the Indo-Pacific region, especially the very assertive stance of China that is visible in the form of the Maritime Silk Route (MSR) initiative, that happens to be a veritable part of the Belt and Road Initiative (BRI). It was back in 2011, that US President Barack Obama had mentioned about the "strategy of a 'pivot'", a policy narrative outlining a shift in American geopolitical emphasis to the Asia-Pacific region. In fact, the Indian 'Look East Policy' that has been rechristened to 'Act East Policy' highlights a very similar geopolitical and geostrategic emphasis upon the Indian Ocean Region, no longer, deeming it to be a *Brown Water* region, but as a *Blue Water*, from a *geography of threat* to a *geography of opportunity*. (Scott 2015)<sup>20</sup>

It is of further pertinence to note that the Indian Ocean Region happens to harbour important SLOCs that are requisite for the fulfilment of Chinese energy needs. The route to Africa is of further importance in contemporary times, following the resurgence of Taliban rule in Afghanistan, creating conditions of instability in West Asia. Despite Chinese recognition of the Taliban State and opening up formal diplomatic linkages, it must be noted that China has to keep one eye open vis-à-vis the Islamic Emirates of Afghanistan, and this partnership can be aptly described as 'reluctant'. The SLOC routes have presented their own set of challenges, as Premier Hu Jintao had referred to as the 'Malacca conundrum' with regards to how the Strait of Malacca can emerge as a potential chokepoint. A similar point has been noted by strategic and defence analysts pertaining to the Strait of Hormuz.

Singh (2020)<sup>21</sup> notes that there are different distinct schools of thought that exist within the Indian policy circles pertaining to the nature of Sino-Indian relations in the 21<sup>st</sup> Century. Firstly, one finds the scholarship that focuses primarily upon geopolitics; secondly, there are the Foreign Policy

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<sup>18</sup> Mearsheimer, J. (2014). *The Tragedy of Great Powers*. New York: W.W. Norton and Company.

<sup>19</sup> Pillsbury, M. (2015). *The Hundred Year Marathon: China's Secret Strategy to replace America as the Global Superpower*. New York: Henry Holt and Company.

<sup>20</sup> Scott, D. (2015). The Indian Ocean as India's Ocean. In D. Malone, C. Raja Mohan, & S. Raghavan, *The Oxford Handbook of Indian Foreign Policy* (pp. 466-480). New Delhi: Oxford University Press.

<sup>21</sup> Singh, Z. (2020). *Powershift: India-China Relations in a Multipolar World*. New Delhi: Pan Macmillan .

traditionalists or the Neorealists; thirdly, there are the Mahanian scholars; and lastly, one finds the Neoliberal school that focuses on the growth of interdependence. Now, this author shall distinctly disavow the Neoliberal discourse based on its intrinsic geoeconomics bias. The current discourse that this author is presenting, focuses primarily upon security arrangements and emphasizes geopolitical facets, with requisite importance to the understanding of geoeconomics in the age of Globalization.

A historical analysis of Sino-Indian relations pertaining to the consideration of perceptions is requisite to the understanding of the foreign policy-making mechanisms of both the Nation-States. The Kissinger-led US opening to China in the 1970s did foment a new phenomenon in international politics. The Sino-US rapprochement made China the balancing constant in the bipolar equation of the Cold War era. The Cold War has ended, and now, it would not be wrong to assume the end of the American unipolar moment. The multipolarity has been critically visible for some time, but in contemporary times, a rapidly rising China reifies a new narrative resembling the age of bipolar competition.

In the current scenario, thus, the presence of the Indian pivot is of absolute necessity. India as the balancing factor in the bipolar competition, has the proper ethos for mediation as well as maintaining world peace. Herein, it becomes requisite to take a macro-historic *longue durée* approach, as propounded by Fernand Braudel, to get a comprehensive understanding of Indian Foreign Policy stance. Shivashankar Menon's work can be cited as a methodical work with reference to the same. A veritable note that can be made vis-à-vis the nature of Indian Foreign is that, it is reactionary, as opposed to Chinese Foreign Policy, which is more assertive in nature. To put forward a Sino-centric discourse is something that is a primary teleological facet of the Chinese policy making mechanism. In the Indian scenario, it must be noted that revisionism is not a much-favoured concept, as balance of power is valued more, with an emphasis upon stability and order, something that happens to be an intrinsic aspect of Indian ethos and political philosophy.

Thus, it was no surprise when India began to pursue a Hedging Strategy as opposed to being the US 'Pivot'. As noted by Pant and Joshi (2015), there have been certain efforts directed towards the recalibration of US-India Defence relationships; secondly, the Indian endeavour to strike out a balance with China, on its own, without involving a third party or variable to the Sino-Indian equation; and, lastly, focussing on local defence partnerships augmenting a much more concerted balance of power. However, this direction of Foreign Policy has not exactly been very successful, as could be witnessed by the multifarious forms of microaggressions directed by China against India, especially along Arunachal Pradesh and Ladakh regions. This has simultaneously become more pronounced with the unfolding of the Covid-19 pandemic.

The veritable questions that arise in the present discourse arise with reference to how India shall tackle China. From a continental perspective, it goes without saying that China is at a much more advantageous position, having better transportation and interconnectivity, as well as hordes of reserve forces on standby, who can be easily mobilized; the availability of air transport, by the creation of helipads possible due to the plateau-like plains available along the border regions have further augmented Chinese superiority along its border with India (Sawhney and Wahab 2020)<sup>22</sup>. In this particular instance, to draw a page from Alfred Mahan's book is immensely relevant. The

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<sup>22</sup> Sawhney, P., & Wahab, G. (2020). *Dragon On Our Doorstep*. New Delhi: Aleph Book Company.



pertinence of the Indian Ocean Region as a *Blue Water* gets more pronounced in this particular scenario, making the condition of a zero-sum game even more pertinent. The recently convened AUKUS (Australia, UK and USA) meet wherein, Australia is set to receive nuclear powered submarines to promote security across territorial waters as well as international waters, particularly along the Indo-Pacific augments the purposiveness of the Quadrilateral Security Dialogue (the Quad).

It must be highlighted that the Chinese polity has not at all taken the matter very lightly, accusing the Quad and AUKUS of being desperately anti-Chinese and anti-constructivist to their very cores. Beijing's disavowal strengthens New Delhi's position in the Quad, as a determining constant variable in Sino-US relations. However, US-led transnational and multilateral organizations are suffering from a very intrepid case of credibility crisis. It must be noted that before securing the submarine deal with the USA, Australia had already placed an order for procuring diesel powered submarines from France. The fact that France has been completely blacked out of the negotiating table, and kept in the dark, raises very significant questions and doubts about the Biden Administration. It must be noted that France is a very significant all-weather ally of the USA, and is a veritable and venerable power of the West. If France could be side-lined and sidestepped in this fashion, there is reason to conjecture that a similar situation might afflict India, making her a scapegoat to the contemporary global power game. This suggests that the Hedging Strategy is a better alternative. However, the ontological and positional superiority of India significantly contributes to its geopolitical visage, and it is that very geopolitical consideration that shall act as a crucial form of impediment to the side-tracking of India.

The need of the hour is the tackling of the pandemic, the climate change crises and serving some form of check or hindrance to the rapid expansion of Chinese influence in the Indo-Pacific, while securing noteworthy developments along the South China Sea region, and thereby expanding the scope of the Maritime Silk Roads (MSR). The inclusion of Kolkata port in the *Xinhua* news report, endeavours to derail one from the discourse pertaining to the West Asia region, especially along the Gwadar Port. Gwadar in Pakistan, to this day, seems to be an *economically poor* region that is rife with terrorist threat from the Baluchistan Separatists in Pakistan (Singh 2020)<sup>23</sup>. The procurement of trading rights in the Chabahar Port, and expansion of Chinese patronage to Central Asian Republics targeting primarily their vast hydrocarbon and other energy resources has significantly intensified the Sino-American race, and tightened the *Thucydides' Trap*.

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<sup>23</sup> Singh, Z. (2020). *Powershift: India-China Relations in a Multipolar World*. New Delhi: Pan Macmillan .



Source: Xinhua at [http://news.xinhuanet.com/english/2016-04/17/c\\_135286862.htm](http://news.xinhuanet.com/english/2016-04/17/c_135286862.htm)

It is pertinent to look into brevity, the role conception and the civilizational aspects that are significantly affecting Chinese Foreign Policy notions. It must be noted that the Mandarin Chinese term for China is *Zhong Guo*, that translates to ‘Middle Kingdom’; interestingly following the advent of Buddhism, it was India that was referred to as the *Zhong Guo* based on its locational significance as the place where the Buddha was based on his spiritual voyage. However, with time and the growth of Confucian and Daoist ethics, a very Sino-centric form of identity came to the forefront, and with that, began a negative perception directed towards India. This was further intensified by the Opium Wars, wherein Indian troops were instrumental in the British triumph over the Chinese, and is etched in the Chinese collective memory as a very disgraceful incident. The reprehension of the incident was further posited with a darker backdrop as the Indian soldiers of the British Indian Army were stationed for “controlling” the Chinese; they also served as moneylenders, and gained a particularly unfavourable and notoriously overbearing reputation, that continues to this day (Bajpai 2021)<sup>24</sup>. Thus, even after Indian independence, as overtures were being made to the Republic of China, a sense of deep distrust did exist within the ranks of the citizenry and Indian bonhomie was not exactly viewed with great enthusiasm, despite slogans like ‘Hindi Chini bhai bhai’ (roughly translated to ‘Indians and Chinese are brothers’).

Upon closer pondering of the Sino-Indian relations, one can find an astute lack of diplomatic communication for a long period of time, after the Indo-China War of 1962. Amusingly, the same event is described as a ‘border skirmish’ in Chinese political historiography. During this period of diplomatic incommunicado between India and China, one can locate the naissance of the Sino-Pakistan Axis, as pointed out by Andrew Small (2015)<sup>25</sup>. In fact, the development of the Pakistani nuclear arsenal has been largely facilitated by the Chinese, in terms of technological and financial prowess.

It must be observed that India does not exactly lack a realist outlook. If China has its Warring States, Lord Shang and Sun Tzu, India too boasts of a strong martial ethos with traditional realist views in the form of Kautilya and his magnum opus, the *Arthashastra*, that can be translated to

<sup>24</sup> Bajpai, K. (2021). *India versus China: Why they are not Friends?* New Delhi: Juggernaut Books.

<sup>25</sup> Small, A. (2015). *The China-Pakistan Axis*. New York: Oxford University Press.

‘compendium of statecraft’ (Mitra and Liebig 2017)<sup>26</sup>, based on an etymological understanding of the Sanskrit word *artha* meaning ‘power’ (in popular parlance, it is also used to refer to ‘wealth’, i.e., referring to a certain form of power derived from the ownership of capital), and *shastra* that refers to a ‘scientific manual’ or ‘compendium’, that emphasizes upon an eclectic mix of empirical and normative approaches to ascertain conclusive facts replete with proper inferences.

Before delving deeper into understanding the theoretical facets of the Kautilya’s *Arthashastra* or Sun Tzu’s *Art of War*, it is imperative to take into consideration, the contextuality and situational aspects of the works, along with the consideration of translations and transliterations that these works are being subjected to, in the contemporary times. Temporal and spatial facets need to be kept in mind, as the reader is interpreting the text, and another fact, that becomes paramount when one refers to these texts, is that a process of re-presentation works in tandem with the representation, which leads to a complication of the discourse.

The Machiavellian nature of Kautilya’s discourse has been highlighted by Eurocentric traditional realist scholars, visible in the works of Meinecke and Morgenthau. However, Asian geopolitics of the present times, has transcended the need for a solely continental powerplay, as the Maritime linkages are further strengthening in the age of globalization. The concept of territoriality can be applied to continental landmasses, despite significant misgivings with multiple convergences and divergences, but the same concept being applied to water bodies, especially vast oceans like the Indian Ocean and the Pacific Ocean is not only a complex process, but is significantly perplexing. Geopolitics requires maps, and delineation and demarcation are immensely significant to carry forward the discourse. These are the variants of instrumental rationality that are extensively used, and in the case of oceans, that is perhaps very arduous and strenuous, susceptible to multifarious defects and greater contestation.

The Kautilyan *raison d’état* is indeed a very interesting concept, as Kautilya deduces an understanding of the State using ‘the seven constitutive elements’ (Kangle’s translation) or ‘the seven state factors’ (Meyer’s translation) make up the *Saptanga* theory, with the principal elements being: the *swamin* (the ruler); the *amatya* (the minister or the bureaucrat); the *janapada* (the people); the *durga* (the fort); the *kosa* (the treasury); the *danda* (the coercive power of the State or the Repressive State Apparatus, taking a leaf from Althusser); the *mitra* (the ally) (Mitra and Liebig 2017)<sup>27</sup>. Based on the *Saptanga* theory, Kautilya goes on to formulate the *Shadgunya* theory or the ‘Six Methods of Foreign Policy’. They are: *sandhi* (peace); *vigraha* (war); *asana* (neutrality/ to wait and observe, before acting); *yana* (involving coercive diplomacy and mobilization for war); *samshraya* (forming alliances); *dvaidhibhava* (diplomatic duplicity/ ‘dual policy’) (Mitra and Liebig 2017<sup>28</sup>; Liebig 2013)<sup>29</sup>.

Drawing a leaf from Kautilya’s *Shadgunya* theory, it can be comprehended that Indian Diplomacy has opened unto itself, a slew of options. With regards to Chinese diplomatic practices, it must be pointed out that *dvaidhibhava* is significantly put to usage, and it would not be exactly erroneous to point out that the United States or the West, in general does not practice it. In fact, the way the

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<sup>26</sup> Mitra, S., & Liebig, M. (2017). *Kautilya's Arthashastra: An Intellectual Portrait*. New Delhi: Rupa.

<sup>27</sup> Mitra, S., & Liebig, M. (2017) *ibid*

<sup>28</sup> Mitra, S., & Liebig, M. (2017) *ibid*

<sup>29</sup> Liebig, M. (2013, June). Kautilya's Relevance for India Today. *India Quarterly*, 69(2), 99-116.

French were side-tracked by the Americans, British and Australians over the submarine deal, is a classic ploy to keep oneself *au fait* with the status quo (Therrien 2021; Niquet and Peron-Doise 2021)<sup>30 31</sup>. China's pursuit of *yana* against India, is once again an option that is available to it, based on its geoeconomic and geopolitical superiority. To India, the options include: *asana* and *samshraya*, as the binary options of *sandhi* and *vigraha* are out of the question in the present scenario, and neoliberal interdependence is not at all a conducive policy lens, as a member-state of the Quad and the recently concluded bilateral meeting between India and US, wherein Prime Minister Narendra Modi and President Biden shared their visions for the future (Mishra 2021)<sup>32</sup>.

Thus, in conclusion, it must be stated, as a three naval aircraft carrier, India is in a veritable and venerable position in the Indian Ocean, but the need of the hour is carrying out more joint naval exercises. India carrying out its own form of *yana* in the Maritime region shall clearly be a definitive show of strength, and moving out to the Pacific open seas is also requisite. The AUKUS is a clear highlight that the Biden Administration is perceptive of the concurrent geopolitical shift. Now, the time for Indian Diplomacy is to be assertive, instead of reactive, as dictating the terms of the game is better than subjecting the self to be heralded, and perhaps, Kautilya shall concur.

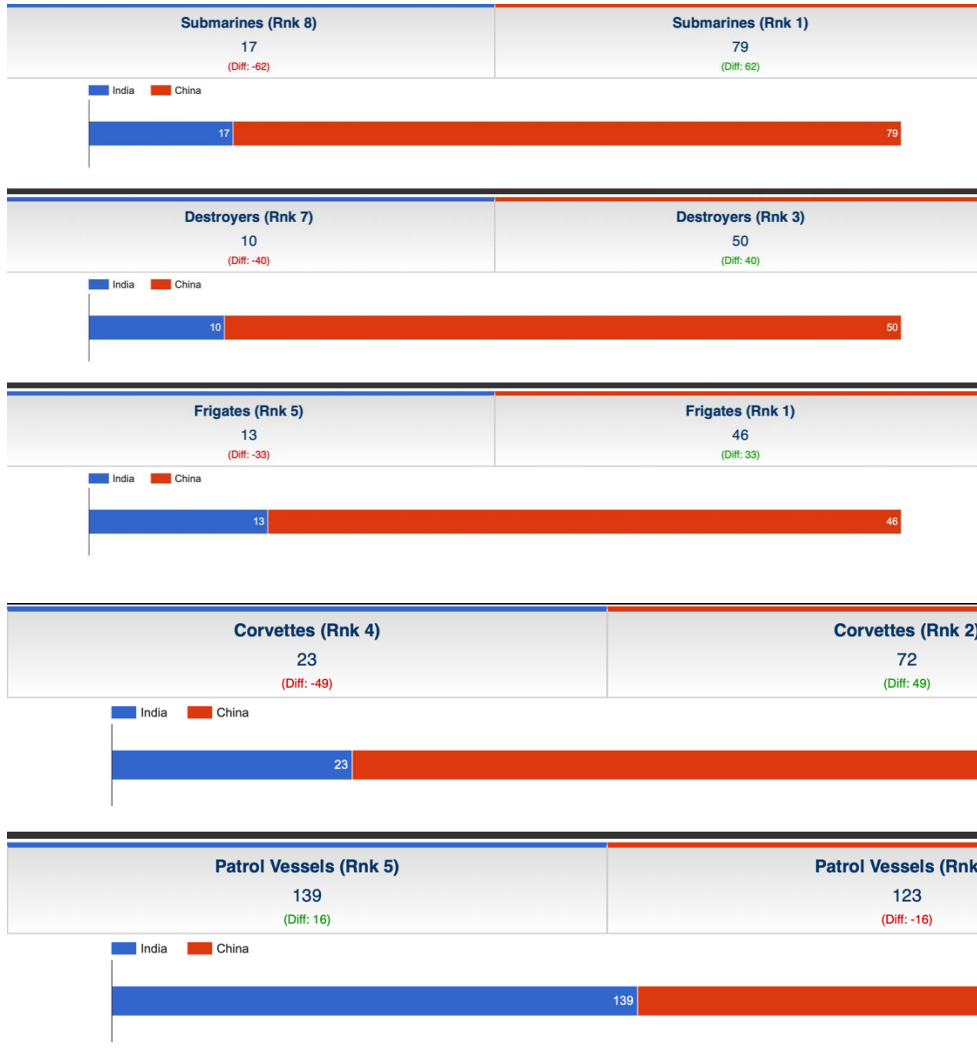
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<sup>30</sup> Therrien, A. (2021, September 20). *Aukus: France pulls out of UK defence talks amid row*. Retrieved September 20, 2021, from <https://www.bbc.com/news/uk-58620220>

<sup>31</sup> Niquet, V., & Peron-Doise, M. (2021, September 18). *AUKUS and Submarines: The Fallout for France*. Retrieved September 20, 2021, from <https://thediplomat.com/2021/09/aukus-and-submarines-the-fallout-for-france/>

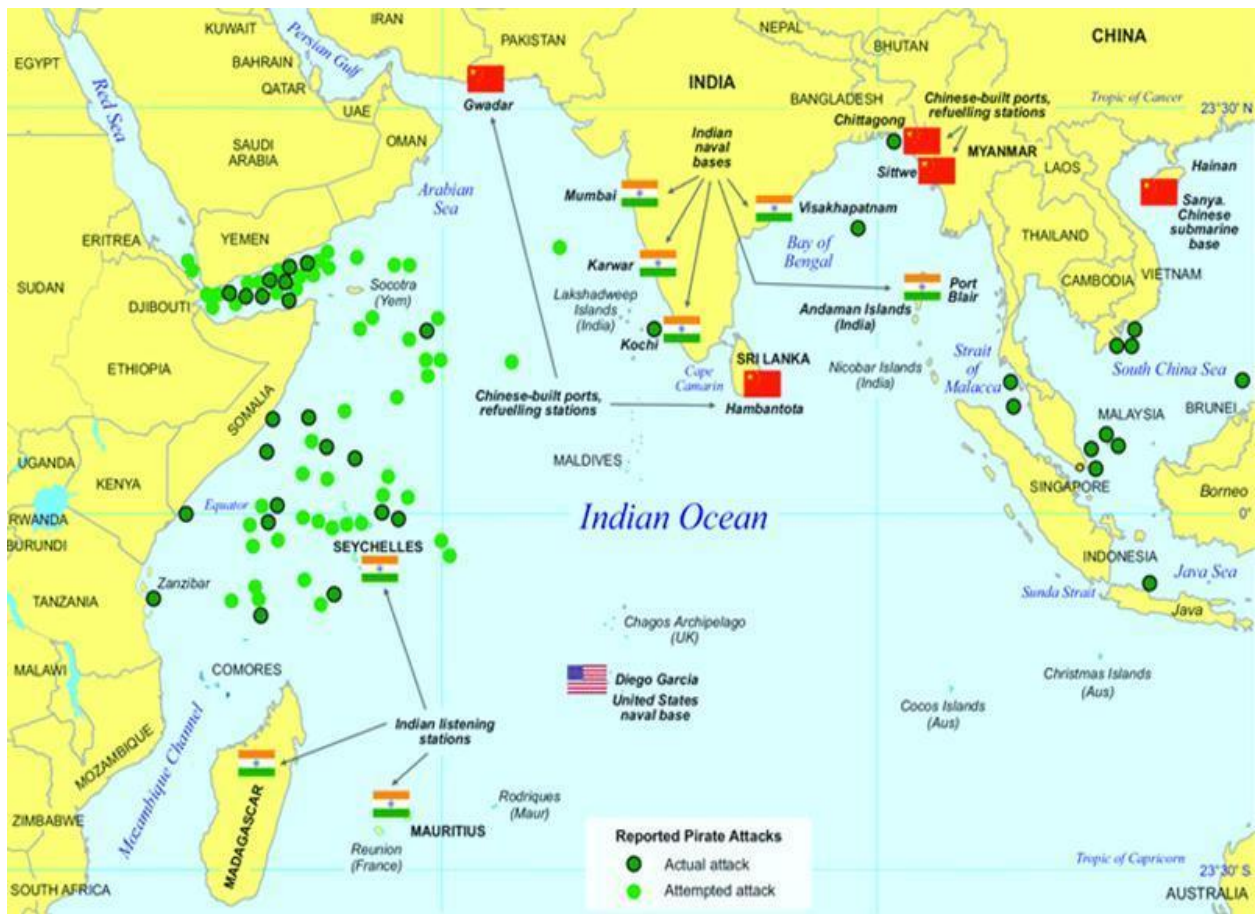
<sup>32</sup> Mishra, H. (2021, September 25). *PM Modi lists 5 T's in meeting with Joe Biden, redefines contours of India-US ties*. Retrieved September 28, 2021, from <https://www.indiatoday.in/india/story/pm-modi-joe-biden-meeting-india-us-ties-1857003-2021-09-25>

# APPENDIX I



Sourced from: <https://www.globalfirepower.com/countries-comparison-detail.php?country1=india&country2=china>

## APPENDIX II



Map of the Indian Ocean marking the multiple Ports of importance (Source: [https://www.researchgate.net/figure/Great-Power-Competition-in-the-Indian-Ocean-Region\\_fig2\\_318380370](https://www.researchgate.net/figure/Great-Power-Competition-in-the-Indian-Ocean-Region_fig2_318380370))

# **China's Neighbourhood Policy**

# China's Neighbourhood Policy: A Critical Analysis

Subhadeep Bhattacharya\*

Addressing the Foreign Ministers' Meeting among the Neighbouring Countries of Afghanistan on 31<sup>st</sup> March, 2022 Chinese President Xi Jinping underscored that amity and good neighbourliness are invaluable to a country.<sup>33</sup> Back in 2013, President Xi, while addressing the top diplomats and foreign policy officials, observed that the neighbours should be treated as friends and partners and made to feel safe.<sup>34</sup> However, according to most analysts China has troubled relations with most of her neighbours and the essence of 'good neighbourliness' in conducting bilateral relations with them, especially in the Northeast, Southeast and South Asia is mostly lacking. Be it the maritime domain or the land, neighbours have often been the victims of the Chinese aggressive design. From the deep seas to the high mountains, the Chinese mode of action has made neighbours feel her power in the vicinity. The question might arise why there is such a huge mismatch between China's words and actions. The article here will try to address this question by delving into the character of Chinese foreign policy towards the neighbourhood.

China is the country with the maximum number of neighbours, after Russia. And China has territorial disputes with most of her neighbours. These disputes are an irritation no doubt for China in the sense that the compulsion of safeguarding national integrity is driving China to the path of aggressiveness to ensure its national interests. The Chinese government is very cautious about selecting words while narrating the objectives of its foreign policy. Referring to the disputes, Chinese premier Li Peng said back in 1996 that China stands for 'fair and reasonable' settlements of border and territorial disputes through negotiations and consultations, including the offshore territory (in reference to East Asian maritime disputes).<sup>35</sup> In an anarchic international order who decides what is fair and reasonable and who accepts such a verdict? China refused to accept the International Tribunal's verdict disregarding Beijing's claims in the South China Sea dispute in 2016. Accepting the verdict was detrimental to China's national integrity question. In his speech commemorating the 100th anniversary of the Chinese Communist Party in October 2021, President Xi Jinping said, "No one should underestimate the resolve, the will, and the ability of the Chinese people to defend their national sovereignty and territorial integrity."<sup>36</sup> China claims sovereignty and jurisdiction over *Nansha Qundao* (the Chinese name for South

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<sup>33</sup> Ministry of Foreign Affairs of the People's Republic of China, [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/202203/t20220331\\_10657978.html](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202203/t20220331_10657978.html) (accessed on 31.05.22)

<sup>34</sup> The Economic Times, October 26, 2013, <https://economictimes.indiatimes.com/news/politics-and-nation/president-xi-jinping-pitches-for-friendly-neighbourhood-policy/articleshow/24750697.cms?from=mdr> (accessed on 31.05.22)

<sup>35</sup> 'Main Characteristics of Chinese Foreign Policy', Embassy of People's republic of China in the United States of America, <https://www.mfa.gov.cn/ce/ceus//eng/zmgx/zgwjzc/t35077.htm> (accessed on 01.06.22)

<sup>36</sup> 'Full text of Xi Jinping's speech on the CCP's 100<sup>th</sup> Anniversary', *Nikkei Asia*, July 1, 2021, <https://asia.nikkei.com/Politics/Full-text-of-Xi-Jinping-s-speech-on-the-CCP-s-100th-anniversary> (accessed on 01.06.22)



China Sea islands) as was clarified by Chinese Foreign Minister Wang Yi.<sup>37</sup> US Secretary of State Charles Hughes said in 1924; “Foreign Policies are not built upon abstractions. They are result of national interest arising from immediate exigency or standing out vividly in historical perspective.”<sup>38</sup> China gives historical perspective to her territorial claims in her neighbourhood while aggressive defence of her claims is the demand of her perceived insecurity.

### **Why does China behave the way she does?**

National rejuvenation reclaiming lost status of ‘great power’ (*da guo*), victim mentality of ‘hundred years of shame and humiliation’ (*bainian gouchi*) and defensive security outlook fearing foreign powers constraining China’s rise have been the three lenses of China’s foreign policy.<sup>39</sup> The tremendous economic achievement in the past thirty years has expedited the mission and satisfied the communist rulers of the country as reflected in the words of President Xi Jinping; “A century ago, China was in decline and withering away in the eyes of the world. Today, the image it presents to the world is one of a thriving nation that is advancing with unstoppable momentum toward rejuvenation.”<sup>40</sup> Chinese leaders project China as the victim of ‘100 years of humiliation’ and Chinese Communist Party as liberator of the millions of Chinese from that shame<sup>41</sup> and help getting China back her lost prestige in order to legitimize its one-party rule. Thus Xi Jinping said; “Over the past century, the Communist Party of China has secured extraordinary historical achievements on behalf of the people. Today, it is rallying and leading the Chinese people on a new journey toward realizing the second centenary goal.”<sup>42</sup> The Afro-Asian states who were colonized or semi-colonized (like China) nurture great sense of national pride and thirst for improved international status. Many are dissatisfied with the international hierarchical order run by erstwhile colonial powers. Werner Levi makes a comparative analysis of the small European and ‘Third World’ states and suggests the European states ‘have adapted themselves to low place in the hierarchy of nations’ since, apart from other factors, ‘elites (of these countries) feel no need to compensate or overcompensate for their humiliations suffered in the past.’<sup>43</sup> China declaredly wants to make up for her ‘100 years of humiliation’ of the colonial period. The one way to do so is to improve her national power. China emphasized on enhancing comprehensive national power (*zhonghe gouli*) augmenting her economic, technological and military strength.<sup>44</sup>

Like any other decolonized state with a rich historical past and civilizational pride, Chinese leadership craves for international prestige. The organisation of the Olympic Games in 2008 was part of such

<sup>37</sup>Ministry of Foreign Affairs, People’s Republic of China, [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/20economican military power 2108/t20210805\\_9133758.html](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/20economican%20military%20power%20210805_9133758.html) (accessed on 02.06.22)

<sup>38</sup> Cited in Golam Mostafa, *National Interest and Foreign Policy: Bangladesh’s Relations with the Soviet Union and its Successor States*, New Delhi, South Asian Publishers, 1995, p.12

<sup>39</sup> Evan S. Medeiros, *China’s International Behaviour: Activism, Opportunism and Diversification*, RAND Corporation, 2009, pp.7-11

<sup>40</sup> Full text of Xi Jinping’s speech on the CCP’s 100<sup>th</sup> Anniversary’, *Nikkei Asia*

<sup>41</sup> Full text of Chinese Communist Party’s new resolution on history, *Nikkei Asia*, November 19, 2021, <https://asia.nikkei.com/Politics/Full-text-of-the-Chinese-Communist-Party-s-new-resolution-on-history> (accessed on 07.06.22)

<sup>42</sup> Full text of Xi Jinping’s speech on the CCP’s 100<sup>th</sup> Anniversary’, *Nikkei Asia*

<sup>43</sup> Werner Levi, ‘Third World State: Object of Colonialism or Neglect’, *International Studies Quarterly*, Vol.17, No.2 (Jun.1973), p.228

<sup>44</sup> Yong Deng, ‘Better Than Power: “International Status” in Chinese Foreign Policy’, in Yong Deng and Fei-Ling Wang (eds), *China Rising: Power and Motivation in Chinese Foreign Policy*, USA, Rowman & Littlefield Publishers, Inc, 2005, p.53

mission. It has been a common practice among the ‘emerging powers’, countries which rapidly climb up the ladder of global hierarchy, to hunt for the scope to organize such global event in order to exhibit their capacity and efficiency. United States organized Philadelphia Centennial Exhibition, the first North American World’s Fair, in 1876 and Olympics in early 1900s (1904).<sup>45</sup> China wants both material power and international legitimacy. Chinese political elites think China is entitled to great power status which will solve China’s foreign policy problem. China dreams for both comprehensive material power which includes military capabilities and also an improved social standing in the international community. However, Chinese political leadership suffers from perceived discriminatory denial of its rightful place (in the international field) which triggers discontent against the international hierarchical system.<sup>46</sup>

The current international policy of China under President Xi Jinping is considered as aggressive by many scholars, especially in the West. It is suggested that President Xi has ‘picked fights’ with his neighbours in the name of protecting China’s core interests and even antagonized countries like USA.<sup>47</sup> Indeed, China is on the path of military modernisation and the simultaneous doubling down on her territorial claims from the South China Sea to the Himalayan border since Xi Jinping took charge in 2012. But this is not a new development in Chinese foreign policy. China has consistently been opportunistic in aggressively forwarding her territorial claims. In 1974 and 1988 China clashed with Vietnam over the South China Sea territorial claims when unravelling of the major powers, USA and USSR respectively, was happening in Southeast Asia at the cost of Vietnam’s security. Similarly, the withdrawal of US bases from the Philippines in 1994 led to the Chinese occupation of the Mischief Reef in South China Sea claimed by the Philippines.<sup>48</sup> Today, it is opined that Xi Jinping’s China is confident about the decline of the West and USA following the Iraq and Afghanistan fiasco of USA, the *Brexit* and the election of Donald Trump to presidency in 2016. It is said that President Xi did not want to waste this opportunity in view of the possibility of renewal of American leadership.<sup>49</sup>

### **Neighbourhood policy with ‘Chinese characteristics’**

Since the end of the Cold War the prime concern of the Chinese foreign policy has been to gain international status not just in terms of ranking China in the international power hierarchy but also in terms of her ability to protect her interest and influence in the international arena.<sup>50</sup> One way of augmenting influence is through commercial ties. China is currently the number one economic power in Asia and is the major trading partner of her Asian neighbours. In 2021 46.9 percent of China’s exports by value were delivered to Asian countries while 20.79 per cent were sold to North America.<sup>51</sup> So economically China dominates her neighbourhood. However, this question of ‘Chinese domination of her neighbourhood’ has been put in historical perspective also. David Kang argues that the Asian countries do not balance against China, rather ‘they seem to be bandwagoning.’<sup>52</sup> Kang opines that a

<sup>45</sup> Jeffrey N. Wasserstrom, *China in the 21<sup>st</sup> Century: What Everyone Needs to Know*, Oxford University Press, 2010, p.88

<sup>46</sup> Yong Deng, ‘Better Than Power: “International Status” in Chinese Foreign Policy’, pp.51,52

<sup>47</sup> Jude Blanchette, ‘Xi’s Gamble: The Race to Consolidate Power and Stave Off Disaster’, *Foreign Affairs*, Vol.100, No.4 (July-August, 2021), p.10

<sup>48</sup> Subhadeep Bhattacharya, *Understanding South China Sea Geopolitics*, New Delhi, Pentagon Press, 2017, p.255

<sup>49</sup> Jude Blanchette, ‘Xi’s Gamble’, p.13, emphasis added

<sup>50</sup> Yong Deng, ‘Better Than Power: “International Status” in Chinese Foreign Policy’, p.53

<sup>51</sup> China’s Top Importers, <https://www.worldstopexports.com/chinas-top-import-partners/> (accessed on 02.06.22)

<sup>52</sup> Bandwagoning means joining a stronger coalition. The term was first used by Quincy Wright in Study of War and later by Kenneth Waltz in Theory of International Politics. Randall L. Schweller, ‘Managing the Rise of Great Powers : History and Theory’, in Alastair Iain Johnston and Robert Ross (eds), *Engaging China : The Management of Emerging Power*, London, Routledge, 1999, p.10

hierarchical structure in the Chinese neighbourhood was in existence in the pre-colonial period with China as the dominant power and surrounding countries as peripheral and secondary states. He says that this system was based on Chinese economic and military power but was enforced (not through coercive means but) through cultural exchanges. He even argues that there was a hierarchical structure (in Asian international relations in the pre-colonial period) with China at the zenith and the neighbours in the periphery which thwarted any interstate war unlike in the West with 'equality between nation-states.' According to Kang this 'traditional East Asian order' was demolished in the 19<sup>th</sup> century when Western powers and Japan tried to establish their influence in the region.<sup>53</sup> So, Kang insists that there was a pre-colonial hierarchical international structure in the Chinese neighbourhood (in East Asia) under the 'peaceful and non-coercive' influence of China.

Nevertheless, Amitav Acharya disputes Kang's opinion saying that historically China did not pursue only peaceful means to manage her relations with her neighbours but based her relations on pragmatic realpolitik 'with power and security being major considerations and force an important instrument.' In his opinion China never acknowledged overseas rulers and even threatened to use force against the lesser states. He says the reason behind Chinese benevolence was not her magnanimity but lack of capability. Even while accepting Kang's pre-colonial hierarchical East Asian international order led by China, Acharya argues that was because China was the only power available to her neighbours who could turn to her for security.<sup>54</sup> That Chinese neighbourhood policy was anything but benevolent was clear from its policy towards USSR and India during the Cold War period. China's focus on 'five principles of peaceful coexistence' adopted in 1954 did not last long when China started disregarding being sired by Soviet Union in the post Stalin era. The Chinese mediation in resolving tension between Soviet Union and Poland and Hungary at the Moscow Conference in 1957 added to the uppity of Beijing leading it to believe that the Sino-Soviet relations were no more based on leading and being-led notion thus could not stand any 'arrogant attitude' of the Soviet leadership.<sup>55</sup> This was the beginning of the famous Sino-Soviet split.

This was the time when Mao himself was convinced that so-called 'international anti-China tide was swelling badly'. In the late 1950s the Chinese leaders were concerned about the domestic economic collapse due to the adverse impact of the Great Leap Forward and the alarming international situation amid the deteriorating Chinese strategic position.<sup>56</sup> China was so alarmed that she, in diplomatic note to India in 1959, tried to convince India about her noble intension; "China will not be so foolish to antagonize the United States in the east and again antagonize India in the west...We cannot have two centers of attention, nor can we take friend for foe."<sup>57</sup> Clearly China was nervous with the international situation turning against her in the late 1950s. This was the time when China was trying to placate India. Writing to Indian Foreign Minister Sardar Swaran Singh in April 1960, Chinese Foreign Minister Chen Yi said, "It is clear to us that our most important enemy is the United States which may attack us any

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<sup>53</sup> David Kong, 'Getting Asia Wrong: The Need for New Analytical Frameworks', *International Security*, Vol.27, No.4, (Spring 2003), p.67

<sup>54</sup> Amitav Acharya, 'Will Asia's Past be its Future', *International Security*, Volume 28, No.3, (2003/04), MIT Press, pp.154, 155

<sup>55</sup> Niu Jun, '1962: The Eve of the Left Turn in China's Foreign Policy', Cold War International History Project, Working Paper 48, Woodrow Wilson International Center for Scholars, pp.3,4,5

<sup>56</sup> Eric Hyer, 'China's Policy of Conciliation and Reduction(Sanhe Yishao) and its Impact on Boundary Negotiations and Settlements in the Early 1960s', December 2017, Working Paper 85, Cold War International History Project, Woodrow Wilson International Center for Scholars, p.4

<sup>57</sup> Cited in *ibid*, p.4

time.....It is most important for us to have most friendly relations with India....It would be stupid if we created a tense situation with India in the west also. We are in a serious situation and we need your friendship.”<sup>58</sup> Noteworthy, China since 1956 had been making constructions like highways in the disputed areas like the one in Aksai Chin along the Sino-Indian border, which India claims as hers, disregarding India’s objections. This was the time when China was turning the border issue into a dispute which she never did before. According to Chinese premier Chou-en Lai the border issue was not raised in 1954 (the year of conclusion of the Panchsheel Treaty between India and China) because the ‘conditions were not ripe for its settlement.’<sup>59</sup>

Like in the late 1950s, China still fears the world is conspiring against her. This is because the international order is still run by the Western powers led by USA. Thus China feels that US-led Quad (Quadrilateral Security Dialogue between USA, India, Japan and Australia) is meant to ‘encircle China’ and incite her neighbours against her.<sup>60</sup> But today, China is an economic power and therefore confident enough to challenge the ‘Western sinister design’ against her. China, aware of her military backwardness, has taken a prudent strategy to wane US-led Western influence in her neighbourhood through economic means. The Belt and Road Initiative (BRI), first rolled out in 2013, is a seamless connectivity project of China to bind her neighbourhood and beyond into a single market under China’s guidance. However, the project is interpreted as a plan to build a new world replacing the US-led international system.<sup>61</sup> Indeed, China does want to create an alternative to the US-led international order since she is a rising power dissatisfied with the international hierarchy. The nature of the power is to expand and a state will attempt to change the international system if it has some advantage over other states, says Robert Gilpin.<sup>62</sup> Besides, the realist thinkers of international relations view economic prosperity as a preliminary for expansion and war.<sup>63</sup> China has an economic advantage over her neighbours and wants to make a sensible use of her economic prosperity to expand, starting from her neighbourhood.

However, China’s neighbourhood has different and contradictory characteristics. When in the east, she has a vibrant economy East Asia with developed and developing economies well integrated to her own economy, South Asia is a disintegrated and difficult neighbourhood for China and house of a strategic challenger India. However, Chinese focus on Indian neighbourhoods has geostrategic as well as geo-economic connotation. When South Asia offers China an alternative maritime connection to the Indian Ocean vis-à-vis the contested South China Sea, the only maritime route for China, a country like Pakistan is a major geostrategic as well as geo-economic tool of China.

Pakistan is the only neighbour of India who overtly lobbies China against her considering China as a major (if not the only) insurer of its existence against ‘India’s threat.’ This makes the Sino-Pak relation a unique one. The Sino-Pak ‘all-weather friendship’ with an anti-India connotation is a well known rhetoric. But little known fact is that in June 1959 Pak dictator General Ayub Khan had proposed to India a common defence arrangement against the undisguised territorial design of China. India, however,

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<sup>58</sup> Cited in *ibid*, p.4

<sup>59</sup> Arun Shourie, *Self-Deception: India’s China Policies, Origins, Premises and Lessons*, Noida, HarperCollins Publishers India, 2008, p.174, emphasis added

<sup>60</sup> ‘Quad mechanism is turning into ‘sinister gang’ of indo-Pacific: Global Times editorial, *Global Times*, Sep 23, 2021, <https://www.globaltimes.cn/page/202109/1234988.shtml> (accessed on 11.06.22)

<sup>61</sup> Bruno Maçães, *Belt and Road: A Chinese World Order*, Penguin Random House India Pvt. Ltd., 2019, p.5

<sup>62</sup> Alestair Iain Johnston, Robert Ross (eds), *Engaging China*, p.2

<sup>63</sup> *ibid*, p.2

had turned down Khan's proposal.<sup>64</sup> The wisdom in India's rejection of such proposal was later established by the revelation by General Khan himself in 1974 that the actual motive behind his proposal was to send Pakistani troops across the then ceasefire line with a diabolical plan to pressurize India over plebiscite in Kashmir by stationing Pakistani forces in Srinagar.<sup>65</sup> The scenario changed following the Chinese invasion of India in 1962 bringing India's archrival Pakistan and new rival China closer. However, India was not the only factor behind China's embracing of Pakistan. The desperate urge of Mao to court international legitimacy and Third World friends (amid US-led 'international anti-China conspiracy') Beijing decided to project China as the defender of the Third World's interests and for this friendship with Pakistan was useful for the Chinese leaders. Pakistan's support for 'Kashmiri liberation struggle' matched with Mao's revolutionary foreign policy of the time and with Pakistan's help it was useful for Chinese leaders to defame Indian premier Nehru as the hostile opponent of Afro-Asian solidarity.<sup>66</sup> The relationship still bears such usefulness for both the parties even today under the similar 'US-led international conspiracy' which has turned relation into an 'ironclad friendship', as termed by Xi Jinping.<sup>67</sup>

From China's perspective the usefulness of Pakistan is significant today since Pakistan is a major pillar of Xi Jinping's dream project BRI. The China-Pakistan Economic Corridor (CPEC) is part of BRI which is a 3,000 km linkage of roads, pipelines and railways infrastructural project to augment partner country's infrastructures benefitting China. Pakistan is an important connecting route between China and the Indian Ocean connecting Kashgar in Xinjiang province with Karachi and Gwadar in Sind province. Given the decades old strong politico-strategic relations Pakistan serves a unique level of comfort to China. Even being an Islamic country the silence of Pakistan over the brutal policies of Beijing against its Uyghur Muslim population in Xinjiang province is a comfortable gesture for China. Besides, Pakistan's natural resources and internal market with 200 million population interest China. On Pakistan's part, such an infrastructural project is certainly welcomed, especially in the power sector. During the summer time Pakistan faces severe power shortage every year. In May 2022, the overall demand for electricity in the country was 24,000MW against the supply of 17,000MW.<sup>68</sup> Chinese investment in the power sector under CPEC project can be a saviour amid this crisis. In 2018 China promised to invest \$35 billion in multiple power generation and transmission projects in Pakistan in both conventional and unconventional power sectors like coal, water as well as wind and solar.<sup>69</sup> In short, with CPEC Pakistan wants to improve her economy while China wants to ensure her influence in India's neighbourhood by integrating the region with Chinese grand economic design.

Nevertheless, there is a growing disillusionment regarding the CPEC visible on both sides today. The Pakistani Senate Standing Committee on Planning and Development reported in September (2021) the

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<sup>64</sup> Lorne J. Kavic, *India's Quest for Security: Defence Policies 1947-1965*, Berkeley, LA, University of California Press, 1967, pp.68,69

<sup>65</sup> P.L. Bhola, *Pakistan-China Relations: Search for Politico-Strategic Relationship*, Jaipur, R.B.S. Publishers, 1986, pp.80-81

<sup>66</sup> Chirstopher Tang, 'Beyond India: The Utility of Sino-Pakistan Relations in Chinese Foreign Policy, 1962-1965, November 2012, Working Paper 64, Cold War International History Project, Woodrow Wilson International Center for Scholars, p.2, emphasis added

<sup>67</sup> 'China will always stand by Pakistan, says Xi', *Dawn*, March 18, 2020, <https://www.dawn.com/news/1541744> (accessed on 08.06.22)

<sup>68</sup> *The Nation*, 'Power Crisis Intensifies As Electricity Shortfall Reaches 7000MW', <https://nation.com.pk/2022/05/19/power-crisis-intensifies-as-electricity-shortfall-reaches-7000mw/> (accessed on 08.06.22)

<sup>69</sup> *China Daily*, 'How CPEC can help Pakistan's chronic power shortage', 2018-8-31, <http://www.chinadaily.com.cn/a/201808/31/WS5b88e0d5a310add14f388e63.html> (accessed on 08.06.22)

Chinese were not satisfied with the pace of work on CPEC.<sup>70</sup> On the other hand since 2016 the Pakistani lawmakers are feared that CPEC could become another East India Company.<sup>71</sup> Also, there are allegations that the Chinese prefer to import construction materials like the electricity cables from China rather than buying from the local manufacturers depriving them of the benefit of the project.<sup>72</sup> In June 2021 the local fishermen of Gwadar protested against illegal fishing by the Chinese in their waters and demanded the government to cancel fishing licences issued to the Chinese trawlers.<sup>73</sup> Besides, CPEC has been subject to the political tussle between the political parties and their leaders. Thus, when Nawaz Sharif was in power he directed the CPEC investments to Punjab, his political heartland which Imran Khan was critical of. Later, Imran Khan's PTI government directed CPEC investments to Khybar Pakhtunkhwa, the political base of Imran Khan.<sup>74</sup> The growing terror attacks on the Chinese nationals, especially those involved in the CPEC constructions, are denting the 'iron-clad friendship' further. In August 2021, a vehicle carrying Chinese nationals came under suicide attack in the Gwadar district of Balochistan.<sup>75</sup> Previous month, 9 Chinese engineers were among 13 persons who were killed near Dasu hydropower plant in Khybar Pakhtunkhwa province.<sup>76</sup> After the latest attack on the Chinese nationals in April 2022 inside Karachi University killing 3 Chinese teachers, Chinese nationals teaching Mandarin in Pakistan were called back.<sup>77</sup>

While China pressures Pakistan to ensure security to her citizens in Pakistan<sup>78</sup> and understands the fluidity of security scenario; she cannot disregard Pakistan for several reasons. Firstly, the Gilgit-Baltistan region of Pakistan-Occupied-Kashmir borders China's Xinjiang province where the local Uyghur Muslims are reported to be subject to 'sinicization' mission of the Chinese government. Many Uyghur Muslims who seek shelter in Pakistan are deported by the Pakistan government as allowing China to persecute them.<sup>79</sup> Secondly, China's grand design of economic integration under its guidance in the region can be fulfilled if Pakistan and Afghanistan can be integrated. China expressed interest in

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<sup>70</sup> 'Slow pace of work in CPEC irks Chinese companies', *Dawn*, September 17, 2021, <https://www.dawn.com/news/1646793> (accessed on 08.06.22)

<sup>71</sup> Syed Irfan Raza, 'CPEC could become another East India Company', *Dawn*, Oct 18, 2016, <https://www.dawn.com/news/1290677> (accessed on 10.06.22)

<sup>72</sup> Nasir Jamal, 'Local businesses lose big under CPEC', *Dawn*, October 30, 2017, <https://www.dawn.com/news/1367136> (accessed on 11.06.22)

<sup>73</sup> Behram Baloch, 'Gwadar fishermen hold rally against grant of fishing rights to Chinese trawlers', *Dawn*, June 16, 2021, <https://www.dawn.com/news/1629558> (accessed on 11.06.22)

<sup>74</sup> Owen Bennett Jones, 'Who benefits more', *Dawn*, August 3, 2021, <https://www.dawn.com/news/1638510> (accessed on 08.06.21)

<sup>75</sup> Ghalib Nihad, '2 children killed in suicide attack on vehicle carrying Chinese nationals in Gwadar', *Dawn*, August 20, 2021

<sup>76</sup> Sirajuddin, Umar Bacha, '9 Chinese engineers among 12 killed in 'attack' near Dasu hydropower plan', *Dawn*, July 14, 2021, <https://www.dawn.com/news/1635023> (accessed on 10.06.22)

<sup>77</sup> 'Terrified with frequent terrorist attacks, Chinese nationals teaching Mandarin in Pakistan called back', *The Economic Times*, May 16, 2022 <https://economictimes.indiatimes.com/news/international/world-news/terrified-with-frequent-attacks-chinese-nationals-teaching-mandarin-in-pakistan-called-back/articleshow/91593869.cms> (accessed on 10.06.22)

<sup>78</sup> Naveed Siddiqui, 'Punish perpetrators': China presses Pakistan for 'practical measures' after Gwadar attack', *Dawn*, August 21, 2021 <https://www.dawn.com/news/1641817> (accessed on 10.06.22)

<sup>79</sup> Kunwar Khuldine Shahid, 'How Pakistan Is Helping China to Crack Down on Uyghur Muslims', *The Diplomat*, June 28, 2021 <https://thediplomat.com/2021/06/how-pakistan-is-helping-china-crack-down-on-uyghur-muslims/> (accessed on 10.06.22)

investing in Afghanistan and pushed for BRI scheme in the landlocked country.<sup>80</sup> While Taliban took interest in CPEC<sup>81</sup> Pakistan welcomed Taliban interest in CPEC.<sup>82</sup> China needs Pakistan to handle the Taliban whom no other neighbour knows so well and it is under Pakistan's influence that the Taliban called on China to play bigger role in peace process.<sup>83</sup> However, Taliban-Pakistan bonhomie is a myth given the border tension as well as Taliban's closeness with anti-Pakistan elements.<sup>84</sup> Thirdly, China sees Pakistan as an important tool to keep India under pressure in South Asia. China knows that Pakistan is a major security concern for India and keeps blowing the heat by regular military supplies to Pakistan, apart from her own intermittent intrusion from across Tibet, in order to keep India's security priority land-oriented mostly when China wades through in the sea.

India's defence and strategic deliberations have traditionally been land oriented. When the Pak intrusion in Kashmir in October 1947 renewed India's historical vulnerability to the western border, the Chinese invasion from the across the Himalayas in 1962 added a new frontier to such threat crystallizing India's land-oriented defence deliberations. Sea was never a concern for India. Nevertheless, China's latest avatar as a maritime and naval power is galvanizing India's defence and security calculations vis-à-vis her maritime neighbourhood.

Emergence of power has historically been associated with the simultaneous growth of naval prowess and maritime activities. From Portugal of 15<sup>th</sup> century to Japan and USA of late 19<sup>th</sup> and early 20<sup>th</sup> century, powerful states in the international relations displayed naval might. Studying this history it can be construed that rising navies are usually a feature of rising political, military and economic power.<sup>85</sup> China historically was a continental power like India. However, maritime zone was never out of the Chinese focus given her claims over the South China Sea but during the Cold War her activities in the neighbouring maritime zone were limited due to lack of blue water capability. Although the Chinese were investing in their naval potentials since 1960s those were meant for coastal defence only. Nevertheless, even with limited power China did not hesitate to get assertive with her claims on South China Sea atolls clashing with South Vietnam in 1974 and united Vietnam in 1988. Since 1982 Beijing concentrated on China's larger maritime zone with the PLA (Navy) Commander Admiral Liu Huaqing directing for offshore defence to control the sea between inshore 'brown water' and the 'blue water' to defend the coastal line from attack. Admiral Liu identified entire maritime neighbourhood of China, from Yellow Sea to northern Pacific, as China's offshore area.<sup>86</sup> Today, China is a major regional naval power. In early 2022 Chinese aircraft carrier naval group headed by aircraft carrier Liaoning conducted

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<sup>80</sup> 'China eyes Belt and Road extension in Taliban-ruled Afghanistan, raising concerns for India', *Times of India*, Sep 3, 2021 <https://timesofindia.indiatimes.com/world/south-asia/china-eyes-belt-road-extension-in-taliban-ruled-afghanistan-raising-concerns-for-india/articleshow/85900398.cms> (accessed on 10.06.22)

<sup>81</sup> Syed Fazl-e-Haider, 'China Has a BIG Plan for Post-U.S. Afghanistan and Its Worth Billions', *Daily Beast*, Jul 4, 2021, <https://www.thedailybeast.com/china-has-a-big-plan-for-post-us-afghanistan-and-its-worth-billions> (accessed on 10.06.22)

<sup>82</sup> 'Its encouraging': Sheikh Rashid on Taliban's desire to include Afghanistan in CPEC', *Dawn*, September 6, 2021 <https://www.dawn.com/news/1644836> accessed on 10.06.22)

<sup>83</sup> Sujeet Sarkar, *Quest for a Stable Afghanistan: A View from Ground Zero*, New Delhi, Rupa Publications India Pvt. Ltd., 2021, p.69

<sup>84</sup> 'Taliban's choices', Editorial, *Dawn*, January 10, 2022, <https://www.dawn.com/news/1668567> (accessed on 12.06.22)

<sup>85</sup> Peter M. Swartz, 'Rising Powers and Naval Power' in Phillip C. Saunders, Christopher Yung, Michael Swaine and Andre Nien-Dzu Yang, *The Chinese Navy: Expanding Capabilities, Evolving Roles*, Washington D.C. National Defense University Press, Center for the Study of Chinese Military Affairs, Institute of National Strategic Studies, 2011, p.12

<sup>86</sup> Subhadeep Bhattacharya, *Understanding South China Sea Geopolitics*, p.127

open-sea combat training in the waters of western Pacific Ocean.<sup>87</sup> China now wants to expand her naval tentacles in the far away waters, from the Pacific Ocean in the east to the Indian Ocean in the west. The current ‘expansionist’ model of China underlines the organic theory of state in which the state, like the human body, tends to expand in size ‘to grow.’ And this growth is important to the state both for enhancing the character and quality of its citizens as well as for the ultimate goal of self-sufficiency, according to Swedish political scientist Rudolf J. Kjellen.<sup>88</sup> China wants to grow. This growth is important for her economic prosperity.

Indian Ocean Region is all the more important in the context of alleged Chinese ‘string of pearls’ strategy to encircle India by developing ports and other facilities in the Indian neighbourhood, from Pakistan to Myanmar. Former Indian Navy Chief Admiral Arun Prakash termed this ‘string of pearls’ as a strategy to support long-range Chinese maritime operations. He even said that deployment of PLA Navy submarines in the Indian Ocean in 2013-14 indicates Chinese aspirations to gain maritime dominance in the Indian Ocean with help of logistic base of Gwadar port in Pakistan.<sup>89</sup> In 2017 Chinese deep-sea manned submersible collected variety of precious metals like sulphide and basalt in the north-western Indian Ocean while in 2016 another Chinese submersible conducted explorations in the southwest Indian Ocean.<sup>90</sup> Even if these naval expeditions are conducted with purest of motive sans any expansionist design, given the strategic competition between India and China such activities are bound to hit raw nerve in New Delhi. Although the Chinese do not deny India’s ‘special role’ in the Indian Ocean region, they however advise India not to consider the international waters of the Indian Ocean as her backyard.<sup>91</sup> This is reminiscent of the position that India herself took vis-à-vis US’ intrusion in the Indian Ocean region in the 1960s. Questioned on India’s stand regarding US entry in India’s maritime neighbourhood, Prime Minister Jawaharlal Nehru told Lok Sabha on 19<sup>th</sup> December, 1963; “All that we need to say today is that outside the territorial waters of India, the Ocean is naturally open to them (USA) as to the naval vessels of any other country.”<sup>92</sup> Like China, Nehru also drew an invisible dividing line between India’s ‘territorial water’ and the ‘international water’.

India of 1960s was less confrontational and aggressive in defending her maritime interests in her neighbourhood, at least until 1980s, given her weak naval prowess and her land-oriented security priorities. Today, Chinese intrusion is emanating from the sea as well although she is still a distant naval threat for India. China’s main concern in the Indian Ocean region is to safeguard her economic interests and energy supply routes from the Gulf. Primarily for this reason, there is growing Chinese activities in the Indian Ocean region. China intends to safeguard her resource supply routes and thus send her naval forces to the region. The anti-piracy effort was the motive behind the first deployment of Chinese warships in the Gulf of Aden in 2008.<sup>93</sup> Besides, the presence of the Chinese navy in the region helps in

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<sup>87</sup> China Military Online, ‘PLAN aircraft carrier battle group trains in west Pacific’, 2022-05-03, [http://eng.chinamil.com.cn/view/2022-05/03/content\\_10152032.htm](http://eng.chinamil.com.cn/view/2022-05/03/content_10152032.htm) (accessed on 12.06.22)

<sup>88</sup> Cited in Charles Hagan, ‘Geopolitics’, *Journal of Politics*, Vol.4, No.4, (1942), pp.478-490.

<sup>89</sup> *The Statesman* (Kolkata), 16<sup>th</sup> February, 2017, p.5.

<sup>90</sup> *The Statesman* (Kolkata), 3<sup>rd</sup> March, 2017, p.10.

<sup>91</sup> Ananth Krishnan, ‘PLA plays down Indian Ocean visits, but says ocean not India’s backyard’, *India Today*, July 1, 2015, <https://www.indiatoday.in/world/story/india-china-indian-ocean-backyard-navies-279920-2015-07-01> (accessed on 12.06.22)

<sup>92</sup> Cited in K.R. Singh, *The Indian Ocean: Big Power Presence and Local Response*, South Asia Books, 1978, p.24

<sup>93</sup> ‘Can China dominate Indian Ocean’ *The Economic Times*, Dec 24, 2020, <https://economictimes.indiatimes.com/news/defence/can-china-dominate-the-indian-ocean/articleshow/79941438.cms?from=mdr> (accessed 12.06.22)



rescue mission like the rescue of the Chinese nationals from war ravaged Yemen in 2015 when the Chinese frigates involved in anti-piracy mission off Somalian coast were diverted to Yemen to rescue the Chinese nationals there who were taken to Djibouti (where China another base).<sup>94</sup>

Yet, it is undeniable fact that Indian Ocean region is fast coming up as zone of strategic competition between India and China. China knows that India is the local power of the Indian Ocean region and has potentials to challenge her in this maritime neighbourhood. In order to nip this possibility China has endeavoured to reduce Indian influence in the region by fuelling anti-India sentiments in the neighbouring countries. There are reports that China played a role in provoking an anti-India campaign in Maldives launched by the opposition leader and former pro-China Maldivian president Abdullah Yameen.<sup>95</sup> China is upset that India is gradually aligning with the US-led Indo-Pacific regional order in order to 'besiege and contain China' and therefore tries to caution India against such a move.<sup>96</sup> This is an attempt to draw a line between the West and the rest to weaken any attempt to thwart expansion of the Chinese area of action.

## **Conclusion**

According to the realist theory, the state would logically want to maximize power in order to survive in an international anarchic system. As John Mearshiemer said, "What money is to economics, power is to international relations."<sup>97</sup> Without power no state can influence the international power structure which China, a dissatisfied power who disapproves the present international order led by USA, wants to change. Xi Jinping's vision is a unified and resurgent China who would be on par or at least bypass USA. This confidence China is gaining since today she is the largest trading partner and largest source of lending power with largest population and military.<sup>98</sup> With this confidence Chinese leader Yang Jeichi can bluntly tell the Americans that it isn't qualified to "speak from a position of strength" when criticising China.<sup>99</sup> China considers USA as the greatest external challenge to her national security, sovereignty and internal stability and most Chinese believe that USA is driven by fear and envy to contain China in every possible way, says Wang Jisi of Peking University.<sup>100</sup> But China is aware of her comparative military weakness and alliance deficiency vis-à-vis USA and suffers from constant anxiety. Chinese

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<sup>94</sup> 'Yemeni crisis: China evacuates citizens and foreigners from Aden', BBC News, 3 April 2015, <https://www.bbc.com/news/world-middle-east-32173811> (accessed on 12.06.22)

<sup>95</sup> 'Anti-China campaign in Maldives possibly sponsored by China', *The Print*, 11 March, 2022, <https://theprint.in/world/anti-india-campaign-in-the-maldives-possibly-sponsored-by-china-report/868984/> (accessed on 12.06.22)

<sup>96</sup> Mu Lu, 'India should beware price of hitching its wagon to the US', *Global Times*, Oct 11, 2020, <https://www.globaltimes.cn/page/202010/1203124.shtml> (accessed on 14.06.22)

<sup>97</sup> Cited in Yong Deng, 'Better Than Power', p.51

<sup>98</sup> Elizabeth Economy, 'Xi Jinping's New World Order: Can China Remake the International System?', *Foreign Affairs*, Volume 101, No.1, January-February 2022, p.53

<sup>99</sup> BBC News, 19 March, 2021, <https://www.bbc.com/news/av/world-56456021> (accessed on 14.06.22)

<sup>100</sup> Wang Jisi, 'The Plot Against China? How Beijing Sees the New Washington Consensus', *China-US Focus*, Jun 23, 2021, <https://www.chinausfocus.com/foreign-policy/the-plot-against-china-how-beijing-sees-the-new-washington-consensus> (accessed on 14.06.22)

warning to Bangladesh against joining US-led alliance<sup>101</sup> and Nepal against US grants<sup>102</sup> is the expression of such anxiety. More than India, USA is becoming a matter of concern for China in India's neighbourhood. And this anxiety is mutual. Thus US President Joe Biden unhesitatingly says, "I see stiff competition with China....China wants to be most powerful country in the world. That is not going to happen on my watch."<sup>103</sup> Until 2017 both sides maintained an implicit understanding that the USA would not destabilize China's internal order in return for Chinese guarantee of not weakening US-led global order.<sup>104</sup> This understanding seems history now.

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<sup>101</sup> *The Economic Times*, May 11, 2021, <https://economictimes.indiatimes.com/news/defence/china-threatens-bangladesh-says-ties-will-be-hit-if-it-joins-quad/articleshow/82544639.cms?from=mdr> (accessed on 14.06.22)

<sup>102</sup> Minnie Chan, 'China warns Nepal of external interference threat in US grant', *South China Morning Post*, may 27, 2022, <https://www.scmp.com/news/china/diplomacy/article/3172046/china-warns-nepal-external-interference-threat-us-grant-wake> (accessed on 14.06.22)

<sup>103</sup> 'Joe Biden: China won't be most powerful country on my watch', *The Times of India*, March 26, 2021, <https://timesofindia.indiatimes.com/world/us/joe-biden-china-wont-be-most-powerful-country-on-my-watch/articleshow/81699395.cms> (accessed on 14.06.22)

<sup>104</sup> Wang Jisi, 'The Plot Against China?'

# China's Wolf Warrior Diplomacy: An Appraisal

Ratnadeep Maitra\* & Debayan Ghatak\*\*

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The Chinese foreign policy under Xi Jinping has come to assume a hyper-nationalist stance whereby there is an active effort to claim China's "rightful place" in the world comity of states. Such an orientation is especially reinforced by Xi's fervent calls to the party apparatus and the civil servants at large to be "fearless" whilst coming out of a "century of humiliation". This clarion appeal is in marked contrast to Deng Xiaoping's "wait and bide your time" strategy as Chinese diplomats have come to assume the appearance of "wolf warriors".

Such an attitude is reinforced via the creative media through such popular representations such as the "Wolf Warrior" and "Wolf Warrior 2" for instance. While not being an all-encompassing phenomenon in itself some diplomats have come to display a very much aggressive attitude with relation to the aspersions cast regarding China's "rightful territorial claims" (the dispute with Vietnam concerning the Paracel Islands) whilst sending out a clear message that China will not be "bullied". However, the ongoing calls for an independent probe regarding the purported origins of Covid-19 pandemic as well as the diplomatic kickback emanating from such a muscular positioning (in case of Australia) has posted doubts whether this so-called transition to a "Wolf-warrior diplomacy" will mark a sustainable diplomatic transition or will China be forced to leverage its soft power with regards to its magnanimous diplomatic footprint so as to engage in a genuine makeover of its image as a rising global hegemon on the high road to position itself as the famed "Middle Kingdom" by 2050. Additionally, the Biden administration's shift from an "America First" to a "Build Back Better for the World" programme may necessitate a much more nuanced though not a significantly altered positioning.

## Introduction

Wolf warrior diplomacy is a term used in Western academic circles to denote a particularly aggressive outlook on the part of Chinese diplomats including its ambassadors and foreign ministry spokespersons. It is a markedly novel phenomenon which has attracted Western media attention in the last one or two years as Chinese diplomats become hyper active to protect China's legitimate national interests. There have been various triggers for such a subversive attitude which include support for pro-democracy protests in Hong Kong, questioning China's human rights record concerning its Uighur minority, holding China accountable as the place of origin of the Covid-19 pandemic, the exclusion of Huawei from the incipient 5G revolution and adverse reports of Western intelligence agencies concerning China's harmful presence in their domestic and digital markets alongside measures to curtail the same. In response to such a confrontationist attitude Western nations have tried to make each other aware about this ongoing strategy while suggesting better coordination among them with regards to key issues. They have also shown the intent to make China pay for its brazenly undiplomatic outlook.

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The academic paper is divided into seven sections, including the introductory one. Section II seeks to historicize the conceptualization of the wolf-warriors, initially fashioned as the “civilian army”. Section III unpacks the salient facets of the Twitter Diplomacy undertaken by the Chinese wolf-warriors. Section IV strives to examine a probable linkage between “cyber nationalism” and wolf-warrior diplomacy. Section V offers a worm’s view of the communication stratagem of Zhao Lijian – an essential custodian of wolf-warrior diplomacy. Section VI interrogates an internal rationale to the engagements of the wolf-warriors. Section VII scrutinizes the operationalization of wolf-warriors in the aftermath of the Ukraine crisis. Section VIII offers a concluding thought on the burgeoning resistance to such abrasive diplomacy, and investigates the scope for a retreat to a less hostile one.

## II

### **Historicising China’s “Civilian Army”**

#### **A Militaristic Inception**

The foreign ministry of the People's Republic of China was shaped by its first Premier Zhou Enlai to a great extent. He tried to create a diplomatic corps which resembled an extension of the “People's Liberation Army in civilian clothing” or the “Civilian Army”. But what can possibly account for this peculiar diplomatic attitude of a state finally emerging out of a protracted civil war and in essential need of communicating with the outside world for its holistic development? During the “Century of Humiliation” Chinese diplomats belonging to the erstwhile Qing dynasty signed various kinds of “Unequal Treaties” with the foreign powers which provided the latter with exclusive economic rights, extra-judicial privileges in Chinese territory and they also carved out some enclaves as well. Drawing from this historical experience Chinese diplomacy at a broader level resembled a deep tension between following the strict ideological line at home and also mingling with a world outside which requires a different set of negotiating strategies.

This dilemma is aptly represented in a set of strategies unique to the Chinese diplomatic corps which is evident even today. There is a dictum of “Controlled Openness” in the Chinese diplomatic lexicon whereby Chinese diplomats many of the times can be seen to be operating in a pair of two to check that one of them is not deviating from the official line of thought. There is also a dictum in the Chinese foreign ministry that “diplomacy activity is limited”. While sticking to the official line really helps to maintain the same stand at different levels during negotiations and help conceal inter-ministerial infighting it also has some downsides. Most of the time Chinese diplomats cannot improvise on their own to suit the situation and their performance is carefully orchestrated to please the crowd at home rather than those in the room.

#### **Learnings from the Long March**

Even before the formal establishment of the PRC in 1949 itself Chinese diplomacy was being shaped in a particular way. Following the culmination of the Long March with the Shanxi Soviet being established the Communists entered a new phase of “Public Relations Diplomacy” which endures still today. It involves making foreign dignitaries feel warm and affectionate by providing them a different level of treatment altogether. An instance in point is Donald Trump’s visit to the Forbidden City in 2016 which he described as the most incredible journey of his life. Sometimes

a special honour is bestowed on old foreign contacts who are treated as the “friends of China”. Sometimes pressure is also exerted on these friends to offset a negative perception of China in their domestic circle. A case in point is President Reagan's Vice President in 1981 George W. Bush.

### **The Road to Bandung**

The Bandung Conference of 1955 which was dubbed as the first conference of the coloured people of all mankind served as an important launching pad for China's “Charm Offensive”. It was meant to project China as a developing country which understood the problems of the newly independent nations who were not a part of either the Free World or the Communist Bloc. At the same time, it was also aimed at gaining leverage and respectability in the eyes of the developed Western world as well. The mood at Bandung was supplemented by the Five Principles of Peaceful Co-existence which form the bedrock of Chinese foreign policy even today. These are: Respect for each other's territorial integrity and sovereignty, Non-interference in each other's internal affairs, Non-aggression, Mutual peace, and Respect. Around this time, we can also see the espousal of China's “United Front Diplomacy”. Under this approach China started using overseas front organisations and party-controlled friendship societies to win over a section of the domestic populace of a state with which it didn't have formal diplomatic ties. Foreign exchange students and Xinhua news agency were also put to task under this approach.

As their interaction with the outside world kept on increasing Chinese diplomats devised a two-pronged strategy of dealing with their foreign counterparts- Firstly, by displaying an orchestrated display of strength and taking recourse to long diatribes and harangues they wanted to pressurise their counterparts at the very beginning of a meeting. Secondly, they wanted to represent the fact that the entire blame for the current impasse lies with the other side. To this day the Chinese diplomats have not changed the way they answer media persons during press conferences. They would repeat such catchphrases that “we expect the other side to stick to the agreed settlement”. This line of communication does not represent the diplomats' ignorance about the events surrounding the press conference. Rather it shows the importance of prior sanction of their superiors when it comes to providing public information.

Chinese diplomats were especially caught in a fix during periods of political transition at home. In such situations they needed to alter their behaviour in relation to the domestic ideological mood. Like they once handed out Mao's “Little Red Book” to foreign dignitaries now in a similar manner they are distributing “Xi Jinping Thought”.

### **Dawn of a New Millennium**

Certain developments during the inception of the twenty-first century are very much instructive to understand the nature of wolf warrior diplomacy as we see today. Firstly, the incident of “Stove piping” in Socialist bureaucracies where information is tightly controlled and flows vertically from the top party leaders to each individual department. In this scenario the individual bureaucracies are not that much aware of the happenings in each other's domains. As China tried to project its soft power globally on the back of its economic growth in the 1990s the Ministry of Foreign Affairs was openly competing for influence with the Ministry of Commerce and the Ministry of Public Security alongside the behemoth public sector corporations which were engaged in

infrastructure construction in the developing world. Sometimes various decisions taken by these ministries were not communicated in time to the foreign ministry resulting in ambiguity over official stance with regards to an issue. This may have prompted the foreign ministry to take recourse to such aggressive tactics to create a separate niche for itself.

Secondly, the “Patriotic Education Campaign” which was carried on in the 1990s distilled a sense of immense national pride and sensitivity regarding China’s core interests among the populace. Coupled with this the influence of social media platforms like Sina Weibo and various nationalist forums meant that citizens can vent their anger in real time. This trend was complemented with the inclusion of a new breed of diplomats in the foreign ministry (highly educated, fluent in foreign languages, knew the details of international diplomacy) who differed from the erstwhile party cadres and military generals who were handpicked by Zhou En Lai at its inception. Many of these new recruits were criticised by the public as being too weak to uphold the country's genuine national interests in face of international criticism. The dispute with Japan regarding the Senkaku Islands which started intensifying around this period is a case in point.

Thirdly, the cracks in the ubiquitous capitalist economic model as propagated by the USA became apparent after the 2008 Global Financial Crisis. In such a situation the “China model” was hailed by many around the globe for serving as a bulwark against the global economic downturn. This event infused a deep sense of enthusiasm in the diplomatic corps and Deng Xiaoping’s “Hide and Bide” strategy was supplemented with “Hide your strengths and bide your time but make use of emerging developments”.

### III

#### **Dissecting Chinese ‘Twiplomacy’**

The dark underbelly of Chinese Twitter engagements would serve as a crucial springboard for an analytical dissection of wolf-warrior diplomacy. It is imperative to note, how even a year prior, China had a near negligible diplomatic existence on Twitter, with a miniscule number of accounts scattered across the digital landscape, operating without any top-down politico administrative diktat from Beijing. However, in the current day and age, Twitter has turned into a hotbed with the ever-active wolf-warrior diplomats incessantly peddling fallacious narratives, kickstarting vicious troll campaigns or even dominating the digital discourse through pro-China postures and hashtag trends. It is critical to unpack the defining tenets of their orchestrated operations.

At the outset, it must be posited that the wolf-warriors have mastered the art of adroitly conflating a geo-strategic point with a sensationalized content, which can capture public imagination in general, and their target Western viewers in particular. Needless to aver, the mechanism recurrently deploys hyperbolic clickbait such as pro-Beijing memes or even supposedly benign panda videos. Reports shedding light on the relentless surge in the digital popularity of the Chinese embassies, with Zhao Lijian and Hua Chunying recording an unprecedented 42% and 121% rise in their Twitter followers since March 2020, remain a testament to the sheer efficacy of their distinct mode of outreach. Comparably, the official account of Kremlin and the Russian Ministry of Foreign Affairs recorded an abysmal 1% and 0.4% over the same time period.

Moreover, Beijing has adeptly mounted over the wave of discontent, manifest in the media accounts of the anti-American broadcasting conduits of Moscow, Tehran or Caracas, to

### **China's Wolf Warrior Diplomacy**

conveniently package their narratives with a smokescreen of legitimacy, without an iota of accountability. Through elaborate analysis, it has been contended that Venezuelan President Nicholas Maduro has become a poster-boy for Chinese propaganda, for being the exclusive non-Chinese political persona, whose statements have been retweeted the most by the wolf warriors. In that regard, Russian-controlled Sputnik and RT News, and Venezuela Telesur, remains the recurrently retweeted media conduits by them. The wolf-warriors are equally zealous in instrumentalizing phoney academics and conspiracy theorists, whose recourse to day-light sophistry is driven predominantly by reactionary opprobrium to American diplomatic postures, rather than unswerving allegiance to China. A curious case of an American movie director, who released a propaganda video for Kremlin, slandering the dissident voices in Hong Kong as “fanatics” and as pawns in the larger conspiracy for regime change, may be adduced as an illustrative instance. Incidentally, the video was retweeted by almost half-a dozen Chinese diplomats, who perceived such pro-China yet non-China voices as autonomous endorsers of “their story”.

The conspicuous absence of any natural and spontaneous approval of the Chinese cause, has compelled the wolf-warriors to throw their weight behind dubious voices, to construct a chimera of mass support. This has been vindicated by the suspension of close to 566 fraudulent Twitter accounts retweeted by Beijing nine of which featured in their top 100 and one in their top 10 most retweeted accounts. Comparably, out of the 131 suspended Twitter accounts, retweeted by Moscow, not a single one was in their top 200 most retweeted accounts. While it might smack of an entrenched “digital illiteracy”, closer examination shows how it is a conscious and concerted strategy to fabricate consensus.

A salient dimension of Chinese Twitter engagement lies in feeding affirmative content to incapacitate critics. This marks a clinical departure from the hostile retaliations, in the wake of global castigation against Hong Kong, to a diplomatic modality directed at reorienting the very tenets of the discourse. This assumes a two-pronged schema entailing optimistic coverage such as citations from renowned publications like Lancet to counter the Wuhan Lab contention, coupled with “feel-good” personalized expositions, showcasing their natural splendor and alluring cultural power. The latter category encompasses propaganda pictures of Uighurs as safe, secure and satisfied, their effective “re-education” accounts, dexterous photography of Wuhan, Tibet and Xinjiang, rejuvenating travel vlogs, or even rosy hashtag trends.

Comprehending the ‘Twiplomacy’ of Beijing would be deficient without lucidly grasping its profound linkage with Washington. In that light, Chinese Twitter feeds were inundated with sensationalized hashtags as #BlackLivesMatter or #GeorgeFloyd, in the aftermath of the American police atrocity. Not only have the wolf-warriors, relentlessly lampooned U.S. for its explicit double standards, it has seamlessly borrowed the tactic of whataboutery from Moscow’s playbook, evinced through their diplomatic rejoinder – “I can’t breathe” – to the American tweet on the Hong Kong conundrum. There has been an equally unscrupulous stratagem, to fallaciously

attribute the COVID virus origin to a bio-weapons laboratory in Fort Detrick, Maryland.

While it might be pertinent to draw strong parallels between Moscow and Beijing vis-à-vis Twitter engagements, it is essential to note the subtleties involved – while the former is largely fixated on denigrating the West, without luring public opinion towards Russia, the engagements of the latter are equally, if not more concerned with revamping its global image to the world. Hence for Beijing, the “subject” gains greater primacy than the “other”.

## IV

### **“Cyber-Nationalism” and the Wolf-Warrior: Unpacking the Correlation**

While scholarly commentaries on wolf-warrior diplomacy, have constricted their analytical gaze to the burgeoning necessities of a muscular foreign policy, avowed ideals and aspirations of premier Xi Jinping, global opprobrium to Chinese policies and plunging foreign policy ecosystem, they seem to miss the wood for the trees. While such an assessment glosses over a popular cultural metamorphosis towards an uncompromising diplomatic posturing, it equally casts a blind eye towards an elaborate intermeshing of emotion-laded ideas between institutional and non-state actors. In this vein, it is integral to unravel the correlation between grassroots “cyber-nationalism” and wolf-warrior diplomacy.

It must be maintained that “cyber-nationalism” has been a mainstay of academic attention, construed as a variegated and high-octane construct, evinced a through rigorous scrutiny of *fenqing* (hostile Chinese youth), *xiao fenhong* (little pinks), *diba* (collective online trolling) to more recent convolutions as *ruguanxue* (replacement theory) and *jiasuzhuyi* (accelerationism). Though certain interesting parallels may be drawn between “grassroot” nationalists and their “cyber” counterparts, vis-à-vis their antipathy to the globalization project of Deng Xiaoping and Jian Zemin, the latter category is distinct in its alacrity to peddle propaganda to engage with its adversaries, on the digital realm across the spectrum.

“Cyber-nationalism” may be formulated as a critical politico-technological apparatus for creation, creativity and bargaining in the digital landscape by the “instrumental elites” in general, where communication plays an indispensable role. Needless to posit, professional media behemoths, driven by the postulate of profit-maximization, perceive “nationalist” content as their safest bet to remain bankable, thereby nurturing an “ecology”, that furthers “nationalist” causes. In a similar vein, the massification of a sound technological framework and expertise, orients the digital denizen to innovate novel categories of messaging, to supplement the wider digital ecosystem. The institutional actors find it expedient to harness such a democratic, interactive and collaborative digital discourse, as the efficacious medium for unfiltered jingoistic expressions – with the organs as the Communist Youth League at the forefront of this process. Scholars have denoted it as “authoritarian participatory persuasion 2.0”.

At this point it is crucial to unpack the bellicose nature of “grassroot nationalism”, divorced from a more cautious state-sponsored nationalism. While the divergence does not correspond to any heretic spirit, it surely erodes the hegemony of the institutional actors over how the symbolic foundations of their “emotion governance” gets discerned, diffused and deployed. As a logical outcome, it often propels the tech-savvy citizen to dig up accounts of “insults” to Beijing, and



mobilize popular support for the same, even without the sanction of the state actors. In such a manner, the process gets entangled as a subset within the broader phenomenon of “cyber-nationalism”. However, this is not necessarily tantamount to any debilitation of state control.

It is within this larger framework of a “cyber-nationalist” intervention in the Chinese diplomatic calculus, that the emergence of wolf-warrior diplomacy must be located, with the

official foreign policy conditions under much greater duress. While it is premature to aver, whether it would engender a gradual supplanting of the extant “formal” nationalism, with an unfettered “cyber-nationalism”, or whether it would mark the egress of Chinese “defensive nationalism”, it would definitely incapacitate the marginalized voices for a more “liberal” nationalist ethos.

## V

### **Interrogating the Communication Calculus of Zhao Lijian**

At this point, it is critical to locate the communication calculus of Zhao Lijian – the paragon of wolf-warrior diplomacy in the recent past and a firebrand voice of China’s “true picture” – within the convoluted Chinese jigsaw. While his diplomatic notoriety was evident in his assertive riposte to a global denunciation of Chinese mismanagement of the pathogen – daring the naysayers holding reservations of their export quality, to discard the usage of Chinese preventive tools and masks – his gusto was equally palpable in tracing the provenance of the pandemic to the American army movements. Needless to say, such a no-nonsense elan has helped him to garner a “quasi-celebrity” stature. In this regard, three distinct episodes have been scrutinized with digital dimensions and geo-political implications.

On November, 2020, Zhao tweeted a digitized illustration of an Australian military personnel holding a blood-stained knife against the throat of a hapless child, with an innocuous caption – “Don’t be afraid, we are coming to bring you peace”. He supplemented the gruesome artwork with a provocative caption – “Shocked by murder of Afghan civilians and prisoners by Australian soldiers”. It may be contented that Zhao was stoking the fire of accusations of Australian military excesses in Kabul between 2009 and 2013, in the wake of a plummeting bilateral relationship between Beijing and Canberra. While Morrison lambasted the image as “repugnant” and the tweet as “utterly shameful”, it is vital to note that the artwork was the brain-child of a Harbin-based artist named Fu Yu, celebrated for his jingoistic creations. Soon, Twitter flared up with diplomatic acrimony, with Global Times editor, Hu Xijin decrying Australia as a trivial foot-soldier of America, on the “urban rural fringe of Western Civilization”, while scornfully prescribing Morrison to seek redemption by resorting to Buddhism. As a multitude of opinion articles and satirical cartoons started featuring in Global Times, it gave fodder to the lowest echelons of Chinese digital influencers to reproduce similar artworks. Thus, it may be averred that, through Fu’s creation Zhao stirred up a hornet’s nest of unadulterated patriotic fervor at the grassroots, to bolster his original tweet, while deftly infusing the abrasive voice of a Chinese commoner in their diplomatic maneuvering with a bilateral partner.

In the backdrop of Japanese premier Suga’s successful meeting with president Biden, and the

decision of Tokyo to discharge one-million tonne of toxic wastewater into the sea, the ground level Chinese nationalists received enough fire in their belly, to distort a celebrated Japanese cultural emblem, “The Great Wave off Kanagawa” by Katsushika Hokusai, by incorporating a “nuclear” connotation to it. While Zhao’s tweeting of the artwork, became the cynosure of global attention, Japanese Foreign Minister Motegi pilloried the same as “unacceptably low”. However, in his quintessential mannerism, Zhao pinned the tweet to the top of his account. Subsequently, he harnessed a Ministry of Foreign Affairs press meet as a for a, to pressurize Japan for an unconditional apology, instead of “picking quarrels”. It can be construed that although Zhao commenced his role as an active initiator, he gradually assumed the position of a passive facilitator, giving leeway to influential Chinese voices and digital mobs.

Finally, in the context of renowned fashion brands as H&M, Adidas and Nike condemning reports of coercive labor policies in Xinjiang, and subsequently keeping a safe distance from such cotton producing pockets, the Chinese response entailed a strictly regulated rejoinder from above, with minimal latitude to the grassroots nationalist vigilantes. While media behemoths as People’s Daily eulogized native brands which vowed to stick with Xinjiang cotton, they were equally critical of America’s prolonged history in repressive slave trade. Moreover, innovative artworks stylized as per H&M advertisement conventions with the tagline, “I support Xinjiang cotton”, gained immense traction in the digital discourse, with massive publicity by state mouthpieces and political wings, so much so that the respective hashtag trend briskly garnered about 6 billion views. However, it is essential to capture how this episode was marked by minimal inputs from the non-state actors, reflecting how robustly, the bosses in Beijing reigned over even a wolf-warrior as Zhao Lijian to follow the cue of other institutional actors for a measured and well-controlled response.

## VI

### **Decoding the Internal Logic to Wolf Warrior Diplomacy**

The wolf warrior diplomacy instead of having an explicitly external orientation may have an implicitly internal logic attached to it as well. Contrary to the viewpoint of Western media and statesmen the objective of pursuing such a confrontationist approach lies in meeting the nationalistic demands of the local populace as also building on the perception of the CCP in the minds of the overseas Chinese nationals.

From the beginning of the twenty first century China has come out with two white papers claiming that it wants a “peaceful rise” or “peaceful development”. The constant recourse to wolf warrior diplomacy serves in two ways mainly- Firstly, China tries to show that by labelling its public outreach as wolf warrior diplomacy the Western nations are putting impediments on its peaceful rise. Secondly, it is in order to remain steadfast on the path of peaceful development that China out of necessity has to take recourse to such aggressive tactics.

Two major issue areas are constantly harped upon in the articulation of wolf warrior diplomacy. Firstly, there is a constant reference to the “century of humiliation” while pursuing this tactic. Chinese spokespersons often invoke this statement that those states which are up in arms because of China taking an aggressive outlook should remember that it is not the China of a “hundred years ago”. Curriculum in school textbooks also reflect this change where chapters on class

struggle have been replaced with the history of this period. Many scholars also harp upon the presence of a “patriotic generation” in China. These people born around the millennium received a particular “patriotic education”. As they have come of age and are now active in social media, they are demanding swift and decisive response from the state involving incidents of national dishonour.

Secondly, there is a recurring emphasis on the “great civilizational divide” that exists between China and the West. Chinese diplomats say that when the Western media uses such terms like wolf warrior diplomacy to label China’s public outreach, they show their ignorance with regards to Chinese culture. In Western academic circles China’s strategic thinking has been treated as an essentially defensive one. Texts like Sun Tzu’s “The Art of War” have also been used to substantiate such claims. Now the Chinese diplomats are making effective use of this Western academic thinking to legitimise their pursuit of such a tactic. China according to these diplomats has no intention to offend anyone but if anyone tries to denigrate China’s national prestige then it will respond in appropriate terms.

Argument of such a civilizational divide also helps to secure the longevity of the regime. Many Chinese students and citizens who reside overseas can see how effective regulation can be ensured while being mindful of individual freedoms. It is to prevent disaffection among these people that arguments concerning such a civilizational divide are most useful. In this context Chinese foreign minister Wang Yi famously said that a respective governance framework should be tailor made keeping in mind the domestic context of a state. China’s one-party democracy is thus presented as a particular requirement of its distinct cultural ethos.

This active pursuit of such a fervently aggressive outlook may ultimately derail the internal logic underpinning the recourse to wolf warrior diplomacy. Chinese citizens would eventually come to perceive the yawning gap between such nationalistic proclamations and the actual pursuit of a cautious and opportunistic foreign policy.

## VII

### **Shifting Dynamics: Ukraine Crisis and Wolf Warriors**

In the backdrop of the Ukraine crisis China’s active pursuit of wolf warrior diplomacy is facing a major dilemma. Ever since the beginning of the contestation China and Russia have openly proclaimed their all-weather co-operation extending to multiple domains serving as a bulwark against Western imperialism. What is interesting to note is that Russian state agencies and diplomats also seem to be acting as wolf warriors as they actively try to undermine the multifarious claims of the Western media concerning the war. Despite their internal differences the Western democracies have taken a unified position in condemning this blatant violation of territorial integrity and sovereignty. It is but a natural expectation that in such a polarised world environment Beijing would not like to dispense with this aggressive mindset which is crucial towards ensuring regime stability.

However, many analysts are of the opinion that the situation may not be as simple as it seems to appear. China according to them is treating the Ukraine crisis as a test case as to how will the Western nations react in case it tries to mount an invasion of Taiwan. In the post-Covid scenario

China has also given quite a lot of hints that it wants to cooperate with the US regarding its Build Back Better programme to spur infrastructural development and financing of key projects. A glaring economic crisis has gripped many nations of South Asia like Nepal, Sri Lanka and Pakistan. But the Chinese diplomatic establishment's eerie silence on this issue is quite unnerving which is opening up space for outside players like the IMF and India to step in with emergency credit. In order to boost up the viability of future OBOR projects which were one of the major reasons for this broad economic downturn China will have to focus on building new bridges in the subcontinent. Such signs are already visible as in Wang Yi's reference to the Kashmir conundrum in the Organisation of Islamic Countries' meet in Pakistan and following it up with a surprise visit to India to clear any misgivings.

## VIII

### **Final Thought: Dissident Voices and Plausible Reversion**

In an assorted socio-cultural milieu as China, it is only implicit that jarring the diplomatic mandarins into homogenous water-tight constructs would culminate in a fallacious comprehension. Thus, it is critical to scrutinize whether the abrasive tone and tenor of the wolf warriors, enjoy significant traction across the politico-academic vistas. In that light, Cui Tiankai, a Chinese plenipotentiary to Washington with profound experience, had deemed such hawkish engagements as idiosyncratic, while castigating the extant diplomatic personnel as inattentive, indolent and inept. To tide over such vices, they were prescribed to accord the greatest primacy to national interest, while relegating any personal aspirations of transmogrifying into a digital sensation. While vibrant voices from the academic circuit, as IR doyen Yan Xuetong have lampooned the kernel of antagonism in Chinese diplomacy, insights from Fu Ying – an erstwhile Vice Minister of Foreign Affairs – reflect a more cautious optimism, stipulating a stronger spirit of modesty and forbearance coupled with transparent proclivities from the diplomatic quarters.

It instructive to situate the implications of a recent group study session of the Politburo of the Central Committee of the Chinese Communist Party, within a plausible ideational rejig. The episode was marked by the avowed agenda of Xi Jinping, to augment their global communication calculus to secure the twin goals of expanding their coterie of geopolitical allies which “understand” China, and to burnish their international stature as a purveyor of multilateralism and a rule-based order, devoid of mistrust, skepticism and ideological preconceptions. The essential takeaway from such a decree, was Xi's thrust on constructing a China, that is transpicuous and assertive, yet “modest” and “humble”, suggestive of a potential reversion to toned-down diplomatic endeavors.

Moreover, the egress of Hu Xijin, a highly positioned editor of Global Times – the official communication conduit of the Chinese Communist Party – needs rigorous examination. While Hu attributed the development to his natural retirement from office, an alternative view attached the ouster directly to the strategic motivations of Beijing – “to strengthen the paper's political guidance”. Interestingly, Hu's tenure was dotted with contentious and confrontationist op-eds, from vilifying Australia as an insignificant “gum” clung to the Chinese boots, to making a clarion call for “reunification” of Taiwan through indiscriminate airstrikes to pulverize any American military presence on the island. Over and above, the demotion of another wolf-warrior Gui Congyou – the Chinese envoy to Sweden, whose term was replete with intolerance to any local criticism of Beijing and brusque comments as – “We treat our friends with fine wine, but for our

enemies we have shotguns” – strengthens the pattern of prompt political responses to weed out bellicose behavior. Perhaps, the strident diplomatic tone was germane to the bygone era of Trumpism and “America First”. China now urgently requires a nuanced diplomatic posture of the Cold War paradigm, which even had the capacity to outwit the celebrated Henry Kissinger.

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# **History and Contemporary Realities**

# Dragon Meets Dragon: Bhutan-China Relationship

Jigme Yeshe Lama\*

Numerous countries have been represented by animals. For instance, Great Britain is often associated with a lion, while the bear is associated with Russia. India is depicted as an elephant, which students of foreign policy are familiar with. David M. Malone's 'Does the Elephant Dance? Contemporary Indian Foreign Policy' published in 2011, has strengthened this notion. It is a seminal text in understanding India's external relations. On familiar lines, China has been depicted as a dragon, a narrative well established in media and academic discourses. Moreover, the rise of China's power has fuelled the association of the middle kingdom with a powerful dragon. While the dragon plays an important role in Chinese culture, the Chinese do not necessarily associate the mythical beast with their country. On the other hand, a country that is strongly associated with the dragon is the tiny Himalayan kingdom of Bhutan. The Bhutanese self association with a dragon is deep as the indigenous name for Bhutan is '*Druk-yul*', meaning land of the thunder dragon. A white dragon adorns the Bhutanese national flag and the mythical creature also finds prominence in their national anthem. The predominant school of Tibetan Buddhism in Bhutan is the Drukpa Kagyu, a branch of the larger Kagyu school that started in Tibet during the 11th century AD. The Drukpa Kagyu's founder was Tsangpa Gyare, who named his new order after seeing nine dragons rise up in the sky. The leading state monk body or the *zhungdratshang* of Bhutan follows the Drukpa Kagyu school of Buddhism which is led by the Je Khenpo. The state of Bhutan was founded by Zhabdrung Ngawang Namgyal, a reincarnate lama belonging to the Drukpa Kagyu school who originally hailed from Tibet. Thus, the 'druk' or dragon plays an important role in Bhutan.

## Historical Encounters Between The Two Dragons

First, a word about 'encounters' or 'meetings'/'interaction'/'dialogue' between/among states. Globalisation and technological revolution has accelerated the 'interactions' between/among states, bringing states in proximity to each other. This interaction is seen to be mediated through certain fixed norms. It can be said that the encounters between states is conducted through the language of diplomacy. Since ancient times, diplomacy has existed between/among states, for instance, Emperor Ashoka (3rd century BC) of the Mauryan dynasty used Buddhist diplomacy to conduct foreign relations. In the 21st century, diplomacy is seen as a scientific mode of conducting foreign relations. Through diplomatic establishments and ambassadors, states have institutionalised their interactions, making them formal and rational. Interestingly, the language of modern day diplomacy has been framed by the West and followed by the rest. Similar to the institutions of the nation state and creation of state borders, even modern diplomatic parlance was imposed by the West on its colonies. This discursive imposition has led to the birth of numerous problems in the non-west. An example of this is seen in the Sino-Tibetan problem. Since the 1950s, Tibet has been occupied by the People's Republic of China (PRC).

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However, Chinese sovereignty over Tibet is challenged by Tibetans and their supporters, transforming Sino-Tibetan ties into one of conflict and contestation. According to Parshotam Mehra, the Tibetan issue could have been resolved if the oriental system of diplomacy had been maintained (Mehra, 2012:x)<sup>105</sup>.

Western colonial discourse has shaped the relationship between China and Bhutan. In the late 18th and 19th centuries, European powers, especially the British, had a hegemonic presence in Asia. They colonised large areas of the Indian subcontinent, leading to an import of British categories in the region. A significant area where Western categories of the nation state was imposed was in geopolitics. Asian geopolitics underwent a paradigm transformation with the entry of the western colonial categories, which is seen in the ideas of the buffer state and suzerainty. After establishing their authority in India, the British set out to secure the borders of their colony. In respect to this, they saw the Himalayan states (Nepal, Sikkim, Bhutan and Tibet) as buffers between India and China and also Russia. The sovereignties enjoyed by the traditional polities in the Himalayas were not comprehended by the British colonial power, instead they were defined through western categories. This is best understood through the category of suzerainty, which was used by the British to explain Tibet's relationship with China. Entailing the idea of loose control over Tibet, the British saw the Chinese having suzerainty over Tibet. The traditional *cho-yon* or priest-patron relationship between China and Tibet was dubbed as an exercise of suzerainty by the Chinese over Tibetans. Interestingly, many non-western states adopted these categories that was also present in Bhutan-China ties.

The direct encounter between the two dragons occurred through the language of the west. Prior to this, encounters between both countries were mediated mostly through Tibet. Chinese goods used to arrive in Bhutan through Tibetan traders. During the Sino-Gurkha war of 1792-1793, the Chinese commander had requested the Bhutanese to assist him in his war against Nepal. Despite Bhutan's refusal and the commander's protestation, no action was taken against Bhutan (Mathou, 392)<sup>106</sup>. The entry of the British changed this, witnessed in the 1890s, when the Qing dynasty claimed suzerainty over Bhutan. The Chinese official stationed in Lhasa, known as the Amban proposed to the Chinese emperor to appoint the Tongsa ponlop as the chieftain and the Paro ponlop as the vice-chieftain of Bhutan, which was approved by the Manchu emperor. However the Bhutanese did not take this seriously as well as no Chinese officials were stationed in Bhutan (Phuntsho, 2016:525)<sup>107</sup>. The Chinese emperor had sent a seal and hat with an imitation coral button that signified an official in second rank to Bhutan, which the Bhutanese received out of politeness but these items were locked away and were never used. The Qing policy towards Bhutan should be seen as a part of the Great Game; a series of geopolitical wrangling that involved British India, China and Tsarist Russia. The Great Game strengthened nation statism in the region, with the imperial powers scrambling to expand their sovereignty in the Asian highlands. In 1907, the Amban went beyond the symbolic suzerainty when he wrote to the Bhutanese leaders that 'the Bhutanese are subjects of the Emperor of China, who is the lord of heaven'. He also sent the

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<sup>105</sup> Mehra, P. (2012). Tibet – Writings on History and Politics. Oxford University Press.

<sup>106</sup> Mathou, T. (2004). Bhutan-China relations: Towards a new step in Himalayan politics in *The Spider and the Piglet: Proceedings of the First Seminar on Bhutan Studies* edited by Karma Ura and Sonam Kinga. Centre for Bhutan Studies. <https://fid4sa-repository.ub.uni-heidelberg.de/2625/>

<sup>107</sup> Phuntsho, K. (2016). *The History of Bhutan*. Random House India.



Chinese official stationed in Chumbi valley to Paro with 20 soldiers ‘to inspect climate, crops etc’. The Bhutanese reception was lukewarm and the officer met the Paro ponlop and the Thimpu dzongpon but the meeting was of no consequence to Bhutan. The Amban also wished Chinese currency to be accepted in Bhutan but this was too met with cold response (ibid, 526). Till 1911, the Chinese claimed suzerainty over Bhutan. Peking termed Bhutan to be a vassal state that was paying annual tributes to China. The Chinese had even sent a letter to Bhutan warning that Chinese troops would be posted in Bhutan and they should not be resisted (ibid, 527).

The Middle Kingdom’s claims to Bhutan stemmed from Tibetan claims. There are several cultural, social and religious similarities between Bhutanese and Tibetans, who have had many interactions for a long time (Mathou, 389)<sup>108</sup>. During the 8th century when Tibet was a military power, they had invaded Bhutan, withdrawing only in the 9th century. Even after that, Tibetan lamas kept pouring into Bhutan (ibid). As mentioned earlier, Bhutan was unified by a Tibetan lama who was a refugee forced out from Tibet. Zhabdrung Nawang Namgyal, abbot of Ralung Monastery in Tibet arrived in Bhutan in 1616 after been expelled from Tibet by the Tsangpa rulers and the Lhasa government headed by the Fifth Dalai Lama (ibid). After solidifying his position in Bhutan, the Zhabdrung thwarted numerous invasions from Tibet. However, in 1731, the Tibetan ruler Pholane took the opportunity of Bhutan’s internal turmoil to impose suzerainty on Bhutan. Although Tibet occasionally claimed a legitimate right to interfere in local politics, there is no evidence of Tibet ever having practically implemented its rule in Bhutan (ibid, 390). Tibet’s rulers certainly considered Bhutan as a vassal and occasionally, Bhutan even pretended to accept that situation in order to play down British influence. In 1946, for instance, the King of Bhutan wrote to the viceroy and Governor General of India that Bhutan had ‘acknowledged Tibetan sovereignty’ upto 1860. Thierry Mathou writes how Bhutan gave an annual payment to Tibet, and a Bhutanese representative was posted in Lhasa upto 1959 as part of a tributary system (ibid, 390). The Qing and the Nationalists stressed on the idea that Bhutan was a vassal of China. This assumption was based on the Tibetan ruler Pholane’s alleged suzerainty on Bhutan that was supposed to have passed on to Tibet’s Chinese overlords (ibid, 391). There are records of Chinese intervention in Bhutan in 1830, 1876, 1885, 1889 and 1905. Direct contacts between the two countries were also recorded under the Guomindang regime in 1940, 1943 and 1947 (ibid, 392)<sup>109</sup>.

It should be noted that successive Chinese regimes have misinterpreted Bhutan’s relations with Tibet. Their comprehension of Tibet-Bhutan ties is understood through Western concepts, whereby the gifts sent by the Bhutanese ruling elite to the Dalai Lama was understood as tributes, which in the Himalayan Buddhist world was nothing but a display of respect and deference towards the Dalai Lama. Such acts however can be understood through a different manner. For instance, the Himalayan polities seem to be endowed with what Susanne Rudolph calls as the ritual sovereignties. Under this, the Himalayas had the presence of self regulating groups, which had certain links to a centre through giving tributes or through a weakly specified ritual sovereignty. This in turn was derived through Buddhist values in which a number of Himalayan polities not only saw Lhasa as their cultural centre but also emulated certain practices followed by the ruling elites in the Tibetan capital. Ritual sovereignty is designated through cultural activities, symbols

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<sup>108</sup>Mathou, T. (2004).ibid

<sup>109</sup> Mathou, T. (2004).ibid

and processes that in the absence of instrumental mechanisms nevertheless creates a domain, a realm (Rudolph 1987:740)<sup>110</sup>.

The Himalayan and the larger Inner Asian world accepted the ritual sovereignties exercised by Tibet. While this idea is not comprehensible to the sovereignty of the modern nation state, the ritual sovereignty is seen to be active in the Himalayas. A way of understanding this is through the ‘connected histories’ present between Bhutan and Tibet. While a bulk of the connections between the two were religious and cultural in nature, there was also a pedagogical connection with the Bhutanese king sending several young Bhutanese northward to Tibet to undertake advanced Buddhist studies. The Bhutanese pupils studied in Drepung monastery, one among the three great monastic universities of the Geluk school of Tibetan Buddhism. A batch of students were sent to the Srisimha college at Dzogchen in Kham (Phuntsho 2016:530)<sup>111</sup>. Moreover, there were the presence of Bhutanese and Ladakhi enclaves in Tibet, entirely surrounded by the territory of the Dalai Lama, which gave revenue to Bhutan for some 300 years (Bray, 1997:89). In the 20th century, Bhutan claimed sovereignty over these enclaves. By contrast the Lhasa government acknowledged that Ladakh/Kashmir and Bhutan held certain rights, but it nevertheless tried to exercise its own authority as though the enclaves were no more than foreign-owned estates in Tibetan territory (ibid). Still, Bhutanese officers governed these enclaves, collected taxes and administered justice (Stobdan, 2019:204)<sup>112</sup>. Such a political setup is considered ambiguous and incomprehensible for the modern nation state. However as John Bray mentions, in the pre-modern period political linkages in the Himalaya consisted of a web of interrelationships with many ambiguities (ibid). In the case of the Bhutanese enclaves, the origin was religious but as it is with the Himalayas the boundaries between the religious and the political is seen to be overlapping.

### **The Thunder Dragon Meets The Red Dragon**

The multiple sovereignties or so called ‘ambiguities’ in the Himalayas came to an end with the establishment of the PRC in 1949 and its subsequent takeover of Tibet. After this, both China and Bhutan started sharing borders, which historically was between Tibet and Bhutan. Encounters between both the dragons took place through the language of the modern, as the postcolonial PRC adopted the model of nation statism, which is a project of modernity. As a virulent nation state, the PRC embarked on a project of nation state building, leading to the forceful incorporation of Tibet in China. Tibet and the Himalayas were peripheries for the Chinese state that had to be securitised. The postcolonial nation states saw the Himalayas through a singular notion of strategy/security, which steamrolled the existing multiple realities in the region. For instance, the earlier borders between Tibet and Bhutan were open and frequently crisscrossed by traders and nomadic communities. This notion is strengthened from the example of the Doklam plateau present at the India-China-Bhutan trijunction. In 2017, the region was the site of a military standoff between India and China. Doklam or Drok-lam in Tibetan literally means the ‘nomad’s path’, which is now an epitome of strategy/security for the nation state. The borders are now closed and

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<sup>110</sup> Rudolph, Sussane Hoeber. (1987): “Presidential Address: State Formation in Asia – Prolegomenon to a Comparative Study”, *The Journal of Asian Studies*, Vol 46, No 4, pp 731-746

<sup>111</sup> Phuntsho, K. (2016). *ibid*

<sup>112</sup> Stobdan, P. (2019). *The Great Game in the Buddhist Himalayas: India and China’s Quest for Strategic Dominance*. Vintage Books.

inaccessible. As stated earlier, western imperial categories are accepted by all, which is also seen in the context of Bhutan's international relations. In 1907, the Treaty of Punakha was signed between Bhutan and British India, giving the latter an advisory position in framing Bhutan's foreign policy. One sees a follow up to this in the 1949 treaty between Bhutan and India, which allowed India to guide Bhutan in its external affairs (Phuntsho, 2016:573)<sup>113</sup>.

The entry of the nation state in South Asia in the form of postcolonial India and China led to countries like Bhutan picking a side, which for Thimpu was India. China was fully aware of the Bhutan - India treaty of 1949 and was keen to treat Bhutan as an independent state (Mathou, 393)<sup>114</sup>. In 1953, Chinese gifts were sent to the Druk Gyalpo (King of Bhutan). In 1955, Chinese officers in Lhasa even decided to issue visas directly to Bhutanese citizens. However, Bhutan remained cautious if not suspicious as far as Chinese intentions were concerned. In 1958 there were some rumours about the discovery, in the Tawang district in Northeast India, of a reincarnation of the Zhabdrung Nawang Namgyal, a potential challenger to the Bhutanese monarchy. Some unsubstantiated reports even mentioned that this reincarnation was brought to Tibet where Bhutanese opposed to the King tried to win support from China against the Bhutanese monarchy (ibid). Throughout the 1950s, Beijing's legitimacy in Tibet was challenged by the Tibetans, who led armed rebellions that culminated into the Lhasa uprising of 1959. After the brutal crushing of the Tibetan uprising by China and the subsequent exile of the Fourteenth Dalai Lama, the borders between China and Bhutan were closed, bringing an end to the historical exchanges with Tibet (Phuntsho 2016:573)<sup>115</sup>. Eventually, both countries started having problems regarding the location of the borders. This uncertainty was seen when at the end of 1960 Chinese border guards made small scale incursions into Bhutanese territory and also a map that was published in July 1958 in the China Pictorial magazine denoted large tracts of Bhutanese territory - the entire Trashigang area in the east and a substantial portion of territory in the northeast as belonging to China (Mathou, 394)<sup>116</sup>.

These events increased the proximity between Bhutan and India, with the Himalayan kingdom signing a number of agreements regarding defence and infrastructural buildup with New Delhi. The consolidation of nation statism in the region further led to an erasing of older ties between Bhutan and Tibet. The dragon kingdom withdrew its representative in Lhasa and its officer in Western Tibet. It decided a total ban on trade with Tibet. According to Thierry Mathou, the halting of trade with Tibet had a decisive influence on the Bhutanese economy, which had long depended upon the Tibetan market, and was forced to adjust to the global shifting of trade structures that followed the opening of the road to India in 1963. It meant closing all the traditional outlets for the country's surplus rice and depriving weavers around the Bumthang area with Tibetan wool (Mathou, 394)<sup>117</sup>. Furthermore, the earlier pluralist discourses that formed the basis of the encounters between the polities were now replaced by a singular discourse entailing borders and territories. Between the red dragon and the thunder dragon, border disputes have emerged as the dominant discourse. Both countries have disputes in the western sector of Bhutan, which entails the strategic Doklam trijunction. There are claims and counterclaims over the Jakarlung and

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<sup>113</sup> Phuntsho, K. (2016). ibid

<sup>114</sup> Mathou, T. (2004). ibid

<sup>115</sup> Phuntsho, K. (2016).ibid

<sup>116</sup> Mathou, T. (2004).ibid

<sup>117</sup> Mathou, T. (2004).ibid

Pasamlung valleys in north Bhutan and in recent times, Beijing has staked claims over Bhutan's eastern Sakteng region (Yang, 2021)<sup>118</sup>. In 1997, China had offered a so-called 'package deal' under which it would give up claims on areas in central Bhutan in exchange for territory on the western part, including Doklam (Chaudhury 2021)<sup>119</sup>.

### **Border Talks Between The Two Dragons**

Border talks between both countries started from 1984 and they signed the Guiding Principles on the Settlement of Boundary Issues in 1988 and the Agreement on Maintenance of Peace and Tranquility along the border areas in 1998 (Yang, 2021)<sup>120</sup>. The Chinese approach on border talks with Bhutan has been quite similar to the one it had taken earlier with Nepal, and has proposed once to India on the Sino-Indian boundary, with preference for a "package deal" rather than a sector-by-sector settlement (Mathou, 402)<sup>121</sup>. Under this, Beijing would concede its northern claims with an area of 495 square kilometres, in exchange for Bhutan agreeing to China's western claims, including 89 square kilometres of Doklam (Joshi. 2021)<sup>122</sup>. The package deal proposed by PRC reveals how encounters between modern states are dictated in terms of the language of security/strategy. China wanted the western territories of Bhutan as it would enlarge the narrow and strategic Chumbi valley and secondly, control over Doklam would give Beijing a military advantage over India. The Chinese access to the Zompelri ridge in Doklam plateau would give them a commanding view of India's strategic Siliguri corridor (ibid). Doklam/Drok-lam or the nomads path was for ages traversed by traders, nomads and pilgrims. The plateau was gifted by the Thirteenth Dalai Lama to Raja Urgen Dorjee, the Prime Minister of Bhutan in the early 1900s, for his unfettered services to the Tibetan hierarch. Tsering Shakya mentions how the Chumbi valley and Doklam were spaces of multiple transactions - economic, cultural and religious before the advent of the nation state. Interestingly, both countries do not have direct diplomatic relations and liaise via their embassies in Delhi (Yang, 2021)<sup>123</sup>. Still, negotiations between both countries continued and in 2021, both countries signed an MoU to accelerate the protracted boundary talks ongoing for over three decades (Patranobis, 2021)<sup>124</sup>.

The MoU was formulated during the 10th expert group meeting in Kunming in April 2021 and the discussion entailed setting up a framework first, confirming the specific disputes with an exchange of maps and a resolution stage (Yang 2021)<sup>125</sup>. In a statement released after the signing of the

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<sup>118</sup> Yang, J. (2021, November). Bhutan-China Border Negotiations in Context. The Diplomat. 24 June 2022. <https://thediplomat.com/2021/11/bhutan-china-border-negotiations-in-context/>

<sup>119</sup> Chaudhury, D.R. (2021, October). Bhutan-China border talks deal not to involve Trijunction with India. The Economic Times. 4 July, 2022. <https://economictimes.indiatimes.com/news/defence/trijunction-not-in-boundary-pact-bhutan-signed-with-china/articleshow/87047037.cms?from=mdr>

<sup>120</sup> Yang, J. (2021, November) ibid

<sup>121</sup> Mathou, T. (2004).ibid

<sup>122</sup> Joshi, M. (2021, October). The China-Bhutan border deal should worry India. ORFonline.org. 4 July 2022, <https://www.orfonline.org/research/the-china-bhutan-border-deal-should-worry-india/>

<sup>123</sup> Yang, J. (2021, November).ibid

<sup>124</sup> Patranobis, S. (2021, October). China hails MoU with Bhutan, blames India for souring ties with Thimphu. The Hindustan Times. 30 June 2022. <https://www.hindustantimes.com/world-news/china-hails-mou-with-bhutan-blames-india-for-souring-ties-with-thimphu-101634382546284.html>

<sup>125</sup> Yang, J. (2021, November). ibid

MoU, it is termed as promoting the process of establishing diplomatic ties between both countries. Beijing has hailed the MoU as bringing mutual benefits and a win-win for both countries. More importantly, Global Times, which is the official tabloid of the PRC saw the agreement as a victory over Indian hegemony and the victory of bilateral diplomacy in the region. India is seen as a bully and the MoU has thwarted India's strategy of isolating China in South Asia (Patranobis, 2021)<sup>126</sup>. Beijing sees the MoU as a way of reducing India's influence over Bhutan, who can now independently manage the borders (ibid). On the other hand, the MoU will not cover the India-China-Bhutan trijunction in Doklam as in 2012 it was agreed with China, any trijunction will only be resolved in consultation with all three countries (Chaudhury, 2021)<sup>127</sup>. The MoU would re-stress the 1988 and 1998 agreements between both countries. According to a 2021 Bloomberg article, through the MoU, Bhutan is termed to have offered China the prospect of eventual full diplomatic relations in return for demarcating the northern border, allowing sidestepping the issue of Doklam while stopping Chinese encroachments in other areas (Sen and Chaudhary, 2021)<sup>128</sup>. Regarding encroachments, the 2017 Doklam standoff between India and China took place in the aftermath of Chinese construction activities in the Doklam plateau. According to Robert Barnett, since 2015, the Chinese have constructed a network of roads, buildings and military outposts in a sacred valley in Bhutan. In 2020, the communist party secretary of the Tibet Autonomous Region (TAR) Wu Yingjie, inaugurated a new village in the south of the TAR, which however was in Bhutan. Wu and a retinue of officials, police, and journalists had crossed an international border. They were in a 232-square-mile area claimed by China since the early 1980s but internationally understood as part of Lhuntse district in northern Bhutan (Barnett, 2021)<sup>129</sup>.

The village is a part of a major drive by Chinese President Xi Jinping since 2017 to fortify the Tibetan borderlands. Barnett mentions how China doesn't need the land it is settling in Bhutan: Its aim is to force the Bhutanese government to cede territory that China wants elsewhere in Bhutan to give Beijing a military advantage in its struggle with New Delhi. Gyalaphug is now one of three new villages (two already occupied, one under construction), 66 miles of new roads, a small hydropower station, two Communist Party administrative centers, a communications base, a disaster relief warehouse, five military or police outposts, and what are believed to be a major signals tower, a satellite receiving station, a military base, and up to six security sites and outposts that China has constructed in what it says are parts of Lhodrak in the TAR but which in fact are in the far north of Bhutan (ibid). Beijing's strategy along the borders with Bhutan is a reflection of its policy in the South China Sea. In 2020, China established a village 2 km within Bhutan's territory, very close to Doklam (Som, 2020)<sup>130</sup>. The Pangda village has been built by the Chinese government in subtropical forest just inside the southwestern border of Bhutan (Barnett, 2021).

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<sup>126</sup> Patranobis, S. (2021, October).ibid

<sup>127</sup> Chaudhury, D.R. (2021, October). Bhutan-China border talks deal not to involve Trijunction with India. The Economic Times.4 July, 2022. <https://economictimes.indiatimes.com/news/defence/trijunction-not-in-boundary-pact-bhutan-signed-with-china/articleshow/87047037.cms?from=mdr>

<sup>128</sup> Sen, R.S. and Chaudhury, A. (2021, December). Bhutan Struggles to Defend Territory in India-China Border Spat. Bloomberg. 30 June 2022. <https://www.bloomberg.com/news/articles/2021-12-08/bhutan-struggles-to-defend-territory-in-india-china-border-spat>

<sup>129</sup> Barnett, R. (2021, May). China is building entire villages in another country's territory. Foreign Policy. 4 July, 2022. <https://foreignpolicy.com/2021/05/07/china-bhutan-border-villages-security-forces/>

<sup>130</sup> Som, V. (2020, November). China Sets Up Village Within Bhutan, 9 Km From Doklam Face-Off Site. Ndtv. 21 June 2022. <https://www.ndtv.com/world-news/china-sets-up-village-within-bhutan-9-km-from-doklam-face-off-site-2327563>.

On the other hand, the work in the northern border with Bhutan is more advanced in its development and involves the settlement of entire districts, not just a single village. A significant point raised by Barnett is that the area with Chinese construction is of exceptional importance to Bhutan and its people (ibid)<sup>131</sup>. A Eurasian Time report has mentioned how Bhutan and China have agreed to a deal and chosen to keep it under wraps (EurAsian Times Desk, 2020). Another important aspect of the interaction between the two dragons deals with Tibetan Buddhism.

### **Red Dragon, Tibetan Buddhism And The Thunder Dragon**

While the paper deals with present Sino-Bhutanese ties, which are modern nation states, it gives importance to the pre-modern multiple sovereignties, realities that were experienced in the Himalayan spaces where the two nation states now interact. Among the plethora of discourses present in the region that formed an ideology of domination was Tibetan Buddhism. Bhutan was a theocratic state under the Shabdrungs, with the Drukpa Kagyu school of Tibetan Buddhism exercising authority over the population. On the other hand, till the Chinese takeover of Tibet, it was a theocracy under the Dalai Lamas, a line of reincarnated monks belonging to the Geluk school (Yellow hat). It needs to be understood that authority and sovereignty in both countries were exercised through diffused and plural ways and their interaction was dictated through the language of Tibetan Buddhism, which was marked by both conflict and cooperation. The Drukpa hierarchy had an antagonistic relationship with the Dalai Lama's predominantly Geluk government. Both countries fought several wars on religious lines, mainly with the Tibetans invading Bhutan and the latter successfully defending themselves. However, conflict was not the only theme between the Drukpa Kagyu and the Gelukpas of Tibet, as seen through the relationship between the Panchen Lama and the Bhutanese ruling elite. The 6th Panchen Lama was instrumental in brokering the Anglo Bhutan peace treaty in the aftermath of the first Anglo-Bhutan war (1772-1774). The Bhutanese ruling elite had approached the Geluk hierarchy to broker peace between Bhutan and the East India Company after the latter aided to raja of Cooch Behar against Bhutan. Through this, the British aimed at increasing the prospect of commercial relations with Tibet through Bhutan (Booth and Chopel, 2021)<sup>132</sup>. Amazingly, it led to Hastings and the East India Company offering land on the banks of the Hooghly near Calcutta to the Panchen Lama for the construction of a temple that would serve as a defacto foreign office for Tibetans. At present, this site is referred to as Bhot Bagan. Going back to the Buddhist linkages between Tibet and Bhutan, a number of Tibetan ascetics and Buddhist masters travelled to Bhutan, which included the famous Thangtong Gyalpo, also known as Chakzampa (builder of iron bridges). He preached in Bhutan and also constructed a number of iron bridges in the country. Another famous Buddhist personality hailing from Tibet who visited Bhutan was the divine madman 'Drukpa Kunlek', who made phallic worship popular in the Himalayan kingdom.

The semi-mythical figure of Guru Padmasambava, the Indian tantric saint, who supposedly hailed from the Swat valley, present day modern Pakistan was responsible for bringing Buddhism to

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<sup>131</sup> Barnett, R 2021 ibid

<sup>132</sup> Booth, J and Dendup Chopel. (2021, November). Love, hate and tragedy: A three-part history of Bhutan-Cooch relations. Kuensel. 21 May 2022.

<https://www.google.com/search?q=booth+and+chophel+bhutan+coochbehar&oq=booth+and+chophel+bhutan+cooch&aqs=chrome..69j57j33i160l2.26112j0j4&sourceid=chrome&ie=UTF-8>

Tibet. He traversed the Himalayas creating ‘hidden valleys’ or ‘beyuls’ and taming the local spirits, converting them into guardians of the Buddhist faith. He was much active in Bhutan in the 8th century AD and laid the foundation of Buddhism in the country. The famous Paro Taktsang or ‘tiger’s nest’ is a powerful site associated with Guru Dorje Drolo, a wrathful emanation of Padmasambava. The Indian guru and his activities in the Himalayas can be an example of the fluidity present in ritual sovereignties, with Vajrayana Buddhism here becoming an essential example of a source of sovereignties. Guru Rinpoche as he is popularly known among the various communities in the Himalayas adopted numerous forms or has been portrayed as manifesting multiple identities, many of which might mirror local ideas and beliefs. He is popular among the Bhutanese and is propagated by the dominant Drukpa Kagyu as well as the Nyingmapa school in Bhutan. It should be noted that the Gelukpa school to which the Dalai Lamas belong do not have a strong presence in Bhutan. Prior to the advent of the modern nation state and the emergence of fixed borders, Bhutanese pilgrims used to visit numerous sacred sites in Tibet and also Bhutanese monks used to study in monasteries inside Tibet. Pilgrims from Tibet also visited the multiple sacred sites in Bhutan prior to the Chinese invasion of Tibet. Even the Monpas from neighbouring Tawang frequent Bhutan for religious purposes. A popular pilgrimage spot visited by them is the Gomphu Kora in eastern Bhutan. This site, which is close to the borders with India, is associated with Guru Padmasambava. Here, locals as well as the pilgrims from Tawang and Dirang districts of present day Arunachal Pradesh participate in the Kora or circumambulation of the sacred spot (Schrempf, 2018:329)<sup>133</sup>. The pilgrimage to Gomphu Kora is a case of how pre-nation state connections are much active in the Himalayas. The language of Bhutan known as Dzongkha bears strong resemblance with Tibetan and they share the same script.

With the Chinese invasion of Tibet and the subsequent escape of the Dalai Lama along with tens of thousands of Tibetans in 1959, the erstwhile traditional Tibetan state came to an end. Along with the Dalai Lama, his family, officials and common refugees, came hundreds of Buddhist reincarnates, many of whom settled in the Himalayas, including in Bhutan. They established monasteries and dharma centres with numerous local followers. Thus, the end of the traditional Tibetan state led to a dissemination of Tibetan Buddhism in the South Asian Himalayas, strengthening the traditional ties between Tibet and the Himalayan spaces. Some degree of friction and resistance to the entry of these Buddhist hierarchs from Tibet has been seen but nonetheless ‘interactions’ between them and the local communities have remained. For instance, the current Dalai Lama has never visited Bhutan but still has a strong following among the Bhutanese. In 2017, when he gave religious teachings in Tawang, a region bordering eastern Bhutan, around 3000 people from Bhutan, many of whom had trekked for two days had come to hear his sermons (Loiwal, 2017)<sup>134</sup>. Thus, the Dalai Lama along with other Tibetan reincarnates enjoy varying degrees of traditional legitimacies among the Himalayan communities, including Bhutan.

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<sup>133</sup> Schrempf, M. (2018). From Popular Pilgrimage Festival to State Monastic Performance – The Politics of Cultural Production at Gomphu Kora, East Bhutan. In Ute Luig (ed) *Approaching The Sacred Pilgrimage In Historical And Intercultural Perspective* Berlin Studies Of The Ancient World. VOL. 49. Topoi, Berlin.

<sup>134</sup> Loiwal, M. (2017, April). Dalai Lama in Tawang: The other mission of Tibetan spiritual leader in Arunachal. *India Today*. 22 June 2022. <https://www.indiatoday.in/india/arunachal-pradesh/story/dalai-lama-tawang-tibetan-plantation-arunachal-pradesh-970530-2017-04-10>

Incidentally, the modern communist Chinese state has also employed the legitimacy enjoyed by Tibetan Buddhism to interact with the Himalayan dragon. China is termed as ‘welcoming Bhutanese friends to China to make pilgrimages or to visit relatives and friends’ (Mathou, 408). Beijing in 2001 had invited the Dorje Lopen, the second highest lama of the Drukpa Kagyu school to visit the sacred Wutai Shan and Emei Shan (ibid).

Chinese aid and investments form a significant aspect of their foreign policy. With Bhutan, the first major Chinese investment came in the religious sector. This was in the form of a 169 feet Buddha statue in Thimpu, which was installed to commemorate the 60th birthday of the former king. It was financed by Aerosun Corporation, a major equipment manufacturing company based in Nanjing, PRC (Banerjee, 2017)<sup>135</sup>. The red dragon’s ‘Buddhist’ overtures to the thunder dragon can be analysed as a part of its preparation for the reincarnation of the 14th Dalai Lama. With the Dalai Lama reaching an advanced age, his future rebirth has emerged as a zone of contention between the atheist Chinese state and the Tibetans. Since 2007, the Chinese have initiated an ‘institutional’ process to handle the reincarnation of Tibetan lamas. The interest of the Chinese nation state in an arcane practice like reincarnation, reveals the presence of ritual sovereignties in the form of these reincarnates in Tibet and the larger Himalayan world. A number of Tibetan reincarnates inside Tibet have been co-opted by the Chinese state, who will provide legitimacy to Beijing in the process of the Dalai Lama’s reincarnation. Thus, on similar lines, China’s Buddhist overtures towards Bhutan can be seen as a way to secure support from a Mahayana Buddhist country for its choice of the Dalai Lama in the near future. Interestingly, this notion has gained some mileage from statements made by the present 14th Dalai Lama. The exiled Tibetan spiritual leader in 2007 had mentioned that one mode of selecting his successor can be through referendum among the Tibetan Buddhist communities from the Himalayas to Mongolia, making the position of Bhutan unique and important (Ramesh and Watts, 2007)<sup>136</sup>.

## **Conclusion**

In conclusion, the encounter between the two dragons is seen through the language of the west. Modern western notions of state, sovereignty, security and territory are dominant discourses between China and Bhutan. Furthermore, as Nitisha Kaul writes, modern geopolitics and the emanating competition between China and India has led to the creation of an “in-betweenness” of Bhutan. Under such circumstances, Bhutan’s agency in IR is understood simply as a country in-between the two superpowers. Such a portrayal is one mode of understanding the dynamics of China-Bhutan encounters that has become the dominant discourse in foreign policy studies. On the other hand, this paper feebly attempts to overcome this and analyse the encounters between the two countries in terms of a postcolonial understanding. Through this, several ‘hidden’ categories, falling under the rubric of ritual, traditional sovereignties are accepted and its influences are seen in the encounters between the red dragon and the thunder dragon.

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<sup>135</sup> Banerjee, R. (2017, August). Dangerous Liaison. The Week. <https://www.theweek.in/theweek/cover/dangerous-liaison.html>

<sup>136</sup> Ramesh, R and J. Watts.(2007). Dalai Lama challenges China - with a referendum on reincarnation. The Guardian. 25 June 2022. <https://www.theguardian.com/world/2007/nov/28/china.religion>



# Mutual Relations Between The Central Asian Countries And China

Vladimir Paramonov\* and Mirzokhid Rakhimov\*\*

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## **The major trends of interstate relations**

After the disintegration of the USSR, the importance of Central Asia in the foreign policy of the People's Republic of China has progressively increased, and that too, in all major areas, particularly in the political and economic spheres. Accordingly, the foreign policy activity of the Central Asian States towards China also continued to grow.

In the early 1990s, China had to address a number of extremely difficult domestic and foreign policy challenges. In the face of a marked cooling of relations with the West, which reacted harshly to the events on Tiananmen Square in 1989, the fall of communist regimes in Eastern Europe and the disintegration of the USSR that followed shortly thereafter, it was extremely important for the Chinese leadership of the "third generation" led by Jiang Zemin to prevent the revision of the existing political system in China. Therefore, the main objective of China's foreign policy in the early 1990s was to create the most favorable international environment and a "zone of stability" all along the perimeter of the Chinese border to ensure the success of the ongoing reforms. Consequently, China's foreign policy in the early 1990s was extremely cautious and flexible, and its basic principles were well within the concept developed by the patriarch of Chinese reforms Deng Xiaoping and expressed by the so-called "24 Character Strategy/ Guideline".<sup>137</sup>

By the mid-1990s, China was forced to radically revise its entire foreign policy. This was largely due to the aggravation of the situation around Taiwan in 1995-1996, followed by another round of Sino-American standoff and financial crisis of 1997-1998 in Southeast Asia. The conclusions of those scholars who argued that the Central Asian vector of China's policy was designed to fit in with the general principles of the global strategy aimed, among other things, at gaining broad international recognition<sup>138</sup> and, at the same time, at ensuring favorable external conditions for internal development, also seem fair and noteworthy<sup>139</sup>. In this regard, a fundamentally important

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<sup>137</sup>The given concept is based on 8 postulates: observe calmly; react with restraint; pursue a policy firmly; hide capacities and gain time; never claim leadership; keep a low profile and achieve something. See Kamennov P.B., "Kitai v XXI veke" ("China in the XXI century") in *Globalizatsiya interesov bezopasnosti* (Globalisation of security interests), G. I. Chufrin (Ed.), M., 2007, p. 54.

<sup>138</sup> Delyusin L., "Kitai na poroge XXI veka" (China on the threshold of the 21st century), *Vlast'*, Moscow, 1998, No.3, p.72.

<sup>139</sup> Chan S., "Chinese Perspectives on World Order" in Paul T.V., Hall John A (Eds), *International Order and Future of World Politics*, London: Cambridge University Press, 1999, p. 208.

task for the PRC has become to search for allies, to scale up efforts to form and strengthen interstate alliances, and to create institutions in which China could claim the position of one of the leaders.

At the same time, it should be noted that there were other assessments regarding the nature of the Chinese policy in Central Asia. Thus, a number of Russian experts argued that China has been carrying out "direct expansion" in relation to the region, "demographic" – accompanied by high migration activity of the Chinese population, "territorial" – by political pressure with a view to resolving the border issues in their favor, which happened against the backdrop of economic penetration<sup>140</sup>.

At the beginning of the 21<sup>st</sup> century, the Chinese foreign policy has been undergoing through quite significant changes: China started pursuing a policy to defend its interests even more resolutely, actively and aggressively. This has been largely due to the drastic change in the international situation following the events of September 11, 2001, when China felt a dramatic rise in the military influence of the United States and its closest allies.

When analyzing the nature of relations between the Central Asian States and China, it is extremely difficult to clearly identify any major stages. The reasons for this are also related to the fact that, from the point of view of the foreign policy of all the above-mentioned States, bilateral, and, especially, international relations in and around the region, there is still too high a dynamic of highly contradictory processes.

In general, the developments within the framework of the multifaceted of issues of interaction between Central Asia and China are still in line with the logic of the trends that developed during the period 1992-2021. On the other hand, these trends, as a result of the sum of global, regional and national factors, have acquired new dimensions that have modified them.

### **Political Relations between Central Asia and PRC**

As a result of the disintegration of the USSR and radical changes in and around Central Asia, the PRC faced the need to form a Central Asian vector of its foreign policy. The emergence of the newly independent states in the immediate vicinity of China, followed by subsequent drastic decline in the interaction between Russia and the region came as a complete surprise to the People's Republic of China. These developments led to the formation of a so-called geopolitical vacuum in Central Asia and turned the region into a focus of close attention of various external actors. Given the civil war in Tajikistan (1992-1997) and instability in Afghanistan, the situation in and around Central Asia was viewed by China only through the prism of threats emanating from there to the security of the PRC.

As a result, both due to strategic considerations (internal and external) and uncertainty of the development of the situation in the region itself in the early 1990s, China was not prepared to pursue any technically and conceptually meaningful external policy in Central Asia. Therefore, it tried more to keep a distance as much as possible from the "internal problems" of the region and focus only on solving the priority issues on the agenda of Sino-Central Asian relations: establishing

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<sup>140</sup> Затулин К.Ф., Грозин А.В., Хлюпин В.Н. Национальная безопасность Казахстана. Проблемы и перспективы– М.: Институт стран СНГ, 1998. С. 13–24. (Zatulin K.F., Grozin A.V., Khlyupin V.N., National Security of Kazakhstan. Problems and prospects, Moscow: Institute of CIS Countries, 1998, pp. 13–24.)

diplomatic contacts; settling together with Russia a set of inherited problems; developing coordinated approaches to the issue of separatism in China.

In the second half of the 1990s, China significantly intensified its foreign policy towards Central Asia. In addition to global and long-term considerations, the increasing importance of Central Asia for the People's Republic of China was dictated by the growing concern about a number of issues of security and economic development in its border areas. China, in particular, most likely, took into account both the instability in Afghanistan and the fact that it was in the second half of the 1990s when the peak of activity of various types of radical organizations took place in Central Asia. In addition, in the mid-1990s, the presence of significant oil and gas reserves was confirmed in Central Asia and the Caspian Sea. Consequently, importance of the region concerning economy and, in particular, energy has increased. Given the increasingly sustainable growth of the Chinese economy and, accordingly, the need for raw materials, as well as the task of diversifying access to hydrocarbons, it has become important for China to clearly formulate and identify its energy interest in Central Asia and adjacent areas.

In general, Central Asia, with its raw materials and market, has been increasingly considered by the People's Republic of China in the context of implementation of its programme to accelerate development of the central and western regions of China. In particular, in many ways, it was by the mid-to-late 1990s that the economic backwardness of the hinterland Chinese territories from the coastal territories became particularly pronounced, which was one of the factors for the deterioration of the social situation in the "national outskirts" of the People's Republic of China. Therefore, using the geographical proximity of Central Asia, China hoped to use the resource and raw material potential of the region for the industrial development in XUAR, as well as to promote Chinese products in the Central Asian markets, thereby stimulating economic growth of its western regions.

As a result, in the second half of the 1990s, China's foreign policy with regard to Central Asia has already begun to acquire clear contours, characterized by increasingly decisive actions to gradually expand the Chinese presence. At the same time, realistically assessing its own, so far clearly limited capabilities, China has relied on tandem with Russia to implement its policy objectives in the region. Even then, the Chinese expert circles believed that relations with the Russian Federation would eventually acquire a strategic character<sup>141</sup>.

At the same time, the People's Republic of China was aware of the undesirability and prematurity of demonstrating its ambitions in the region<sup>142</sup>. One cannot but agree with the thesis that China's excessive activity at that time could damage the growing Russian-Chinese cooperation, especially in the sphere of security<sup>143</sup>. Moreover, Chinese leaders repeatedly emphasized and sent signals that China was in favor of maintaining mutual friendly relations with the Central Asian States and with

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<sup>141</sup> Li Jing-jie, "Development of Sino-Russian Relations: From Friendship to Strategic Partnership" (Развитие китайско-российских отношений: от дружбы к стратегическому партнерству) in *Problemy Dal'nego Vostoka* (Проблемы Дальнего Востока), Moscow: 1997, 3, pp. 20-33.

<sup>142</sup> Xing Guangcheng. China and Central Asia: Towards a New Relationship // Ethnic Challenges beyond Chinese and Russian Perspectives of the Central Asian Conundrum. – London: St.Martin Press, Inc., 1998, p. 41.

<sup>143</sup> Bolyatko A., "Military-Technical Cooperation and Prospects of Strategic Interaction between Russia and China" (Военно-техническое сотрудничество и перспективы стратегического взаимодействия России и Китая), in *Problemy Dal'nego Vostoka* (Проблемы Дальнего Востока), Moscow, 1997, No. 3, pp. 17-21.

Russia, it does not seek to fill any vacuum created as a result of the collapse of the Soviet Union<sup>144</sup>. In addition, China was probably aware of the fact that in the West they were talking about the ideas of artificially involving China in the affairs of Central Asia, as this should help to divert Beijing's attention from the Asia-Pacific region (where the threat of a clash of interests between China and the United States has been traditionally high)<sup>145</sup>.

Taking into account the transformation after 2001 of the previously peripheral international status of the region into a strategic one, the importance of Central Asia for the People's Republic of China has grown significantly. The policy towards Central Asia began to be considered in the context of the entire foreign policy efforts at the global level. China particularly feared that the US policy in Central Asia would catalyze negative trends for China in the development of the region and the XUAR.

It should be mentioned that the first step in the establishment of institutional cooperation between the People's Republic of China and the Central Asian countries was the formation of a working group in October 1992 at Minsk consisting of a joint delegation of Russia, Kazakhstan, Kyrgyzstan, Tajikistan and the delegation of China (the so-called 4 +1 formula), which addressed a set of inherited problems: first, the unresolved border-territorial issues and the high level of military presence in the border areas. This created the prerequisites for the formation in 1996 of an inter-state association called the "Shanghai Five" (China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan). Subsequently, in 2001, on the basis of it and with the participation of Uzbekistan (as a co-founder) was established the Shanghai Cooperation Organization, which already included economic topics in its agenda. Thus, for the first time in its history, China became not only one of the initiators, but also, in fact, the main driving force behind the formation and development of a major international institution, in which it immediately took a leading position.

Considering the SCO as the main mechanism of cooperation, besides enabling to "keep abreast"<sup>146</sup> the processes going on in the region, China relied on strengthening the cohesion in the Organization, building its international image and enhancing the importance of the economic component. First of all, it was necessary to expand and specify the legal framework for cooperation within the SCO. Already in June 2002, at the St. Petersburg summit, the Charter of the Organization was adopted, which provided for the rights and obligations of the members, taking into account the new situation in and around Central Asia. Mongolia joined the SCO as observer in 2004, and in 2005, joined Iran, Pakistan and India. At the same time, new mechanisms, formats and platforms for interaction were being intensively developed within the Organization. In 2004, the Regional Anti-Terrorist Structure (RATS) was established with an executive committee in Tashkent. Since 2005, the Business Council and the Interbank Association have been formed and started functioning within the SCO. As a result, China has become increasingly active in advocating precisely the development of economic component of the Organization. Since 2006, the People's Republic of China has made a number of proposals to stimulate economic cooperation

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<sup>144</sup> Peskov Yu.S., "Problems and Prospects of Cooperation of Russia and China with the Central Asian Countries – the CIS members (Проблемы и перспективы сотрудничества России и Китая со странами Центральной Азии – членами СНГ)", in *Problemy Dal'nego Vostoka* (Проблемы Дальнего Востока), Moscow, 1997, No. 3, p. 58.

<sup>145</sup> Brzezinski Zbigniew, "A Geostrategy for Eurasia", in *Foreign Affairs*, 1997, September/October, p. 57.

<sup>146</sup> Li Lifan, Ding Shiu, "Geopolitical interests of Russia, USA and China in Central Asia" (Геополитические интересы России), in *Tsentrāl'naya Aziya i Kavkaz* (Central Asia and the Caucasus, 2004, No 3. p. 162.

in the SCO, in particular, establishment of a free trade zone and the creation of a regional transport infrastructure. In 2017, India and Pakistan joined the SCO.

Thus, until 2001, the US presence in Central Asia was insignificant and mainly economic in nature, and was perceived relatively calmly in China. Considering the American presence in the region as a potential threat to China's security, it is necessary to take into account the dual nature of the relations between PRC and the USA of that time, based on a symbiosis of fears and mutual benefit<sup>147</sup>. The Chinese leadership "in principle, was satisfied with the approaches of Washington aimed at developing market transformations in the countries of Central Asia".<sup>148</sup> However, the events of September 11, 2001 and the ensuing anti-terrorist operation in Afghanistan led to a dramatic increase in the military presence of the United States, which changed the balance of power in and around the region. The PRC perceived with undisguised concern the fact that a large American military contingent appeared for the first time on the western borders of China, and on the borders of Uzbekistan and Kyrgyzstan. These forces, taking into account their bases in Afghanistan, were considered by the experts to be sufficient to carry out a local military operation if necessary and to keep the western regions of China under control, primarily the XUAR<sup>149</sup>.

Moreover, with the Chinese economy growing in strength, it was important for the PRC to ensure guaranteed access to the region's raw materials, especially oil and gas and uranium resources, and potentially its transit facilities also. In this regard, China has focused on strengthening the SCO and developing ties with the countries of the region, primarily in the economic sphere (as can be traced in the dynamic growth of trade volumes). Taking into account the factor of the rapid strengthening of the Chinese economy, it was this that could make it possible to more effectively use the opportunities available to the PRC to implement various economic projects in Central Asia, and at the same time, support the political elites that exist in the region.

The trend towards further intensification of relations (reflecting this in all major areas) between the countries of Central Asia and China has slowed down and somewhat has changed. This is largely due to the global background: the consequences of the economic crisis of 2008-2009, China's confrontation with the United States and other Western countries, and in recent years, and the COVID-19 pandemic.

In these circumstances, since 2013, China has been increasing its political activity in Central Asia within the framework of the global "Belt and Road" initiative. At the same time, PRC is using new financial instruments and opportunities through the development of Asian Infrastructure Investment Bank projects. Projects of cultural and humanitarian nature are also being promoted, for example, to develop a network of Confucius Institutes (in some cases called Centres), the

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<sup>147</sup> Михеев В. Проблемы безопасности во внешней политике Китая // Проблемы национальной безопасности во внешней политике Китая. – М.: ИМЭМО РАН, 2005. – С. 14-15. (Mikheev V., "National Security Issues in China's Foreign Policy", in *National Security Issues in China's Foreign Policy*, Moscow, IMEMO (Institute of World Economy and International Relations) RAS, 2005, pp.14-15.

<sup>148</sup> Сыроежкин К.Л. Проблемы современного Китая и безопасность в Центральной Азии. – Алматы, 2006. С. 197. (Syroezhkin K.L., *Problems of Contemporary China and Security in Central Asia*, Almaty, 2006, p.197.

<sup>149</sup> Сыроежкин К.Л. Проблемы современного Китая и безопасность в Центральной Азии. – Алматы, 2006. С. 245. (Syroezhkin K.L., *Problems of Contemporary China and Security in Central Asia*, Almaty, 2006, p.245.

number of which has already reached 13 (in Kazakhstan - 5, in Kyrgyzstan - 4, in Tajikistan and Uzbekistan – 2 respectively), and the number of students is more than 15 thousand.

Another factor contributing to some intensification of interaction is the development of the "PRC + CA" format. So far, however, it has only been implemented mainly at the level of multilateral contacts between ministries and departments (for example, ministries of foreign affairs) and expert think tanks.

Against this backdrop, trends in the bilateral context have begun to diminish the depth and intensity of interaction between the region and China. This mainly concerns Kazakhstan and Kyrgyzstan, where in recent years signs of growth of Sinophobia and anti-Chinese sentiments have become more pronounced.

### **Security Relations**

The PRC probably, seriously feared that the development of the situation in Central Asia would be accompanied by painful and difficult-to-predict processes, which, combined with the inherited problems of the Sino-Soviet period, could negatively affect the stability of the Xinjiang Uighur Autonomous Region. In this regard, in the first half of the 1990s, development of cooperation with the countries of the region in the sphere of security became a priority for China. Immediately after the establishment of diplomatic relations, China advocated the initiation of a negotiation process on border issues. Kazakhstan and Kyrgyzstan, which have the longest sectors of border with China, were of particular interest to the PRC in addressing these problems. Already in the first half of 1992, China initiated bilateral discussions with Kazakhstan and Kyrgyzstan on the border and disputed territories. In parallel, negotiations on the whole range of border issues between the joint delegation of Russia, Kazakhstan, Kyrgyzstan, Tajikistan and the delegation of China ("4+1") began in the autumn of 1992.

The negotiation process with Kazakhstan, Kyrgyzstan and Tajikistan on border issues culminated in the signing of relevant agreements in 1996 at Shanghai and in 1997 at Moscow. All this laid the legal foundations of the "Shanghai Five" and the SCO, the overall strategic alliance between the PRC and the Russian Federation, as well as individual Central Asian countries. After the attempts of armed incursion from Afghanistan and Tajikistan into the territory of Kyrgyzstan and Uzbekistan by militants of the so-called Islamic Movement of Uzbekistan in 1999 and 2000 (so-called The Batken incidents), China began to provide specific military and other assistance to the Central Asian States, although this assistance was still sporadic. As a result, in a very short period of time by historical standards, the relations between the PRC and the Central Asian countries in the field of security have acquired a partnership and institutional character, which has become particularly pronounced within the SCO.

China has become increasingly active in cooperating with the Central Asian States within the framework of the SCO Regional Anti-Terrorist Structure. Most notably, China has strengthened its position in the military-technical segment. At the same time, the role of the PRC in the segment of military exercises within the SCO has also grown. So, during the period of 2008-2021, 12 military (anti-terrorist) exercises were held between the countries of the region and China on the territory of the Central Asian States. The largest of them were multilateral in nature and were held

under the auspices of the SCO. Moreover, all this was accompanied by an intensification of China's role with regard to Afghan through the development of cooperation with Tajikistan (as well as Afghanistan and Pakistan). Cooperation has been especially intensified in the military-border segment, which has been the focus most of the bilateral military exercises.

In turn, the trend of the PRC to limit western military influence in Central Asia has been further developed. On the one hand, the NATO members military installations (USA, France and Germany) have ceased to exist in all three States of the region (Kyrgyzstan, Tajikistan and Uzbekistan). On the other hand, all this coincided with a similar trend in the policy of the Russian Federation (which may have been coordinated with the PRC) and the trend initiated by the West itself to reduce its military presence in Afghanistan and, accordingly, in Central Asia.

### **Economic relations between Central Asia and People's Republic of China**

The economic ties between China and the Central Asian States in the early 1990s were incipient and limited exclusively to trade, and that too, on a small scale. In 1992-1995, the trade turnover between China and Central Asia remained in the range of 350-520 million dollars per year (see Table 1).

Most likely, in the early 1990s, the economy did not stand out particularly on the agenda of relations between the PRC and the Central Asian countries. In China itself, in particular, it was considered more as a kind of additional (not yet clearly defined by that time) opportunity to promote the development of the XUAR, rather than a priority.

**Table 1**

#### **Trade between the Central Asian countries and China (1992-1995)<sup>150</sup>**

Year	Annual Turnover, million USD	China's exports to Central Asia, million USD	China's imports from Central Asia, million USD
1992	422	276	146
1993	512	244	268
1994	360	235	125
1995	486	285	201

<sup>150</sup>Key Indicators of Developing Asia and Pacific Countries. Asian Development Bank, p.447: <https://www.adb.org/publications/key-indicators-developing-asian-and-pacific-countries-2002> (Accessed: 15.12.2020).

In general, in the early 1990s, the relationship was in a nascent stage. The outcomes of this are quite contradictory. China acted with great restraint, showing no particular interest in developing either institutional or economic cooperation. Such behavior only contributed to maintaining a high level of skepticism among the Central Asian countries themselves about the PRC. In turn, the Central Asian countries seemed to realize the inevitability of interaction with such a dynamically developing and major regional, and nuclear power as China. However, the Central Asian countries at that time most likely lacked a clear understanding of the place and role of the PRC in their priorities, as well as the need to accelerate the process of rapprochement.

Apart from some passivity on the part of China itself, this was largely determined by the complexity of the statehood process in the countries of the region, especially the transformation of their economic systems. In particular, the main hopes of the Central Asian countries to get out of the economic crisis at that time were mainly associated with Russia, the industrially developed West, and the most successful and culturally close states of the Islamic world. At that time, China was not among the potentially key economic partners. And the Chinese economy itself was still relatively weak. In addition, the Central Asian countries were still apprehensive about the PRC. This was largely due to the historical memory of extremely difficult periods of their relationship with it.

Moreover, the anti-Chinese propaganda that took place in the USSR also had its effects, especially that of the 1960s - 1970s, when China was considered as a "potential enemy". In addition, given the opportunities for developing relations with the West and the Islamic world, the Central Asian States sought to get rid of the Marxist-ideological dogmas of the bygone socialist era as soon as possible, while in the PRC the leading role still belonged to the Communist Party as before. As a result, at the beginning of the 1990s, the China was not a priority for the countries of the region: they were primarily engaged in solving a range of internal problems that mainly cropped up after the collapse of the USSR, and they had not yet developed a conceptual perception of the outside world, and the significance for themselves of certain States.

Along with the intensification of interaction in the political and security spheres, a significant impetus was given to the development of economic relations. This was reflected in the increase of both the volume of trade and project-oriented investment activity of the PRC in Central Asia (mainly in the oil and gas segment). During 1996-2000, the trade turnover between China and the countries of the region ranged from 580 million to 1050 million dollars (see Table 2), which was about 2 times higher than the corresponding figures of the first half of the 1990s.



**Table 2****Trade between the Central Asian countries and China (1996-2000)<sup>151</sup>**

Year	Annual Turnover, million USD	China's exports to Central Asia, million USD	China's imports from Central Asia, million USD
1996*	674	357	317
1997*	699	365	334
1998	588	390	198
1999	733	350	383
2000	1041	611	430

\*Notes: The volumes of trade between China and the Central Asian countries in 1996 and 1997 are still do not include the Sino-Turkmen and Sino-Tajik trade turnover due to the lack of relevant information in the primary source.

In the second half of the 1990s, higher volumes of trade with China became a characteristic feature not only for Kazakhstan and Kyrgyzstan, but also for Uzbekistan. Against this background, China's trade turnover with Turkmenistan and Tajikistan still remained insignificant: according to the International Trade Centre, for example, by the end of 1997 the Sino-Turkmen and Sino-Tajik trade turnover amounted to only 19 and 5 million dollars, respectively<sup>152</sup>, and in subsequent years also did not grow significantly.

However, the pattern of trade between the countries of the region and China has become increasingly marked by the "raw materials for finished products" formula. Exports of Central Asian States to China began to include mainly fuels, chemical raw materials, textile raw materials (cotton fibre, raw silk, leather raw materials), ferrous and non-ferrous metals (and even scrap metal) etc. These supplies played an important role in China's programme for large-scale development of the country's inland (central and western) territories. In turn, exports from China to Central Asia consisted mainly of consumer goods, which largely saturated the consumer markets of a number of States in the region.

Simultaneously, with the expansion of trade relations, in the second half of the 1990s, China for the first time clearly indicated its interest in participating in the projects for extraction and transportation of oil from Kazakhstan. In 1996, one of China's first significant steps was the implementation of an oil production project in the Aktyube region (western Kazakhstan). Besides,

<sup>151</sup> Key Indicators of Developing Asia and Pacific Countries. Asian Development Bank, 2002. – 447 p.: <https://www.adb.org/publications/key-indicators-developing-asian-and-pacific-countries-2002> (Accessed: 15.12. 2020).

<sup>152</sup> International Trade Centre: <https://www.intracen.org/> (Accessed: 12.12. 2020).

following the outcome of the negotiations for construction of an oil pipeline in XUAR, a major national oil and gas corporation of China CNPC received a 60% stake in this project in 1997.

In addition, the PRC also began to be significantly active in promoting the ideas of building transport communications between the XUAR and the region. Since the mid-1990s, China started lobbying more and more persistently for communication projects in Central Asia, in particular, the development of a of highway network and construction of a China-Kyrgyzstan-Uzbekistan railway line.

So, generally speaking, gradually Central Asia started to be increasingly considered by the Chinese side in the context of implementing the programme for rapid development of the central and western regions of China<sup>153</sup>. Moreover, some experts also pointed to the growing priority for the PRC in the economic sphere<sup>154</sup>.

Thus, the Chinese policy in Central Asia gradually became more and more long-term calculated, consistent with the overall context of China's international development, which has been emphasized by many analysts<sup>155</sup>. Nevertheless, the PRC's move towards a more active policy had controversial consequences. On the one hand, China's policy may be called successful, given the breakthrough in the development of cooperation in almost all areas. Moreover, it was the second half of the 1990s that marked a turning point in terms of shaping China's external strategy in Central Asia and determining its future contours. On the other hand, in the 1990s, China objectively failed to become a kind of driving force for the economic development of the region: it still did not have sufficient financial resources even for the development of the XUAR and its other inland regions, let alone Central Asia.

However, for the Central Asian countries themselves, the importance of China in terms of trade and economy has certainly increased dramatically. This was mainly due to the fact that owing to the virtual cessation of traditional supplies of consumer goods from Russia, the states of the region had to significantly expand the volume of imports of similar Chinese goods for their markets. Although the goods from China were of relatively low quality, but at the same time they were cheap and, accordingly, accessible to the broad sections of general public. Besides, Kyrgyzstan and Kazakhstan have traditionally shown the greatest interest in developing trade relations with China, which not only saturated their markets with cheap Chinese products, but also began to have an increasingly tangible additional profit due to its re-export to the rest of the region (mainly to Uzbekistan) and even to Russia. Apparently, it is no coincidence that Kazakhstan and Kyrgyzstan, to a much greater extent than Uzbekistan, Tajikistan and Turkmenistan, stimulated an increase in the volume of imports of Chinese goods, including through promotion of so-called shuttle trade. The Central Asian countries also began to pin their hopes on China as a promising investor. In the case of Kazakhstan, this concerned attracting Chinese investments in the projects for development

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<sup>153</sup> Сыроежкин К.Л. Проблемы современного Китая и безопасность в Центральной Азии. – Алматы, 2006. С. 284. (Syroezhkin K.L., *Problems of Contemporary China and Security in Central Asia*), Almaty, 2006, p.284.

<sup>154</sup> Goble Paul. Looking West from Beijing // Central Asian Monitor. – 1999. – N 1. – P. 31-32; Central Asia - China: Growing Ties // Oxford Analytical Brief. – 1998. – October 22.

<sup>155</sup> Zhao Q. Chinese Foreign Policy in the Post-Cold War Era // World Affairs. – 1997. – Winter. – P. 114-115; Yahuda M. China's Search for a Global Role // Current History. – 1999. – September. – P. 269; Остроухов О. Внешняя политика Китая в годы реформ и перспективы ее развития // Мировая экономика и международные отношения. – М., 1999. – № 3. – С. 14. (Ostrokhov O., "China's Foreign Policy in the Years of Reforms and Prospects for its Development", in *World Economy and International Relations*, Moscow, 1999, No. 3., p. 14.).

of hydrocarbon deposits and transportation of oil and gas raw materials. Already in 1997, Kazakhstan signed an agreement with China on the construction of an oil pipeline to the XUAR, and in 1998 began its design.

At the same time, it is particularly important that both Kazakhstan and other countries in the region, facing an urgent need to move out of economic and geographical isolation, started considering China as a promising partner in communications and transport development. In 1997, Uzbekistan and Kyrgyzstan, in particular, responded to the Chinese initiative to build the "China - Kyrgyzstan - Uzbekistan" railway line. An expert group and a working commission were established jointly with China at the intergovernmental level, the main task of which were to carry out preliminary research for implementation of the project. As a result, by the end of the 1990s two routes were considered to be promising: the northern route ("Kashgar - Torugart - Arpa – Kara-Suu - Andijan") and the southern route ("Kashgar - Irkeshtam - Sary Tash - Osh - Andijan").

The policy implemented by China to increase its presence in the region also manifested itself in the economic sphere. The massive increase in trade is particularly significant. In 2001-2007, trade turnover between China and Central Asia increased by about 11 times, amounting to about 16 billion dollars. (see Table 3). At the same time, the real trade turnover could be even higher, taking into account the so-called shuttle trade, the volume of which, according to expert estimates, during the period under review reached from 4.5 to 6.5 billion dollars

**Table 3****Trade between Central Asian Countries and China (2001-2007)<sup>156</sup>**

Year	Turnover of goods, in million USD	China export to Central Asia, in million USD	China import from Central Asia, in million USD
1*	200	1478	856
2*	200	2798	1569
3	200	3305	1911
4	200	4337	2545
5	200	8297	4713
6	200	10796	6338
7	200	16038	9571
			6467

**Notes:** (\*) Trade volumes between China and the Central Asian countries in 2001 and 2002 do not include Sino-Tajik trade due to lack of relevant information in the primary source.

<sup>156</sup> Kazakhstan: Country Report. – London: The Economist Intelligence Unit, June 2003; Kazakhstan: Country Report. – London: The Economist Intelligence Unit, June 2004; Kazakhstan: Country Report. – London: The Economist Intelligence Unit, June 2005; Kazakhstan: Country Report. – London: The Economist Intelligence Unit, June 2006; Kazakhstan: Country Report. – London: The Economist Intelligence Unit, June 2007; Kazakhstan: Country Report. – London: The Economist Intelligence Unit, June 2008; Kyrgyzstan: Country Report. – London: The Economist Intelligence Unit, June 2003; Kyrgyzstan: Country Report. – London: The Economist Intelligence Unit, June 2004; Kyrgyzstan: Country Report. – London: The Economist Intelligence Unit, June 2005; Kyrgyzstan: Country Report. – London: The Economist Intelligence Unit, June 2006; Kyrgyzstan: Country Report. – London: The Economist Intelligence Unit, June 2007; Kyrgyzstan: Country Report. – London: The Economist Intelligence Unit, June 2008; Uzbekistan: Plan of Economic Reform // World Bank. – Washington, D.C., 1993; Tajikistan: Country Report. – London: The Economist Intelligence Unit, June 2003; Tajikistan: Country Report. – London: The Economist Intelligence Unit, June 2004; Tajikistan: Country Report. – London: The Economist Intelligence Unit, June 2005; Tajikistan: Country Report. – London: The Economist Intelligence Unit, June 2006; Tajikistan: Country Report. – London: The Economist Intelligence Unit, June 2007; Tajikistan: Country Report. – London: The Economist Intelligence Unit, June 2008; Turkmenistan: Country Report. – London: The Economist Intelligence Unit, June 2004; Turkmenistan: Country Report. – London: The Economist Intelligence Unit, June 2005; Turkmenistan: Country Report. – London: The Economist Intelligence Unit, June 2006; Turkmenistan: Country Report. – London: The Economist Intelligence Unit, June 2007; Turkmenistan: Country Report. – London: The Economist Intelligence Unit, June 2008; Uzbekistan: Country Report. – London: The Economist Intelligence Unit, June 2003; Uzbekistan: Country Report. – London: The Economist Intelligence Unit, June 2004; Uzbekistan: Country Report. – London: The Economist Intelligence Unit, June 2005; Uzbekistan: Country Report. – London: The Economist Intelligence Unit, June 2006; Uzbekistan: Country Report. – London: The Economist Intelligence Unit, June 2007; Uzbekistan: Country Report. – London: The Economist Intelligence Unit, June 2008.

On the whole, the transition of the PRC to a more active policy in Central Asia has enabled China to significantly increase its influence in the region. A major breakthrough and achievement were the strengthening of the SCO and its transformation into a multidimensional international organization. Thanks to this, perhaps for the first time in recent history, China has been given a unique opportunity to take an active part in the affairs of Central Asia, besides becoming a key element of the emerging regional security system.

In its turn, focusing on China has gradually become a priority in the foreign policy of all the countries of the region without exception. The Central Asian States started viewing China as one of their strategic partners, capable of functioning not only as a guarantor of regional security, but also, perhaps, as the powerhouse of an integrated economic development. It was during this period that the first signs of the PRC's increasingly assertive and active participation in resuscitating, to its advantage, the region's former transit function that lost after the decline of the Great Silk Route, through implementation of the transport projects, primarily railroads. In addition, almost all the countries of Central Asia have consolidated their interest in developing relations with China, having signed in addition to the basic treaties on friendship and cooperation (and also good-neighbourliness – when it comes to the neighbouring Central Asian States), a number of joint declarations on the same issues. Most likely, thereby the immutability of positions on the development of cooperation and its friendly nature got regularly confirmed.

Kazakhstan advanced further and deeper than anyone else in its interaction with China, by signing a number of conceptual documents in 2006, including such a unique one as the Cooperation Strategy. In addition, the countries agreed on a mechanism for joint financing of a number of large investment projects worth about 5 billion USD, that too not only in the oil and gas segments, but also in such industries as metallurgy, telecommunications, and information technology. All this was accompanied by ambitious plans to increase the volume of trade to 10 billion USD by 2010 and 15 billion USD by 2015, as well to increase the volume of freight traffic through the railway checkpoints of the Republic of Kazakhstan to 20 million tons by 2010 and up to 40 million tons by 2020<sup>157</sup>.

Turkmenistan also started considering China as a crucial partner in the oil and gas industry. In particular, an agreement was reached that as early as in 2009 Turkmen gas (up to 30 billion cubic meters annually) would be supplied to China via the "Turkmenistan-Uzbekistan-Kazakhstan-China" pipeline. A growth of interest in economic interaction with the People's Republic of China was observed in Uzbekistan, which, as in the case of Turkmenistan, was especially noticeable in the oil and gas industry.

In its turn, the transit of Chinese consumer goods to other CIS countries was most important for Kyrgyzstan, during the period under review. According to the estimates by a number of experts, the transit of Chinese goods to the post-Soviet countries brought Kyrgyzstan at least 250 million dollars per year. According to some experts, the transit of Chinese goods to the post-Soviet countries brought Kyrgyzstan at least 250 million dollars per year<sup>158</sup>. Against the backdrop of all

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<sup>157</sup> Сыроежкин К.Л. Казахстан - Китай: от приграничной торговли к стратегическому партнерству. – Алматы, 2010. Кн. 1. В начале пути. С. 335, 339, 343. (Syroezhkin K.L., *Kazakhstan - China: From Cross-border Trade to Strategic Partnership*, Almaty, 2010, Book 1, *At the Beginning of the Journey*. pp. 335, 339, 343).

<sup>158</sup> Пашкун Д. Китайско-Центрально-Азиатские отношения в двадцать первом веке // Электронный журнал "Полемика" Совета по международным исследованиям и обменам "АЙРЕКС" (США). – 2006. – Вып. № 16:

other countries of the region, for Tajikistan China was important, first of all, in terms of investment (Tajikistan's own financial capacity was very limited, and clearly overestimated expectations for large-scale investments from Russia never materialized either then or thereafter). Thus, the Export-Import Bank of the PRC started financing (crediting) the construction of a hydroelectric power plant on the Zerafshan River and power transmission lines<sup>159</sup>, as well as the reconstruction of certain sections of highways<sup>160</sup> in Tajikistan. These projects were of vital importance for Tajikistan, since it was not possible to implement many other projects, primarily for the extraction of mineral resources, without the introduction of new energy capacities and without the creation and development of appropriate infrastructure.

Furthermore, almost all the States of the region have begun to attach great importance to the development of cooperation with the PRC in the field of security, both within the framework of the SCO and gradually in a bilateral format. Cooperation with China has provided Central Asian countries with additional financial resources and broader opportunities for diplomatic manoeuvre in defending their national interests.

The trend towards strengthening economic cooperation between the Central Asian countries and China, on the whole, continued. This was particularly evident from the point of growth in trade volumes. Simultaneously, during the years of 2008-2020, as in the case of trade between Central Asia and the Russian Federation, the abrupt nature of the dynamics of trade and economic relations between Central Asia and the PRC became evident (see Figure 4).

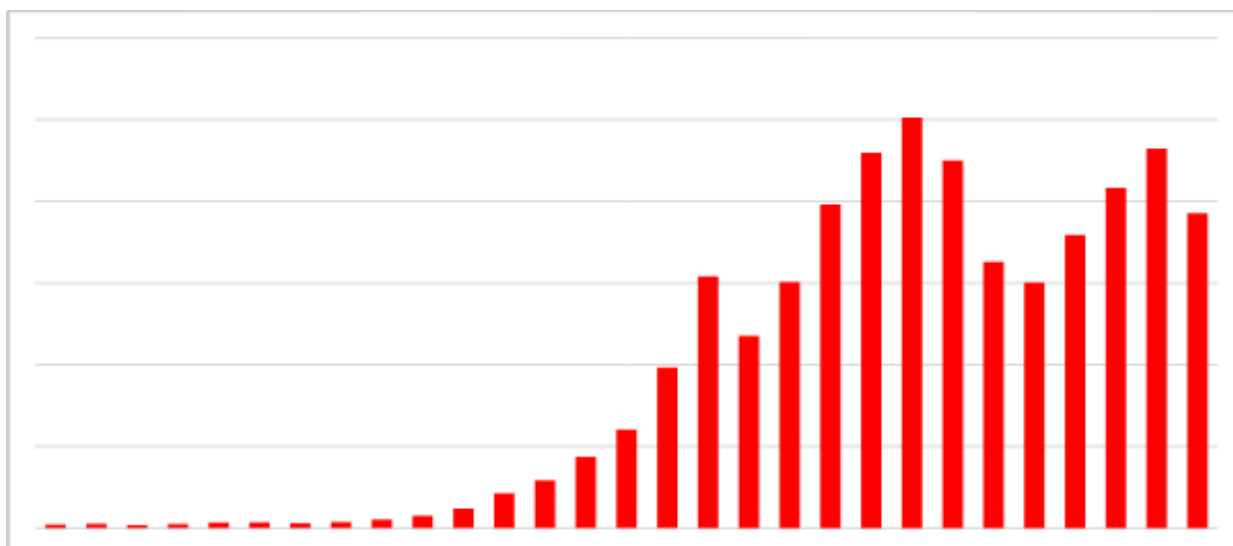
At the same time, the trend of Central Asia consolidating the function of a supplier of raw materials to China and, simultaneously, the trend of China consolidating the role of a supplier of finished products in Central Asia still continue. However, China's approaches to economic relations have been transformed; the issues of joint transport and communication as well as in some cases (on the insistence of the States of the region) the industrial and production development also have come to the fore. The nature of the policy of the People's Republic of China and the Central Asian countries on these two important issues in the future largely depends on whether the above-mentioned trends will accelerate or, conversely, slow down.

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<http://www.irex.ru/press/pub/polemika/16/pash> (дата обращения: 11.02.2007). (Pashkun D., "Sino-Central Asian Relations in the Twenty-first Century", in Electronic journal *Polemics* of the Council for International Research and Exchanges "IREX" (USA), 2006, Issue No. 16: <http://www.irex.ru/press/pub/polemika/16/pash> (Accessed: 02.11.2007).

<sup>159</sup> Китайские и таджикские предприниматели установили новые экономические связи // Информационный портал "ЦентрАзия" (РФ). 17.01.2008: <http://www.centrasia.ru/newsA.php?st=1186517400> (дата обращения: 12.09.2008). ("Chinese and Tajik entrepreneurs have established new economic ties", in Information portal "CentrAsia" (RF). 17.01.2008: <http://www.centrasia.ru/newsA.php?st=1186517400> (Accessed: 12.09.2008).

<sup>160</sup> Касенова Н. Новый международный донор: помощь Китая Таджикистану и Киргизстану / Французский институт международных отношений, Центр Россия/НИГ. – Париж, январь 2009 года. С.16; (Kasanova N. A New International Donor: China's Assistance to Tajikistan and Kyrgyzstan / French Institute of International Relations, Centre Russia/NIS. – Paris, January 2009. p.16); Paramonov V., "China's Energy Policy in Central Asia", in *Materials of the 2nd Asia Energy Security Summit*, New Delhi: Independent Power Producers Association of India, 2011, pp. 71-74;); Китайцы построят в Таджикистане два стратегически важных туннеля // Информационный портал PostBackUSSR (РФ). 24.07.2006: [http://www.pbussr.ru/index.php?razdel=8&condition=show\\_news&id=15005](http://www.pbussr.ru/index.php?razdel=8&condition=show_news&id=15005) (дата обращения: 11.07.2008). ("The Chinese will build two strategically important tunnels in Tajikistan", in Information portal PostBackUSSR (RF). 07/24/2006: [http://www.pbussr.ru/index.php?razdel=8&condition=show\\_news&id=15005](http://www.pbussr.ru/index.php?razdel=8&condition=show_news&id=15005) (Accessed: 11.07.2008).)

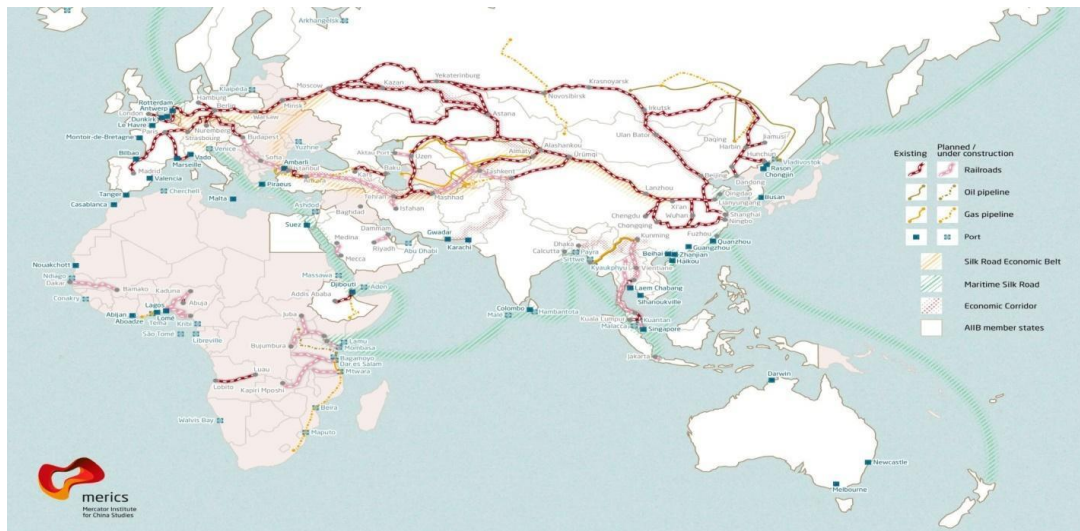


**Figure 4**  
**Dynamics of trade between Central Asian countries and China (1992-2020), million USD<sup>161</sup>**

Moreover, there has been a tendency for China to turn into a driving force for the economic and, especially, financial development of Central Asia. China's relations with the Central Asian States began to focus more and more on long-term, comprehensive and broad-based ambitious goals. In recent years, they have been closely linked to the scientifically sound, fully analytical and informatively supported "Belt and Road" initiative, which has the character of a transport and communication strategy (see Figure 5)

<sup>161</sup> Sources: Key Indicators of Developing Asia and Pacific Countries. 1992-2001. Asian Development Bank, 2002, p. 447.: <https://www.adb.org/publications/key-indicators-developing-asian-and-pacific-countries-2002>; ITC: International Trade Centre. 2002-2020: <https://www.intracen.org/>

**Figure 5**  
**Transport infrastructure within the framework of the Belt and Road Initiative<sup>162</sup>**



## **Conclusion**

The People Republic of China is big neighbor of Central Asian republics – Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan and Chinese involvement in the affairs of the region have their own specifics. Political and economic relations of the countries of region with China are diverse and multi-format.

Despite the fact that trade and economic relations between the states of Central Asia and China are characterized by growth in trade volumes, in 2019, the trade turnover of the states of the region with China amounted to more than 46 billion dollars. However, according to the results of 2020, the trade turnover decreased again, amounting to just under \$40 billion, which was most likely due to the consequences of quarantine restrictions. There are such key problems as the economic and geographical isolation of Central Asia, mainly raw-resource orientation of most economies, weak economic integration within CA.

China actively developed new communications links in Eurasia, in particular, communication with Europe. Its branches go in a to north-west and south-west direction, first passing through Russia, Ukraine, Belarus, Poland, and other countries and the second passing through Kazakhstan, Uzbekistan, Turkmenistan, Iran, Turkey, and Europe. The construction of the Tashkent-Andizhan-Osh-Sarytash-Irkeshtam motor highway and the Kashgar-Osh-Andijan railway project are regarded as part of an intensive economic exchange between China and Central Asia. However,

<sup>162</sup> Source: MERICS [660] (Accessed: 15.12. 2020).



for a number of years, the implementation of the China-Kyrgyzstan-Uzbekistan rail project has faced certain difficulties in its realization. Also, transportation of hydrocarbons from Central Asia and the Caspian region to external markets should be noted. In 2005, an oil pipeline from Atasu (Kazakhstan) to Alashankou (China) was completed. In 2009, the first gas pipeline (A line) between Central Asia-China was signed. In the following years, B and C lines, which pass through the territories of Turkmenistan, Uzbekistan, and Kazakhstan, were completed.

An analysis of Central Asian countries' relations with Russia and China in the areas of politics, security and economics highlights a complex set of problems on the path to sustainable development. Among these problems, it is important to highlight such as economic and geographical isolation of Central Asia, predominantly raw material orientation of the economies of the Central Asian countries against the backdrop of the weakness of their efforts for industrial development; lack of economic integration within Central Asia itself, as well as within specific key institutions.

China strongly supports multilateral cooperation within Shanghai Cooperation Organisation and SCO passed through a number of interesting phases in its institutional and political evolution and represented an international instrument to coordinate areas of multilateral cooperation. At present, the SCO comprises eight member states - India, Kazakhstan, China, the Kyrgyz Republic, Pakistan, Russia, Tajikistan, and Uzbekistan; four observer states - Afghanistan, Belarus, Iran and Mongolia; six dialogue partners - Azerbaijan, Armenia, Cambodia, Nepal, Turkey, and Sri Lanka. However, the existence of differences between the SCO member states on a number of political and economic aspects should be noted, in addition to the expansion of the organisation, resulting in new challenges and problems for the SCO. There is a lack of conflict management measures, and differences on economic and stability aspects exist and others.

In 2013, in Astana, the Chinese President Xi Jinping announced the creation of “The Silk Road Economic Belt,” in 2014 the Silk Road Fund (US\$50 billion) was established, and in 2016 the Asian Infrastructure Investment Bank (AIIB) (more than US\$100 billion) was founded, which aimed at providing investment and financial support toward cooperation in infrastructure, resources, industry, and the finance sector, as well as other transport communication projects. This involved various countries in the economic framework of “Belt and Road” initiative. The Central Asian countries and the current republics of the AIIB’s ninety-seven member states support China’s mega grant project.

On May 2017 and April 2019 together with more than dozen state and government leaders, the Presidents of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan took part in the first and second “Belt and Road” international forum in Beijing. Today, there are many challenges to the stability and sustainable development of partner countries in the Belt and Road Initiative, which requires comprehensive bilateral and multilateral cooperation on economic, political, and security matters. In Central Asia, realisation of the regional and international projects is need. Increased connectivity and technological developments, as well as essential active implementation of the diverse range of cooperation between “Belt and Road” participating countries, including high-tech innovations, education, public diplomacy, and tourism are required.

However, there are challenges, similarities and contradictions within diversity of the multilateral relationships in Central Asia (such as the Commonwealth of Independent States,

Eurasian Economic Union, Shanghai Cooperation Organisation, Belt and Road, Central Asia plus USA, the EU strategy, Central Asia plus Japan, Central Asia-Republic of Korea, India-Central Asia and others). For a deeper understanding, it is advisable to deepen the study of the international context of phenomena, trends and processes, including through the prism of China's interaction with the Russian Federation, the USA, the EU, India and other actors.

Central Asia's partnership with leading nations and international institutions is important for transforming and internationalising the region. Strong regional and trans-regional cooperation will considerably contribute to the development of trade, economy and investment.

# **Geopolitics and Geoeconomics**

# Cambodia and China Relations: Between Geoeconomics and Geopolitics

Sanjay Pulipaka\*

When an analyst gazes at the Indo-China or the continental Southeast Asia map today, the power asymmetry between China and others is strikingly evident. A few decades ago, along with China, India also shared substantive cultural, economic and influence in continental Southeast Asia. The region, to borrow words of Thant Myint U, was a space ‘where China Meets India’.<sup>163</sup> However, in the past few decades, China has emerged as the most dominant economic and political player in continental Southeast Asia. Aggressive territorial assertions of Beijing also accompanied the rise of China. The recent Chinese grey-zone territorial violations in the South China Sea have increased regional anxiety among various countries in the region. On the contrary, Cambodia seems to be more comfortable in the company of China. It is possible to argue that given the extreme power asymmetry, Phnom Penh has chosen the path of bandwagoning rather than balancing Beijing. As the Cambodian example demonstrates, bandwagoning can be a consequence of historical experience.

Many in Cambodia see Vietnam as a country that often “swallowed up the land belonging to the Khmers.”<sup>164</sup> In Cambodian historical chronicles, Vietnamese southward expansion into the land of Khmer is usually traced back to the 14<sup>th</sup> century or 13<sup>th</sup> century.<sup>165</sup> During the Vietnam War, the People's Army of Vietnam (PAVN) often operated bases in Cambodia. The tactics of the PAVN got intertwined with the domestic politics of Cambodia, and there were anti-Vietnamese riots, especially in the eastern part of the country.<sup>166</sup> While the Vietnamese invasion in 1978 resulted in the defeat of the dreaded Khmer Rouge, it also consolidated the Vietnamese presence in the new People's Republic of Kampuchea (PRK) government.<sup>167</sup> Vietnamese presence continued till its eventual withdrawal in 1989. Territorial claims continue to animate the discussions with some in Cambodia claiming Phú Quốc island, which is currently under Vietnamese control.<sup>168</sup>

Cambodia has a long and troubled history with Thailand, dating back to Siamese–Cambodian War (1591–1594). More recently, the civil wars within Cambodia resulted in a large-scale exodus of people into Thailand. Further, Cambodia became the site of Thailand-Vietnam rivalry, which was evident when Bangkok refused to recognise the Vietnamese-backed government of the People's

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<sup>163</sup> Thant Myint-U, “*Where China meets India: Burma and the New Crossroads of Asia*,” (London: Faber and Faber Limited, 2011)

<sup>164</sup> Pouvatchy, Joseph R. “Cambodian-Vietnamese Relations.” *Asian Survey* 26, no. 4 (1986): p.440.

<sup>165</sup> David P Chandler, “The Tragedy of Cambodian History.” *Pacific Affairs* 52, no. 3 (1979): 410–19.

<sup>166</sup> Zachary Abuza, “The Khmer Rouge and the Crisis of Vietnamese Settlers in Cambodia.” *Contemporary Southeast Asia* 16, no. 4 (1995): 433–45.

<sup>167</sup> Kate Frieson, “The Political Nature of Democratic Kampuchea.” *Pacific Affairs* 61, no. 3 (1988): 405–27.

<sup>168</sup> Bill Bainbridge and Bou Saroeun, “Paradise Lost,” *The Phnom Penh Post*, April 26, 2002.  
<https://www.phnompenhpost.com/national/paradise-lost>

Republic of Kampuchea.<sup>169</sup> There continue to be territorial disagreements between the two countries about the Preah Vihear temple. It should be noted that “an international court ruling in 1962 said that the temple belonged to Cambodia although its main entrance is in Thailand and the surrounding area is claimed by both sides.”<sup>170</sup> There have been instances of minor military clashes near the Preah Vihear temple in 2008 and 2011.<sup>171</sup> In 2003, in response to Thai actresses claiming that Angkor War belonged to Thailand, “Cambodian demonstrators broke into and burned the Thai Embassy,” and Thai businesspersons’ properties were also targeted.<sup>172</sup> These experiences suggest that Cambodia had to deal with the memory of Vietnam and Thailand’s expansion in the context of growing power asymmetry with these two countries. It is unlikely that Cambodia will be able to rapidly bridge the asymmetrical gap with its two big neighbours. Therefore, Cambodia doubled down on enhancing political and economic relations with China.

### **Cambodia-China Economic Relations**

Cambodia’s economy was severely disrupted by decades of conflict and civil war. Consequently, the social/physical infrastructure needed for rapid economic progress was severely constrained and the country continues to remain a least developed country. As the political situation registered improvement, the economic growth also registered an upward trend. Between 1998 and 2019, Cambodia's average real growth rate was around 7.7%.<sup>173</sup> In 2021, Cambodia met the criteria for graduating from the Least Developed Country (LDC) status and, after further review, may graduate in 2027.<sup>174</sup> Cambodia’s predominantly agrarian economy is slowly transitioning into an economy with significant manufacturing and service sector components.

Much of the economic growth in Cambodia is driven by the textile industry. The textile industry accounts for a workforce of approximately 6,00,000 people (some estimates put the number at 8,00,000), and apparel exports also account for a significant component of export earnings.<sup>175</sup> While the textile industry draws on low-cost labour, the presence of low-skilled labour in large numbers constitutes a considerable challenge. Cambodia’s textile industry has a relatively large number of investments from countries in the region, specifically from China, Hong Kong, Korea, Singapore, and Malaysia.<sup>176</sup> Chinese subsidiaries have been operating in Cambodia's textile sector since the 1990s and “have created vertically-integrated value chain of textile and clothing”

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<sup>169</sup> Puangthong Rungswasdisab, "Thailand’s Response to the Cambodian Genocide," *Yale University Genocide Studies Program*, 2022. <https://gsp.yale.edu/thailands-response-cambodian-genocide>

<sup>170</sup> "Thai-Cambodia clashes 'damage Preah Vihear temple'," *BBC*, February 06, 2011. <https://www.bbc.com/news/world-asia-pacific-12377626>

<sup>171</sup> "Thai-Cambodia clashes 'damage Preah Vihear temple'," *BBC*, February 06, 2011.

<sup>172</sup> "Report to the Congress on the Anti-Thai Riots in Cambodia on January 29, 2003, Released by the Bureau of East Asian and Pacific Affairs, *US Department of State*, May 14, 2003.

<sup>173</sup> "The World Bank In Cambodia - Overview," *The World Bank*, Apr 14, 2021, available at <https://www.worldbank.org/en/country/cambodia/overview>

<sup>174</sup> "Cambodia’s Graduation Status," *United Nations*, <https://www.un.org/ldcportal/content/cambodia-graduation-status#:~:text=Cambodia%20met%20the%20graduation%20criteria,graduate%20as%20early%20as%202027>

<sup>175</sup> "Cambodia Textile and RMG Sector Profile," *Textile Focus*, December 9, 2019, available at <https://textilefocus.com/cambodia-textile-rmg-sector-profile/>; also see Matt Blomberg, and Mech Dara, "Will Cambodia's garment sector rebound after 'horror year'?", *Reuters*, December 18, 2020, available at <https://www.reuters.com/article/us-cambodia-garment-workers-feature-trfn-idUSKBN28S007>

<sup>176</sup> Vasundhara Rastogi, "Cambodia’s Garment Manufacturing Industry," *ASEAN Briefing*, November 1, 2018, available at <https://www.aseanbriefing.com/news/cambodias-garment-manufacturing-industry/>

between the two countries.<sup>177</sup> In the recent past, leading clothing chains such as Shenzhou International Group Holdings announced a \$ 150 million investment in Cambodia.<sup>178</sup> On the other hand, a relatively large proportion of textile exports go to countries like the United States (US), Japan, Canada, and the EU. It is estimated that over 30 per cent of Cambodia textile exports went to the United States in 2021.<sup>179</sup> Till recently, duty-free access to markets under the ‘Everything but Arms Scheme’ has facilitated greater exports from Cambodia to the EU. However, the European Commission in 2020, citing serious human rights violations, announced the withdrawal of the preferential access mechanism.<sup>180</sup>

The pandemic has negatively impacted textile exports. In 2020, Cambodia exported \$7.420 billion of textile exports, which constituted a 10.24 % decline compared to the previous year.<sup>181</sup> Given the EU’s tough stance on Cambodia, the pandemic-induced economic crisis compelled the Cambodian leadership to lean more on China. However, excessive dependence on China also meant that Cambodia's textile industry had to endure severe supply chain shocks induced by the pandemic. For instance, stringent lockdown measures in Shanghai and other major cities in mid-2022 disrupted textile-related exports such as “yarns, fabrics, fasteners, threads, pockets, shoulder pads and waistbands” to Southeast Asian countries such as Cambodia.<sup>182</sup> Recognizing that excessive dependence on textile exports is harmful to the economy’s long-term stability, efforts at diversification have been initiated. The National Bank of Cambodia (NBC) in 2021 has reported that non-garment industries such as “travel goods, energy, electrical parts, vehicle spare parts, among others, have recently emerged as newly attractive industries for foreign investors.”<sup>183</sup> However, Cambodia is struggling to diversify its FDI inflows, and China continues to be a dominant investor. Cambodia reportedly attracted a “fixed-asset investment of 2.32 billion USD from China [in 2021], up 67 per cent from 1.39 billion USD in the year before.”<sup>184</sup>

Overall, Cambodia’s economy continues to be dominated by the Chinese presence in vital sectors such as textiles and investments in various sectors. Further, the rapid economic progress of China

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<sup>177</sup> "The expansion of textile and clothing firms of China to Asian Least Developed Countries: The Case of Cambodia," *Asia-Pacific Research and Training Network on Trade, Working Paper Series, No. 60*, December 2008 (rev. Feb, 09), available at <https://www.unescap.org/sites/default/files/AWP%20No.%2060.pdf>

<sup>178</sup> "Leading Chinese textile maker starts to build huge factory in Cambodia," *Xinhua*, March 06, 2019, available at [http://www.xinhuanet.com/english/2019-03/06/c\\_137873415.htm](http://www.xinhuanet.com/english/2019-03/06/c_137873415.htm)

<sup>179</sup> Hom Phanet, "US Buys 30% of 2021 Textile Exports," *The Phnom Penh Post*, March 07, 2022. <https://www.phnompenhpost.com/business/us-buys-30-2021-textile-exports>

<sup>180</sup> Soth Koemsoeun, "Gov't Confident While Labour Unions Warn Against EBA Exit," *Khmer Times*, National May 10, 2022. <https://www.khmertimeskh.com/501071988/govt-confident-while-labour-unions-warn-against-eba-exit/>

<sup>181</sup> "Cambodia's garment exports fall 6.43% in Q1 2021," *Fiber to Fashion*, May 07, 2021, available at <https://www.fibre2fashion.com/news/apparel-news/cambodia-s-garment-exports-fall-6-43-in-q1-2021-273848-newsdetails.html>

<sup>182</sup> Lori Ann LaRocco, 'The real victim of Shanghai's COVID lockdown? Intra-Asia trade pipeline,' *American Shipper*, April 21, 2022. <https://www.freightwaves.com/news/the-real-victim-of-shanghais-covid-lockdown-intra-asia-trade-pipeline>

<sup>183</sup> "Cambodia logs new trends in exports, investments but garment will stay," *The Phnom Penh Post*, June 24, 2021, available at <https://www.phnompenhpost.com/special-reports/cambodia-logs-new-trends-exports-investments-garment-will-stay>

<sup>184</sup> "China's investment in Cambodia rose sharply in 2021," *Vietnam Investment Review*, March 07, 2022. <https://vir.com.vn/chinas-investment-in-cambodia-rose-sharply-in-2021-91774.html>

has prompted many countries in its neighbourhood, including Cambodia, to imitate the economic policies of Beijing.

### **Geo-economics of Special Economic Zones (SEZ)**

With an intent to imitate the Chinese experience of creating specialised spaces for economic growth, Cambodia issued a legal framework for operationalisation of the Special Economic Zone (SEZ) in mid-2005 to promote diversification of the industrial base beyond electronics, to establish economic linkages between urban and rural areas and to promote industrial investment outside Phnom Penh.<sup>185</sup> The most prominent Special Economic Zone was established in the town of Sihanoukville which is a “joint venture of two private companies, one majority-owned by the Jiangsu-based Hongdou Group, the other a conglomerate owned by a prominent tycoon and Cambodian ruling party senator.”<sup>186</sup> Spanning over 11.13 Km<sup>2</sup>, the Sihanoukville Special Economic Zone (SSEZ) was established jointly by Chinese and Cambodian firms.<sup>187</sup> The SSEZ, initiated in 2008 close to Sihanoukville Autonomous Port, reportedly hosts about 100 Chinese firms and has created over 30,000 jobs.<sup>188</sup> According to some estimates, Chinese firms have a preponderant presence in the SSEZ and “70 per cent of the foreign-funded enterprises in the [SSEZ] are from China.”<sup>189</sup> It was reported that China-based Jiangsu General Science is in the process of constructing a tire manufacturing firm at an estimated cost of US\$300 million.<sup>190</sup> To increase the connectivity to the SSEZ, Phnom Penh-Sihanoukville Expressway is getting built at an estimated cost of \$ 2 billion.<sup>191</sup>

Further, there are proposals to build more SEZs close to the SSEZ, which will further increase the economic activity in the region. While the special economic zones have the potential to trigger industrial development in Cambodia, there are growing apprehensions regarding the environmental consequences of these zones. For instance, the proposed US \$1 billion Qilu SEZ, in association with Chinese investors, in Southeastern Cambodia (classified as a Green SEZ) has raised concerns regarding negative environmental impact.<sup>192</sup>

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<sup>185</sup> Peter Warr and Jayant Menon, “Cambodia’s Special Economic Zones,” *ADB Economics Working Paper Series*, Paper no: no. 459, October 2015, available at <https://www.adb.org/sites/default/files/publication/175236/ewp-459.pdf>

<sup>186</sup> “Sihanoukville Special Economic Zone,” *The People’s Map*, available at <https://thepeoplesmap.net/project/sihanoukville-special-economic-zone/>

<sup>187</sup> “Brief Introduction,” *Sihanoukville Special Economic Zone*, available at <http://www.ssez.com/en/company.asp?Ione=3>

<sup>188</sup> “Sihanoukville’s SEZ sees more than \$2 billion in exports,” *Khmer Times*, January 13, 2022. <https://www.khmertimeskh.com/501006540/sihanoukville-sez-sees-more-than-2-billion-in-exports/> ; also see ‘Chinese-invested Sihanoukville SEZ benefits Cambodians,’ *Xinhua*, December 22, 2021. [http://www.news.cn/english/2021-12/22/c\\_1310388400.html](http://www.news.cn/english/2021-12/22/c_1310388400.html)

<sup>189</sup> “Sihanoukville Special Economic Zone to Become “Shenzhen” of Cambodia,” *Construction & Property*, May 10, 2018, available at <https://www.construction-property.com/sihanoukville-special-economic-zone-to-become-shenzhen-of-cambodia/>

<sup>190</sup> Hom Phanet, “Chinese firm set to invest \$300M into S’ville SEZ’s largest tyre plant,” *The Phnom Penh Post*, May 25, 2022.

<sup>191</sup> “China’s BRI projects greatly benefit the Cambodian economy, people: officials, experts,” *Xinhua*, May 08, 2022. <https://english.news.cn/20220508/62ecb8bc1a814cbd8fa4e0cdacfe88/c.html>

<sup>192</sup> Chan Muyhong, “Is there such a thing as a ‘green’ SEZ in Cambodia?,” *China Dialogue*, May 27, 2021, available at <https://chinadialogue.net/en/cities/is-there-such-a-thing-as-a-green-sez-in-cambodia/>

Chinese economic activity in the SSEZ has also impacted local demographics. A report published in June 2021, “in less than five years, the proportion of Chinese people in Sihanoukville has skyrocketed to 20 per cent of the population.”<sup>193</sup> Further, with a significant inflow of Chinese tourists, the character of the Sihanoukville witnessed rapid changes with the emergence of factories, casinos and hotels. There was a sharp spike in real estate prices and rental accommodation costs, which many locals found difficult to afford. However, during the pandemic, there was a sharp downturn in tourist inflows, and many Chinese also returned to their homelands. As a result, many construction projects were abandoned, and for many permanent residents, there was a rapid reduction in their incomes.<sup>194</sup>

More importantly, the SSEZ has acquired strategic geo-economic salience. Given the ongoing trade dispute between the U.S. and China, the SEZs in Cambodia have acquired greater salience. There are allegations that China is using zones such as the SSEZ for trans-shipping goods to the U.S. For instance, in June 2019, a U.S. Embassy official in Cambodia, referred to duty evasion tactics and called on the “Cambodian government authorities to look closely at governance and compliance issues at the Sihanoukville SEZ.”<sup>195</sup> A news report in 2021 stated that “four factories in the Sihanoukville SEZ... [were under investigation for]...falsely shipping Chinese plywood, cabinets and pipe fittings to the U.S. as if they were Cambodian-made.”<sup>196</sup>

There is an opinion that geopolitical considerations also influence the operationalisation of various projects, as some projects have dual-use dimensions. For instance, there are reports of Chinese plans for a mega-tourism hub along the coast of Cambodia, “but the suspiciously long airport runway and deep-water port point to ulterior motives.”<sup>197</sup>

### **Contentious Energy Projects**

A severe energy crisis was a significant challenge that Cambodia confronted as it attempted to increase economic activity. To overcome the domestic energy crisis, Cambodia scaled up the hydropower projects. The fact that China – Cambodia’s strategic partner – was also interested in building big infrastructure projects gave added impetus to the construction of hydropower projects. China financed and constructed approximately seven major dams (50-year contract of build-operate-transfer mode) in Cambodia, which account for more than 50% of electricity produced in the country.<sup>198</sup> It should be noted that Cambodia, along with Laos and Myanmar, constituted one of the first countries where-in Chinese companies engaged in the construction of hydropower

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<sup>193</sup> “What China’s Belt And Road Initiative Means For Cambodia,” *USC US-China Institute*, July 21, 2020, available at <https://china.usc.edu/what-china%E2%80%99s-belt-and-road-initiative-means-cambodia>

<sup>194</sup> Sihanoukville sent reeling from Chinese investment bust, *DW*, October 06, 2021. <https://www.dw.com/en/sihanoukville-sent-reeling-from-chinese-investment-bust/av-59425746>

<sup>195</sup> Prak Chan Thul, “U.S. urges Cambodia to probe China-owned economic zone on tariff dodging,” *Reuters*, June 28, 2019, available at <https://www.reuters.com/article/us-usa-trade-china-cambodia-idUSKCN1TT0F3>

<sup>196</sup> Michael Dickson, “Four Sihanoukville SEZ Firms Linked to Transshipment in 2020,” *VOD*, February 17, 2021. <https://vodenglish.news/four-sihanoukville-sez-firms-linked-to-transshipment-in-2020/>

<sup>197</sup> Lucy West Sovinda Po, “Hun Sen’s natural bilateral “bestie”,” *theInterpreter*, May 14, 2019, available at <https://www.lowyinstitute.org/the-interpreter/hun-sen-s-natural-bilateral-bestie>

<sup>198</sup> “Spotlight: China-built hydropower project in Cambodia Guarantees the way home for fish,” *Xinhuanet*, April 20, 2019, available at [http://www.xinhuanet.com/english/2019-04/20/c\\_137993015.htm](http://www.xinhuanet.com/english/2019-04/20/c_137993015.htm) ; also see [http://www.xinhuanet.com/english/2018-12/17/c\\_137680214.htm](http://www.xinhuanet.com/english/2018-12/17/c_137680214.htm)



projects as part of the 'Go Out' strategy and subsequently under BRI.<sup>199</sup> The experiences from these countries also informed Chinese engagement with other authoritarian governments in the infrastructure realm.<sup>200</sup>

Numerous reports have expressed grave concern regarding the Chinese dam-building activity in Cambodia. Some of the fears include that the dam projects have been operationalised without appropriate stockholder consultation resulting in the displacement of people, relocation of villages, climate change and upstream projects curtailing water to lower riparian regions. For instance, a New York Times report notes that “a Chinese-built dam at Sambor could kill the Mekong River and devastate Cambodia’s economy...[and]...sixty per cent of the sediment needed to nourish Vietnam’s rice paddies in the Mekong Delta could be blocked by the Sambor.”<sup>201</sup> In response to growing domestic and international opinion, in 2020, the Cambodian government declared that it would not allow construction of any new dam for the next decade, including the “two dams at Sambor and Stung Treng.”<sup>202</sup>

Overall, it appears Cambodia has placed a bet on hydropower projects and has not given the required attention to other energy sources.<sup>203</sup> Such dependence on a single energy source makes the country vulnerable to sudden shocks. The drought of 2019 demonstrated the pitfalls of substantially depending on hydro-project; not surprisingly, the Cambodian government announced a shift to other energy sources.<sup>204</sup> However, operationalising new coal, solar, and other energy projects will be time-consuming, and it will be at least a decade before there is a considerable decline in hydropower dependence.

China has acquired significant control over the water flows in the Mekong region. For instance, a Stimson research paper notes that “in 2019, China’s dams restricted nearly all upper Mekong wet season flow....[and]...China’s dam management is causing erratic and devastating changes in water levels downstream.”<sup>205</sup> The reports in 2022 validated the concerns that dams have

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<sup>199</sup> Jessica C. Liao and Daniel C. O’Neill, “Infrastructure as a Tool of Diplomacy and Statecraft? China’s hydroelectric development in Greater Mekong from Go Out to Belt and Road,” 2019, available at <https://wmich.edu/sites/default/files/attachments/u3184/2019/paper-Liao,%20Jessica.pdf>

<sup>200</sup> Jessica C. Liao and Daniel C. O’Neill, “Infrastructure as a Tool of Diplomacy and Statecraft? China’s hydroelectric development in Greater Mekong from Go Out to Belt and Road,” 2019, available at <https://wmich.edu/sites/default/files/attachments/u3184/2019/paper-Liao,%20Jessica.pdf>

<sup>201</sup> ‘Our River Was Like a God’: How Dams and China’s Might Imperil the Mekong,” *The New York Times*, October 12, 2019, available at <https://www.nytimes.com/2019/10/12/world/asia/mekong-river-dams-china.html>

<sup>202</sup> Rebecca Ratcliffe, “Cambodia scraps plans for Mekong hydropower dams,” *The Guardian*, March 20, 2020, available at <https://www.theguardian.com/world/2020/mar/20/cambodia-scraps-plans-for-mekong-hydropower-dams>

<sup>203</sup> “Chinese construction rush aggravates Cambodia’s electricity shortage,” *Nikkei Asia*, April 08, 2019, available at <https://asia.nikkei.com/Economy/Chinese-construction-rush-aggravates-Cambodia-s-electricity-shortage>

<sup>204</sup> “Cambodia to reduce hydropower and develop coal and solar capacity,” *Hydro Review*, May 11, 2020, available at <https://www.hydroreview.com/business-finance/cambodia-to-reduce-hydropower-and-develop-coal-and-solar-capacity/#gref>

<sup>205</sup> Brian Eyler and Regan Kwan, “How China Turned Off the Tap on the Mekong River,” *Stimson*, April 13, 2020, available at <https://www.stimson.org/2020/new-evidence-how-china-turned-off-the-mekong-tap/>

‘exacerbated wet season droughts.’<sup>206</sup> The fact that China manages water – a most critical resource – in an agrarian region gives it significant geopolitical leverage.

## **Connectivity**

Given Cambodia’s geo-strategic location between relatively more prosperous countries such as Vietnam and Thailand, numerous connectivity projects are being conceptualised. In 1998, at the Greater Mekong Subregion (GMS) ministerial meeting, various corridors such as the Southern Economic Corridor (SEC), the North-South Economic Corridor (NSEC), and the East-West Economic Corridor were formally adopted.<sup>207</sup> Since then, these corridors have made steady progress. The East-West Economic Corridor starts at Myawaddyin Myanmar and reaches Dong Ha in Vietnam after traversing Thailand and Laos. While this corridor does not travel through Cambodia, the road networks in the North-South alignment connect Phnom Penh. On the other hand, the Southern Economic Corridor (SEC) connects Myanmar, Thailand, Cambodia and Vietnam. The SEC has considerably reduced travel time between the countries facilitating the emergence of industrial clusters in Cambodian towns.<sup>208</sup>

China has emerged as an essential player in Cambodia’s connectivity space. In 2013, Chinese president Xi Jinping articulated the Chinese intent to build various infrastructure projects worldwide under One Belt and One Road, which was later rechristened as Belt and Road Initiative. The Joint Communiqué of the 2nd Belt and Road Forum alluded to an overarching Chinese vision by referring to projects such as Lancang-Mekong Cooperation, the Economic corridor in Greater Mekong Subregion and the China-Indochina Peninsula Economic Corridor (CICPEC).<sup>209</sup>

The Lancang-Mekong region's countries are increasingly getting interlocked into robust economic interdependencies. Referring to strengthening regional industrial/supply chain interlinkages in the Lancang-Mekong region, China’s Foreign Minister Wang Yi noted that the “number of cargo flights have increased from 49 per week in 2019 to 289 per week [in 2021].<sup>210</sup>” Further, under the rubric of CICPEC, China aims to develop “links China with the Indochina Peninsula and crosses

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<sup>206</sup> Brian Eyler, Alan Basist, Regan Kwan (et.al), "Mekong Dam Monitor at One Year: What Have We Learned?" *Stimson Centre*, 2022. <https://www.stimson.org/2022/mdm-one-year-findings/>

<sup>207</sup> "Strategy and Action Plan for the Greater Mekong Subregion Southern Economic Corridor," (Manila: Asian Development Bank 2010)

<sup>208</sup> "The Southern Economic Corridor: Boosting Trade and Investment in Cambodia," *ASEAN Briefing*, August 11, 2017, <https://www.aseanbriefing.com/news/southern-economic-corridor-boosting-trade-investment-cambodia/>

<sup>209</sup> "Joint Communiqué of the Leaders' Roundtable of the 2nd Belt and Road Forum for International Cooperation," *Belt and Road Forum*, April 27, 2019, available at <http://www.beltandroadforum.org/english/n100/2019/0427/c36-1311.html>

<sup>210</sup> "Wang Yi Talks About New Progress of Lancang-Mekong Cooperation amid Pandemic," *Ministry of Foreign Affairs, the People's Republic of China*, June 08, 2021, available at [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1882385.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1882385.shtml)

the heart of Vietnam, Laos, Cambodia, Thailand, Myanmar and Malaysia...[and]...is expected to boost China's cooperation with the ASEAN countries.”<sup>211</sup>

China has been operationalising some big-ticket connectivity projects in Cambodia, such as the Phnom Penh-Sihanoukville Expressway, which the Chinese construction firms are constructing under a build-operate-transfer (BOT) basis at an estimated cost of \$ 2 billion.<sup>212</sup> While there have been reports in February 2021 that China may “bolster Cambodia’s railway infrastructure,” the details about the rail network chosen for upgradation were not specified.<sup>213</sup> However, it should be noted that China is building a High-Speed Rail (HSR) network connecting Laos, which has raised concerns about a severe debt trap.<sup>214</sup> More recently, China and Thailand have signed an agreement to operationalise a high-speed train between the two countries by 2026.<sup>215</sup> Given the growing density of HSR networks in the region, it is likely that China may extend one of the lines to Cambodia as well.

Further, China bagged the contract to build an international airport South of Phnom Penh at an estimated cost of \$1.5bn.<sup>216</sup> A Chinese company – Union Development Group Co. Ltd is building Dara Sakor International Airport and has reportedly secured a land deal that “secures 20 per cent of Cambodia’s coastline for 99 years.”<sup>217</sup> While the project was initiated well before the Belt and Road Initiative (BRI), and subsequently, it was added to the project list of the BRI.<sup>218</sup> In 2020, the United States blacklisted the Chinese firm for allegedly seizing land from locals.<sup>219</sup> China is also reportedly involved in developing the Ream naval base “with plans including dredging to deepen the waters around the base, which currently can only host smaller ships.”<sup>220</sup> Reports in the first week of June 2022 indicate that China may have scaled up building a new facility in the Ream

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<sup>211</sup> "What are six economic corridors under Belt and Road Initiative?," *The State Council Information Office, The People's Republic of China*, August 4, 2020, [http://english.scio.gov.cn/beltandroad/2020-08/04/content\\_76345602.htm](http://english.scio.gov.cn/beltandroad/2020-08/04/content_76345602.htm)

<sup>212</sup> Thou Vireak, "Phnom Penh-Sihanoukville expressway 51% complete," *The Phnom Penh Post*, June 02, 2021, <https://www.phnompenhpost.com/business/phnom-penh-sihanoukville-expressway-51-complete>

<sup>213</sup> Husain Haider, "China to boost Sihanoukville railway infrastructure hopes," *Khmer Times*, February 18, 2021, available at <https://www.khmertimeskh.com/50815576/china-to-boost-sihanoukville-railway-infrastructure-hopes/>

<sup>214</sup> Mitsuru Obe and Marimi Kishimoto, "Why China is determined to connect Southeast Asia by rail," *Nikkei Asia*, JANUARY 9, 2019, available at <https://asia.nikkei.com/Spotlight/The-Big-Story/Why-China-is-determined-to-connect-Southeast-Asia-by-rail>

<sup>215</sup> "China, Thailand sign agreement on high-speed rail line, set to open in 2026," *Global Times*, March 29, 2021, available at <https://www.globaltimes.cn/page/202103/1219753.shtml>

<sup>216</sup> "China's latest Phnom Penh airport deal casts doubt on Vinci's role in Cambodian aviation," *GCR*, November 23, 2020, available at <https://www.globalconstructionreview.com/news/chinas-latest-phnom-penh-airport-deal-casts-doubt-/>

<sup>217</sup> Hannah Beech, "A Jungle Airstrip Stirs Suspicion About China's Plans for Cambodia," *The New York Times*, December 22, 2019, available at <https://www.nytimes.com/2019/12/22/world/asia/cambodia-china-military-bases.html>

<sup>218</sup> "Dara Sakor project taking shaping in Cambodia," *Global Times*, March 16, 2022, <https://www.globaltimes.cn/page/202203/1255001.shtml>

<sup>219</sup> Daphne Psalidakis and Prak Chan Thul, 'U.S. imposes sanctions on Chinese firm over Cambodia project,' *Reuters*, September 15, 2020. <https://www.reuters.com/article/us-usa-china-cambodia-sanctions-idINKBN2662M0>

<sup>220</sup> Christopher Woody, "Satellite photos show rapid construction at a military base where the US has 'serious concerns' about China's presence," *Business Insider*, June 08, 2021, available at <https://www.businessinsider.com.au/rapid-construction-at-cambodia-base-amid-concern-about-china-presence-2021-6?r=US&IR=T>

Naval. According to the Washington Post, “a Chinese official in Beijing confirmed ..[that]... a portion of the base will be used by the Chinese military.”<sup>221</sup> The Post report also notes that a “ground station technology for a BeiDou navigation satellite system was located at the Chinese portion of Ream Naval Base.”<sup>222</sup> Increased presence at the Ream base will ensure China's greater presence in the Gulf of Thailand.

While China is the dominant player in Cambodia, other countries, such as Japan, are also engaged in building connectivity networks. It is well known that Japan played an important role in facilitating the Paris Peace Agreement in 1991. Subsequently, as with many other countries in the region, Japan provided considerable development aid to Cambodia. Japan has been at the front of new connectivity projects along the Southern Economic Corridor, Sihanoukville Port Urgent Rehabilitation Project, the National Road No.5 Improvement Project and the construction/upgradation of bridges. New Delhi is building India-Myanmar-Thailand (IMT) Trilateral Highway to enhance India's connectivity with Southeast Asian countries. There are proposals to expand the IMT to Cambodia and Vietnam.

### **China a Dominant Trade Partner**

China-Cambodia Free Trade Agreement (FTA) was signed in 2020 and came into effect on January 1, 2022.<sup>223</sup> The FTA seeks to “bring the proportion of zero-tariff products in the goods traded between Cambodia and China to more than 90 per cent for both countries.”<sup>224</sup> Cambodia's exports to China did show an upward trend after the FTA came into force. However, the trade relationship is overwhelmingly in favour of China. In 2018, the total trade was approximately US\$7.4 billion, “with China enjoying a trade surplus of over US\$6 billion.”<sup>225</sup> The trend in favour of China continued in the subsequent years. In 2021, China's exports to Cambodia amounted to \$ 11.6 billion and Cambodia's exports to China amounted to \$ 2.1 billion.<sup>226</sup> Knitted and crocheted fabric and staple fibres constitute Cambodia's leading import items, indicating an integrated supply chain network in the textile sector.<sup>227</sup> Responding to concerns regarding Chinese dominance in the

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<sup>221</sup> Ellen Nakashima and Cate Cadell, "China Secretly Building Naval Facility in Cambodia, Western officials say," *The Washington Post*, June 6, 2022, available at <https://www.washingtonpost.com/national-security/2022/06/06/cambodia-china-navy-base-ream/>

<sup>222</sup> Ellen Nakashima and Cate Cadell, "China Secretly Building Naval Facility in Cambodia, Western officials say," *The Washington Post*, June 6, 2022, available at <https://www.washingtonpost.com/national-security/2022/06/06/cambodia-china-navy-base-ream/>

<sup>223</sup> “China-Cambodia FTA will come into effect on January 1, 2022,” *Ministry of Commerce, PRC*, [http://fta.mofcom.gov.cn/enarticle/chinacambodiaen/chinacambodiaennews/202112/46486\\_1.html](http://fta.mofcom.gov.cn/enarticle/chinacambodiaen/chinacambodiaennews/202112/46486_1.html)

<sup>224</sup> “Roundup: Cambodia-China FTA a driving force for Cambodia's exports: Cambodian officials, experts,” *Xinhua*, January 01, 2022, <https://english.news.cn/asiapacific/20220101/1e15542b475f49b285db63052e3f3a65/c.html>

<sup>225</sup> "The China-Cambodia FTA to Become Cambodia's First Bilateral Free Trade Agreement," *ASEAN Briefing*, October 15, 2020, available at <https://www.aseanbriefing.com/news/the-china-cambodia-fta-to-become-cambodias-first-bilateral-free-trade-agreement/>

<sup>226</sup> Liu Yang, "ASEAN's economic miracle achieved through consensus & cooperation, not geopolitical rivalry: Ambassador to Cambodia," *Global Times*, May 24, 2022. <https://www.globaltimes.cn/page/202205/1266427.shtml>

<sup>227</sup> "The China-Cambodia FTA to Become Cambodia's First Bilateral Free Trade Agreement," *ASEAN Briefing*, October 15, 2020, available at <https://www.aseanbriefing.com/news/the-china-cambodia-fta-to-become-cambodias-first-bilateral-free-trade-agreement/>

trade relationship, Chinese President Xi Jinping stated that his country “will import more quality agricultural products from Cambodia.”<sup>228</sup>

Despite China’s preponderant presence in Cambodia’s external trade, there may be space for other actors to scale up their engagement of Phnom Penh. An analysis of the Cambodian economy has some interesting takeaways. Approximately 58% of Cambodia's exports are to the US and EU27. The 2006 Trade and Investment Framework Agreement (TIFA) governs Cambodia-US trade relations, and the total trade between the two countries amounted to \$5.9 billion in 2019, which increased to \$6.9 billion in 2020.<sup>229</sup> The trade is loaded in favour of Cambodia. The US exports were a meagre \$ \$344 million, and its imports from Cambodia were \$6.6 billion.<sup>230</sup> According to news reports, the US-Cambodia trade witnessed a 32.1 per cent increase in the first 11 months of 2021.<sup>231</sup> While Cambodia exported textile-related products to the US, it imports agricultural and meat products from the US.<sup>232</sup>

Europe is also an important economic partner of Cambodia, and total trade between the two amounted to € 4,468 billion in 2021.<sup>233</sup> During the same year, the EU 27 accounted for 17.5% of Cambodia's exports and 3.6% of Cambodia's imports.<sup>234</sup> The EU27's emergence as one of the leading export markets for Cambodian products has a lot to do with the 'Everything but Arms' policy, which provides a concessionary tariff structure to many underdeveloped countries. As noted earlier, due to growing concerns about human rights violations, the EU, in 2020, partially withdrew trade preferences to Cambodia.<sup>235</sup> The punitive measure by the EU will push Cambodia further into the Chinese economic embrace.

Vietnam and Thailand accounted for 9.9% and 7.9% of Cambodia's total trade in 2021.<sup>236</sup> However, these numbers do not adequately capture the total trade, as there is considerable informal trade between these countries, which is not reflected in the books. Further, there is considerable movement of labour across the Cambodia-Thailand border, which results in remittance and other informal economic exchanges.

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<sup>228</sup> "Xi Jinping: China supports ASEAN to play a bigger role in regional affairs," *CGTN*, March 18, 2022. <https://news.cgtn.com/news/2022-03-18/President-Xi-holds-phone-talks-with-Cambodian-prime-minister-18vmvFOGL3q/index.html>

<sup>229</sup> "Cambodia," *Office of the United States Trade Representative*, available at <https://ustr.gov/countries-regions/southeast-asia-pacific/Cambodia->

<sup>230</sup> "Cambodia," *Office of the United States Trade Representative*, available at <https://ustr.gov/countries-regions/southeast-asia-pacific/Cambodia->

<sup>231</sup> Hom Phanet, 'Cambodia-US trade rises 32%,' *The Phnom Penh Post*, January 10, 2022. <https://www.phnompenhpost.com/business/cambodia-us-trade-rises-32>

<sup>232</sup> "Cambodia," *Office of the United States Trade Representative*, available at <https://ustr.gov/countries-regions/southeast-asia-pacific/Cambodia->

<sup>233</sup> "Cambodia," *European Commission*. [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/cambodia\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/cambodia_en)

<sup>234</sup> "European Union, Trade in goods with Cambodia," *European Commission*, May 10, 2022. [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_cambodia\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_cambodia_en.pdf)

<sup>235</sup> "EU-Cambodia Trade Relations: Challenges & Way Forward," *EIAS*, September 24, 2020, available at <https://eias.org/2020/09/24/>

<sup>236</sup> "European Union, Trade in goods with Cambodia," *European Commission*, May 10, 2022. [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_cambodia\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_cambodia_en.pdf)

India's trade relations with Cambodia are very minimal. In 2021-2022, the total trade between India and Cambodia amounted to \$ 293.25 million.<sup>237</sup> In India's list of leading trade partners, Cambodia ranked 119<sup>th</sup> in 2020-2021.<sup>238</sup> Pharmaceuticals and engineering products dominate India's exports, and primary products, such as rubber, constituted imports from Cambodia.<sup>239</sup> Given the Indian economy's size, Cambodia is interested in scaling up trade relations. According to news reports, Cambodia is "working closely with Jakarta-based Economic Research Institute for ASEAN and East Asia (ERIA) on a feasibility study of the merits of a bilateral FTA with India."<sup>240</sup>

To sum up, while China is the dominant trade partner, the US and EU27 are critical for maintaining trade diversity for Cambodia. If other countries such as India and Japan manage to increase trade with Cambodia even marginally, then Cambodia's trade diversification will acquire greater momentum. However, before giving any trade concessions to Cambodia it should also be noted that Chinese firms are increasingly using Cambodia as one of the launchpads to export to global markets.

### **Conclusion: Cambodia, China and the Quad**

There is no denying that China is a dominant player in Cambodia's domestic and external economic engagement. However, the dependence on Chinese finances to build infrastructure projects in the country resulted in concerns that Cambodia may fall into a debt trap.<sup>241</sup> It is estimated that Cambodia has \$9.5 billion in outstanding external debt, and China accounts for about 42.7 percent of the debt as of December 2021.<sup>242</sup>

Overall, Cambodia faces a dichotomy in its geopolitical and geo-economic strategies. Geopolitics strategies demand that Cambodia move closer to a bigger country to offset the power asymmetry in its relations with Thailand and Vietnam. However, joining the BRI is threatening to undermine the economic independence of Cambodia. Therefore, any Quad strategy should factor in this dichotomy in Cambodian external engagement. While Quad attempts to pull Southeast Asian countries, there should be an attempt to provide economic opportunities for Cambodia. The Quad will indeed have to perform a tight-rope walk in continental Southeast Asia.

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<sup>237</sup> "Export Import Data Bank - Cambodia," *Ministry of Commerce and Industry, Government of India*, May 10, 2022. <https://tradestat.commerce.gov.in/eidb/iecint.asp>

<sup>238</sup> "Export Import Data Bank - Cambodia," *Ministry of Commerce and Industry, Government of India*, May 10, 2022. <https://tradestat.commerce.gov.in/eidb/iecint.asp>

<sup>239</sup> "India - Cambodia Bilateral Trade and Investment Relations," *Embassy of India in Cambodia*, available at <https://embindpp.gov.in/pages?id=xboja&subid=Qe1Ra>

<sup>240</sup> Hin Pisei, "India trade tumbles 26% in 2020," *The Phnom Penh Post*, February 25, 2021, available at <https://www.phnompenhpost.com/business/india-trade-tumbles-26-2020>

<sup>241</sup> Natalie Song, "What China's Belt And Road Initiative Means For Cambodia," *US-China Today*, July 21, 2020.

<sup>242</sup> "No China Debt Trap Problem in Cambodia: PM," *Cambodianess*, May 30, 2022. <https://cambodianess.com/article/no-china-debt-trap-problem-in-cambodia-pm>

Given the scale of Chinese investments the challenge for Quad countries would be how to scale up Cambodia's exports to the west without disproportionate gains for Chinese firms. Further, despite efforts to move towards a more manufacturing-led economy, agriculture continues to play an important role in the Cambodian economy. Countries such as India can share their Green Revolution experience, and others such as the US can share agricultural technologies at subsidised costs. Equally important, there should be a concerted effort to diversify tourist inflows into Cambodia, diversifying people-to-people interactions.

Consistent international criticism may prompt Cambodia to diversify from excessive hydropower dependence. This demonstrates that well-calibrated international approaches may find space despite the authoritarian rule. Simultaneously, in addition to Japan, countries such as India, the US and Australia can also step forward to participate in infrastructure development.

# Iran's China ties amid Great Power Competition: A view from India

Deepika Saraswat\*

## Introduction

Over the last decade, Iran-China economic ties grew substantially as Beijing provided Iran a lifeline as it faced Western sanctions in the years before the signing of the Joint Comprehensive Plan of Action (JCPOA) in 2015. Soon after the JCPOA was implemented in 2016, Iran and China signed a comprehensive strategic partnership, highest level in Beijing's hierarchical partnership diplomacy. Also, Iran signed up for China's Belt and Road Initiative, eyeing energy cooperation and infrastructure investment from Beijing. However, the moderate Rouhani administration turned to China following the US withdrawal from the JCPOA and the 25-year roadmap for comprehensive strategic partnership agreement was negotiated and signed in context of the Trump administration's 'maximum pressure' on Iran and the US-China trade wars. As a result, both Tehran and Beijing found a common cause against the US unilateralism. Iran's Look to the East policy has further strengthened with the onset of conservative presidency of Ebrahim Raisi in August 2021.

Washington sees China's growing ties with Iran as running counter to the US objectives vis-à-vis Iran. As the US-China competition heats up, Washington worries that China's rising influence in the Middle East, especially its growing ties with Iran, is aimed at counter-balancing the US security and economic leadership in the region. The developments in Iran-China relations, especially in the wake of the signing of Iran-China 25-year strategic cooperation agreement in March 2021, have been securitised not only by analysts and officials in Washington but also watched with alarm in New Delhi.<sup>243</sup> China's continued buying of Iranian oil in defiance of the US sanctions and growing defence cooperation with Iran is seen as aimed at "undercutting the effectiveness of the US sanctions" against Iran and challenging the US leadership in the Middle East.<sup>244</sup> As Vienna talks aimed at reviving Iran nuclear deal remain stalled, the US Senate passed with super-majority a 'motion-to-instruct' sponsored by Republican senator Ted Cruz, seeking a report from the government on terrorism-related sanctions on Iran saying that such sanctions are necessary for limiting

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<sup>243</sup> Farnaz Fassihi and Steven Lee Myres, "Defying US, China, Iran Near trade and Military partnership", *The New York Times*, 11 July, 2020, <https://www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html> ; Kabir Taneja, "China's deepening ties with Iran raises critical concerns for India, Chabahar port", *The Print*, 15 July, 2020, <https://theprint.in/opinion/chinas-deepening-ties-with-iran-raises-critical-concerns-for-india-chabahar-port/461436/>

<sup>244</sup> Bradley Bowman and Zane Zovak, "Biden Can No Longer Ignore Growing Iran-China ties", *Foreign Policy*, 13 January, 2022, <https://foreignpolicy.com/2022/01/13/iran-china-biden-gulf-security-military/>



cooperation between China and Iran.<sup>245</sup> On 25 May, the US Department of Treasury announced a new round of sanctions targeting what it labelled as an ‘international oil smuggling and money laundering network’ being run by the IRGC officials including former IRGC general and Iran’s Transport and Urban Development minister Rostam Qasemi. It also designated Hong Kong-based energy company China Hokum Energy Limited for purchasing Iranian oil from the IRGC.<sup>246</sup>

However, Washington’s attempt to bolster regional partnerships in order to wean them off Beijing, may further polarize the region. For instance, some have been quick to see the minilateral comprising India, the US and two key US allies the UAE and Israel as the ‘Middle East Quad,’ with any eye on both China and Iran. Though, Beijing sees Iran as the “part of solution” for peace and stability in the region, it balances its ties with Iran and adversaries in the Gulf and supports dialogue and peaceful relations between Iran and Saudi Arabia.<sup>247</sup> Moreover, China has criticized the policy of interference and pressure by extra-regional powers and claims that it does not seek to fill any ‘power vacuum’ in the Middle East. In January 2022, Chinese Foreign Minister Wang Yi, while hosting foreign ministers of the Gulf Cooperation Council countries, remarked that there is no power vacuum in the Middle East and the region does not need a ‘foreign patriarch.’ Wang reiterated support for Persian Gulf countries to set up multilateral dialogue platforms and take the initiative in regional issues into their own hands.<sup>248</sup> Notably, these remarks underline Beijing’s reluctance to underwrite a post-American security order in the region and its contentment with gaining economic influence in the region. At the same time, the approach to regional security articulated by Yi dovetails with the traditional Iranian view of the US military presence, especially in the Gulf sub-region, as the biggest threat to the regional stability, as well as to its own power and influence. Tehran not only emphasises regional self-reliance in security, but by projecting itself as an independent regional power, it has sought to leverage both Russian and Chinese Eurasian strategies, which are aimed at keeping the US/NATO power in check on the Eurasian continent. In turn, ties with Iran have allowed both Russia and China to play a greater security role in West Asia causing alarm in Washington.

This paper starts from the premise that for now Beijing’s policy towards West Asia is aimed at establishing regional stability and security through ‘developmental peace’ as opposed to the Western notion of ‘democratic peace.’ Beijing’s apolitical development-oriented approach leads it to utilize Iran’s regional power to expand economic relations with nearby regional countries.<sup>249</sup>

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<sup>245</sup> “US now preparing for a world with and without Iran nuclear deal”, *Arab News*, 20 June, 2022, <https://www.arabnews.com/node/2075746/middle-east>

<sup>246</sup> “US sanctions Russia-backed Iranian oil smuggling network involving Chinese firms”, *The Print*, 27 May, 2022, <https://theprint.in/world/us-sanctions-russia-backed-iranian-oil-smuggling-network-involving-chinese-firms/972636/>

<sup>247</sup> Lucille Greer and Esfandiyar Batmanghelidj, “Last Among Equals: The China-Iran Partnership in a Regional Context”, Wilson Center, September, 2020, [https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP\\_200831\\_OCC%2038%20v3%20%281%29.pdf](https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP_200831_OCC%2038%20v3%20%281%29.pdf)

<sup>248</sup> “Chinese, Saudi Arabian FMs reach broad consensus on bilateral ties”, CGTN, 11 January, 2022, <https://news.cgtn.com/news/2022-01-10/Wang-Yi-meets-visiting-Saudi-Arabian-foreign-minister-in-China-16Ioz7vKzkY/index.html>

<sup>249</sup> Alam Saleh and Zakiyeh Yazdanshena, “Iran’s pact with China is bad news for the West”, *Foreign Policy*, 9 August, 2020, <https://foreignpolicy.com/2020/08/09/irans-pact-with-china-is-bad-news-for-the-west/>

Iran for its part, is framing its China outreach as a recourse amid the US ‘maximum pressure’, but more importantly, as a subset of a broader and long-term Iranian geoeconomic strategy in the region. This paper elucidates the geoeconomic and geopolitical drivers of Iran’s pursuit of long-term strategic cooperation with China. In doing so, it argues that while seeking a long-term partnership with China, Iran is committed to pursue diversity of partnerships to maximise the opportunities for raising Iran’s geoeconomic standing in the region. Strikingly, President Raisi at the SCO summit in September 2021 argued that key infrastructure projects of “One Belt-One Road Initiative, the Eurasian Economic Union and the North-South Corridor are not competitors, but complement each other. Iran is the link between the above three infrastructure projects.”<sup>250</sup>

### **Geoeconomic Drivers of Iran-China Partnership**

For decades, notwithstanding Iran’s crossroad location between Asia and Europe, its geoeconomic potential has remained unrealized because of the US policy of containing Iran’s economic and geopolitical influence. Thus, in China’s Belt and Road Initiative (BRI), which seeks to promote transcontinental connectivity and a global economic system outside Washington’s control, Iran sees a great opportunity to attract Chinese investment in transportation and energy projects. By integrating with the BRI and other inter-regional connectivity projects in Eurasia, Iran seeks to improve its geoeconomic standing as bridge between Europe and Asia, and expand connectivity and economic ties with neighbours as long-term counter-strategy against the US sanctions and isolation of Iran. Also, it shares China’s vision of ‘developmental peace’ in the region that has seen failed Western attempts at promoting democratic peace.<sup>251</sup> Through mutually beneficial projects between China and regional countries, the BRI can potentially leverage economic development to address security and humanitarian challenges facing the region, at the same time counter-balancing the US security and economic leadership in the region.

### ***BRI and Iran’s connectivity to the Mediterranean***

Under President Raisi, Iran has expedited its push for regional connectivity as part of long-term geoeconomic strategy which is independent of the fate of the US sanctions on Iran. Iran’s Minister for Transport and Urban Development Rostam Qasemi has been spearheading efforts to leverage Iran’s geopolitical influence in Iraq and Syria to create a trade and transport corridor from the Gulf to Syria and Lebanon on the Mediterranean coast. At the same time, Tehran has been drawing Beijing’s attention to this southern land route for China-Central Asia-West Asia Corridor of the BRI.

The idea of such a transport corridor became subject of serious discussions after Syrian security forces along with their Iraqi allies took control of al-Bukamal area near the Iraqi border from the ISIS in November 2017.<sup>252</sup> Iraqi Security Forces had recaptured Al-Qa’im on the Iraqi side of the border from the ISIS in September 2017. After Iran and Syria agreed to connect southwestern

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<sup>250</sup> “Iran’s Raisi Urges Closer Ties to Boost SCO Role in Global Economy”, *Tasnim News*, 17 September 2021, <https://www.tasnimnews.com/en/news/2021/09/17/2573090/iran-s-raisi-urges-closer-ties-to-boost-sco-role-in-global-economy>

<sup>251</sup> Alam Saleh and Zakiyeh Yazdanshena, “Iran’s pact with China is bad news for the West”, *Foreign Policy*, 9 August, 2020, <https://foreignpolicy.com/2020/08/09/irans-pact-with-china-is-bad-news-for-the-west/>

<sup>252</sup> Hamidreza Azizi, “Iran’s Multi-Faceted Strategy in Deir ez-Zor”, German Institute for International and Security Affairs, 27 March, 2020, [https://www.swp-berlin.org/publications/products/comments/2020C15\\_DeirEzZor.pdf](https://www.swp-berlin.org/publications/products/comments/2020C15_DeirEzZor.pdf)

Iranian port of Imam Khomeini to Syria's Latakia port via a railway line through Iraq in 2019, Iran and Iraq began discussing plans to complete the 40 km railway line connecting Shalamchah on Iran's southwest to Basra in Iraq.<sup>253</sup> Qasemi during a visit to Baghdad in December 2021 signed a MoU for joint implementation of Shalamchah-Basra railway. Noting that over the last twenty years Tehran had numerous negotiations and MoUs with Iraqi side to implement the railway line, Qasemi stated that "the agreement has clear timetable, and one of its clause is that the implementation of the project will actually begin within the next month".<sup>254</sup> Once completed, it will link railway networks of the two countries and bring Iran closer to Syria.

In the Syrian conflict over the years, China has opposed regime change in the country. Beijing along with Russia vetoed many UNSC draft resolutions, often invoking support for Syria's national sovereignty and territorial integrity.<sup>255</sup> The four-point plan proposed by Chinese foreign minister Wang Yi, when he visited Syria in July 2021, called for lifting of the US sanctions on Syria and prioritising the reconstruction process.<sup>256</sup> Wang Yi also called for "respecting the choice by the Syrian people", effectively legitimising Bashar-Al Assad's re-election in May 2021. As Damascus's key allies Russia and Iran lack the financial wherewithal to fund Syria's reconstruction, it seeks to utilise the opportunities presented by Beijing's BRI plans in the region. While discussion on Syria's joining of BRI began during Wang Yi's July 2021 visit, the two countries inked a MoU to that effect on 12 January, 2022. The head of Syria's Planning and International Cooperation Commission, who signed the MoU from the Syrian side, welcomed China's role in Syria's economic reconstruction and enhancing the "harmonisation between the BRI and eastward strategy proposed by Syria."<sup>257</sup> Analysts have pointed out that given the regional integration focus of the BRI, the proposed Chinese projects in Syria focus on the field of transportation, such as the rail link between the port of Tartus and the Iraqi border, and the construction of a land highway linking south of the country to the north.<sup>258</sup> Beijing is also interested in establishing a Chinese Free Trade Zone in Latakia port, located less than 100km north of Tartus, where Moscow maintains a naval facility and had committed \$500 million towards modernising the commercial port infrastructure.<sup>259</sup> Iran for its part launched a direct shipping line

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<sup>253</sup> "Iran-Syria port and maritime co-op on the rise", *Tehran Times*, 25 June, 2021, <https://www.tehrantimes.com/news/462382/Iran-Syria-port-and-maritime-co-op-on-the-rise>

<sup>254</sup> "Iran, Iraq ink deal on completing Shalamchah-Basra railway", *Tehran Times*, 27 December, 2021, <https://www.tehrantimes.com/news/468488/Iran-Iraq-ink-deal-on-completing-Shalamchah-Basra-railway>

<sup>255</sup> "Chinese envoy explains veto of UN Security Council resolution on Syria", *CGTN*, 4 July, 2020, <https://news.cgtn.com/news/2020-07-08/Chinese-envoy-explains-veto-of-UN-Security-Council-resolution-on-Syria-RWYgOICMXm/index.html>

<sup>256</sup> "China proposes four-point solution to Syrian issue: FM", *Xinhua*, 18 July, 2021, [http://www.xinhuanet.com/english/2021-07/18/c\\_1310067701.htm](http://www.xinhuanet.com/english/2021-07/18/c_1310067701.htm)

<sup>257</sup> "Syria joins BRI amidst extensive China-Mideast exchanges", *The Global Times*, 13 January, 2022, <https://www.globaltimes.cn/page/202201/1245939.shtml>

<sup>258</sup> "China's move towards Syria: Objectives and Prospects", Emirates Policy Center, 17 August, 2021, <https://epc.ae/en/details/featured/chinas-move-towards-syria-objectives-prospects>

<sup>259</sup> "Russia to build grain hub at Syria's Tartus port", *Miller Magazine*, 23 January, 2020, <https://millermagazine.com/blog/russia-to-build-grain-hub-at-syrias-tartus-port-3449>

between Bandar Abbas and Latakia in May 2021, and both countries are keen have rail connectivity between the two ports via Iraq.<sup>260</sup>

In recent years, especially since the US combat mission ended in Iraq in 2020, China has stepped up its energy and infrastructure investment in the country. Last year, Iraq was the top destination for China's BRI investment, receiving \$10.5 billion financing focusing on energy and infrastructure projects.<sup>261</sup> Iran, which has influence over both Iraqi government and societal actors and seeks to minimise the US economic and security presence in Iraq has largely welcomed growing Chinese investments in Iraq. In 2019, then Iraqi Prime Minister Adel Abdul Mahdi during a visit to China signed an 'oil for reconstruction' agreement under which oil revenues will be put in a joint-investment fund to be utilised for key infrastructure projects to be carried out by Chinese firms.<sup>262</sup> In the subsequent years, popular protests over unemployment, environmental degradation and overall governance deficit in Iraq have led to a drastic deterioration in investment and security environment, forcing major Western international oil companies to exit Iraq, often selling their stakes to Chinese companies.<sup>263</sup> Chinese companies, which are often willing to accept lower profit margins than their rivals, are working as a primary or subcontractors at 15 oil fields in southern Iraq.<sup>264</sup>

In 2019, amid looming threats of direct conflict between Iran and the US, new reports emerged that Iran is seeking to revive Iran-Iraq-Syria 'friendship pipeline' transporting natural gas from Iran to Syria's Mediterranean port of Baniyas. Iran, Iraq and Syria had signed an agreement in 2011, just before the unrest began in Syria, under which Iran will built 6000 km pipeline that will allow it to circumvent sanctions and sidestep the Strait of Hormuz in case of military confrontation involving Iran.<sup>265</sup> Given Iraq remains a key importer of Iranian gas for electricity generation despite the US sanctions and Europe's focus on access to diversified supplies of natural gas amid the Russia-Ukraine war, such a pipeline may gain new traction.

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<sup>260</sup> <https://www.ship-technology.com/analysis/testing-waters-direct-shipping-opens-between-iran-syria/>; <https://www.onthemosway.eu/analysis-iran-intends-to-improve-port-rail-connections-to-develop-international-trade/>

<sup>261</sup> Salam Zidane, "Chinese oil companies fill void in Iraq", *Al-Monitor*, 22 July, 2021, <https://www.al-monitor.com/originals/2021/07/chinese-oil-companies-fill-void-iraq>

<sup>262</sup> Salam Zidane, "Iraq, China launch 'oil for reconstruction' Agreement", *Al-Monitor*, 8 October, 2019, <https://www.al-monitor.com/originals/2019/10/iraq-china-india-oil-construction.html>

<sup>263</sup> Manuel Fernandez, "Iraq seems to limit Chinese influence in its oil sector", *Atalayar*, 20 May, 2022, <https://atalayar.com/en/content/iraq-seeks-limit-chinese-influence-its-oil-sector>; Hamdi Malik, "Iraq's oil sector caught in crossfire between US, Iran", *Al-Monitor*, 31 May, 2019, <https://www.al-monitor.com/originals/2019/05/iraq-oil-us-exxon-mobil-iran-basra.html>;

<sup>264</sup> Omar Sattar, "Iraq plans to launch pipeline to export oil through Jordan, Syria", *Al-Monitor*, 17 July, 2019, <https://www.al-monitor.com/originals/2019/07/iraq-syria-jordan-pipeline-oil.html>; <https://www.reuters.com/business/energy/iraq-balks-greater-chinese-control-its-oilfields-2022-05-17/>

<sup>265</sup> "'Islamic pipeline' seeks Euro gas market", *UPI*, 25 July, 2011, <https://www.upi.com/Energy-News/2011/07/25/Islamic-pipeline-seeks-Euro-gas-markets/13971311588240/>

### ***CPEC and Iran's focus on Makran Coast***

Similarly, on the other side of the Gulf, Iran hopes that BRI's flagship project of China Pakistan Economic Corridor (CPEC) will expand into a trade and energy corridor stretching from the Gulf, across Pakistan, into western Xinjiang. Tehran seeks to capitalise on Chinese investment to transform its underdeveloped Makran coast into an industrial and energy powerhouse. It sees CPEC's energy infrastructure, especially Beijing's construction of \$2.5 billion worth Gwadar LNG terminal and a 700 km gas pipeline from Gwadar to Nawabshah as key to realise its long-held plans of Iran-Pakistan pipeline.<sup>266</sup> The 1,880 km Iran-Pakistan pipeline was to connect Iran's South Pars field to Pakistan's Baluchistan and Sindh provinces. After signing a gas sale purchase agreement in 2009, Iran completed its section of the pipeline in 2011. It even offered to finance Pakistani section in 2013, but after the US sanctions and pressures led to delays in, Tehran threatened legal action against Pakistan in 2019.<sup>267</sup> Once the Chinese-built Gwadar-Nawabshah pipeline is in place, compared to 780 km section from Gabd on Iran-Pakistan border to Nawabshah in Pakistan's Sindh province, a 72 km pipeline from Gabd to Gwadar can be completed easily.

Under the years of sanctions and escalations in Iran-US tensions in the Gulf, Iran has refocused on developing ports and oil export terminal in the Gulf of Oman, which is located outside the geopolitically volatile Gulf and closer to petroleum consumers in Asia. Since signing a trilateral agreement between Iran, Afghanistan and India in May 2016, India is developing Chabahar, Iran's only deep oceanic port in Gulf of Oman, located 140 km west of Pakistan's Gwadar Port being developed by China. Iran has maintained that Chabahar does not seek to rival or 'encircle' anyone.<sup>268</sup> It has welcomed cooperation between Chabahar and Pakistani ports and Chinese investment in developing the port.<sup>269</sup> Tehran's decision to drop India Railway Construction Limited, which had signed a MoU with Iranian Railways in 2016 for constructing the Chabahar-Zahedan railway line, announced at a time when the leaked details of Iran-China 25-year strategic cooperation agreement dominated the press, caused alarm in Delhi. However, it was the involvement of IRGC construction arm Khatm-al Anbia Construction Headquarters had made India cautious. Tellingly, President Raisi, at the SCO summit projected Chabahar as the symbol of cooperation for all members of the Organisation.<sup>270</sup> Soon after, Iran's Port and Maritime Organisation (PMO) requested India to help it procure the equipment to run the railway line and

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<sup>266</sup> "Pak approves USD 2 billion Gwadar-Nawabshah LNG Terminal Project", *ANI*, 1 October, 2016, <https://www.aninews.in/news/world/business/pak-approves-usd-2-billion-gwadar-nawabshah-lng-terminal-project>

<sup>267</sup> Haroon Janjua, "Iran gas pipeline deal with Pakistan hampered by US Sanctions", *DW*, 20 May, 2019, <https://www.dw.com/en/iran-gas-pipeline-deal-with-pakistan-hampered-by-us-sanctions/a-48802450>

<sup>268</sup> "India says 'Prerogative' of Iran to invite China, Pakistan for Chabahar Development", *Tasnim News*, 17 March, 2018, <https://www.tasnimnews.com/en/news/2018/03/17/1683335/india-says-prerogative-of-iran-to-invite-china-pakistan-for-chabahar-development>

<sup>269</sup> "Pakistan emphasises expansion of maritime ties with Iran", *Mehrnews*, 20 December, 2020, <https://en.mehrnews.com/news/167404/Pakistan-emphasizes-expansion-of-maritime-ties-with-Iran>; Ebrahim Fallahi, "Iran-China partnership to raise Chabahar port's global status", 27 April, 2021, <https://www.tehrantimes.com/news/460316/Iran-China-partnership-to-raise-Chabahar-port-s-global-status>

<sup>270</sup> "Iran's Raisi Urges Closer Ties to Boost SCO Role in Global Economy", *Tasnim News*, 17 September, 2021, <https://www.tasnimnews.com/en/news/2021/09/17/2573090/iran-s-raisi-urges-closer-ties-to-boost-sco-role-in-global-economy>

activate the \$150 credit line, India had pledged during Rouhani's visit to India in 2018, to pay for the procurement.<sup>271</sup>

In July 2021, Iran inaugurated a new oil export terminal in Jask, just east of the Strait of Hormuz. By developing the port of Jask major hydrocarbon hub, Iran not only bring its oil closer to Asian markets, but by reducing dependence on export from Kharg terminal in the Gulf, currently about 90 per cent, Iran will be in a position to exert more pressure on the flow of oil out of the Strait of Hormuz.<sup>272</sup> Soon after inauguration, Iran offered India access to strategic oil reserves at Jask, and a standalone gas pipeline from the island to India.<sup>273</sup> Iran is also exploring opportunities for collaboration with China on investment in ports and free-trade-industrial zones (FTZs).

During President Xi Jinping's visit to Iran in 2016, when Iran and China inked a Comprehensive Strategic Partnership, several agreements were signed to establish industrial towns in Jask, Hormozgan and also Sistan and Balochistan, where Chabahar is located. Reportedly, as part the 25-year agreement, Beijing will invest in infrastructure of the Jask port and also in free trade zones in Gulf islands.<sup>274</sup> At a time when its oil exports have been hit by sanctions, Tehran has redoubled its efforts for diversification of economic activity and increase non-oil exports, especially to its neighbouring countries. In the absence of a comprehensive economic liberalization program because of factional disagreements and sanctions pressure, for purpose of promoting industrial and export activity, Iran's focus remains on FTZs along its Gulf coast and the adjoining islands such as Kish, and Qeshm, which is located close to Bandar Abbas and is the largest island in the Gulf. The FTZs at Kish and Qeshm islands in the Gulf and Chabahar in the Gulf of Oman were declared during presidency of Hashemi Rafsanjani (1988-1997), when Iran had an opening with its Gulf Cooperation Council (GCC) neighbours and pursued a policy of attracting international investment and fostering regional trade.<sup>275</sup> Under Hassan Rouhani's government, the Guardian Council approved the integration of Chabahar port with the Chabahar Free Trade-Industrial Zone to

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<sup>271</sup> Suhasini Haidar, "Months after starting Chabahar rail project without India, Iran seeks equipment", *The Hindu*, 7 November, 2020, <https://www.thehindu.com/news/national/months-after-starting-chabahar-rail-project-without-india-iran-requests-help-with-equipment/article33048813.ece>

<sup>272</sup> Farzin Nadimi, "Iran's Evolving Approach to Asymmetric Naval Warfare: <https://www.washingtoninstitute.org/policy-analysis/irans-evolving-approach-asymmetric-naval-warfare-strategy-and-capabilities-persian>

<sup>273</sup> Dipanjan Roy Chaudhury, "Iran could offer India access to Jask port for strategic oil reserve facility", *The Economic Times*, 13 June, 2021, <https://economictimes.indiatimes.com/industry/energy/oil-gas/iran-could-offer-india-access-to-jask-port-for-strategic-oil-reserve-facility/articleshow/83477030.cms>

<sup>274</sup> Lucille Greer and Esfandiyar Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context", Wilson Center, September, 2020, [https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP\\_200831\\_OCC%2038%20v3%20%281%29.pdf](https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP_200831_OCC%2038%20v3%20%281%29.pdf)

<sup>275</sup> Hassan Hakimian, "Iran's Free Trade Zones: Back Doors to the International Economy", *Iranian Studies*, 2011, 44(6).

promote cargo and trade from the port.<sup>276</sup> President Raisi while inaugurating 60 economic and infrastructure projects related to industrial plants, steel production factories, refineries and port development plans in six different FTZs across the country, stated that the country's free trade zones must return to their original goals.<sup>277</sup> Instead of functioning as centers for “uncontrolled imports” they must be turn into hub for investment, production and export activities, Raisi noted. In this regard, attracting investment from China becomes crucial. Just weeks before when Iran’s foreign minister Hossein Abdollahian travelled to China in January 2022, Raisi’s cabinet of ministers approved opening of a Chinese consulate in Bandar Abbas, Iran’s main trading port in the Gulf.

### ***Iran in the SCO: Seeking ‘Collective Response’ to the US Sanctions***

Iran as a revisionist actor has been enthusiastic about multilateral groupings which can contain the US hegemonic power in the international financial system, such as the BRICS or broadly counterbalance the US economic and security presence, such as the Shanghai Cooperation Organisation (SCO), the Eurasian Economic Union (EAEU). The SCO, which has been a vehicle for China’s regional engagement with Central Asia and South Asia, after the approval of Iran’s membership in the September 2021 summit in Tajikistan has expanded into West Asia, giving a new dimension of multilateral cooperation between the two countries.<sup>278</sup> While, traditionally the SCO has provided an institutional framework for regional cooperation on security issues, Tehran has been calling for deepening of the SCO’s economic dimension with an eye to counter unilateral US sanctions. In his address at the SCO summit, Raisi, called sanctions as the “key obstacles to promoting regional harmony”. “Unilateral sanctions are not limited to one country but, as it has become clear in recent years, include more independent countries, especially members of the Organisation... It is important and necessary to design mechanisms for collective confrontation with unilateral sanctions in the framework of this organisation”, Raisi observed.

Even as Iran remains blacklisted by the Financial Action Task Force (FATF), president Raisi has criticised his moderate predecessor Hassan Rouhani for insisting on Iran’s accession to the international body responsible for monitoring money laundering and terrorist financing. During his election campaign, Raisi called it as ‘the enemies’ convention’ given that it does not accept Iran’s position that it was wrong to list certain groups such as Hezbollah as ‘terrorist’.<sup>279</sup> Instead, Tehran is expanding the use of national currencies in bilateral trade settlements, a process facilitated by rise of alternative payment clearing and settlement system such as Bank of Russia’s SPFS (Financial Messages Transfer System), which was introduced to the banks of Eurasian Economic Union member countries in 2019 and Cross-Border Interbank Payment System” (CIPS)

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<sup>276</sup> P. Manoj, “India-funded Chabahar port in Iran to be integrated with free zone”, *The Hindu Business Line*, 2 July, 2020, <https://www.thehindubusinessline.com/economy/logistics/india-funded-chabahar-port-in-iran-to-be-integrated-with-free-zone/article31968033.ece>

<sup>277</sup> “Free zones must return to their original goals”, *Government of the Islamic Republic of Iran*, 21 November, 2021, <https://irangov.ir/detail/374332>

<sup>278</sup> Mohsen Shariatinia, “How will the Raisi administration shape Iranian-Chinese relations?” *Al-Sharq Forum*, 9 July, 2021, <https://research.sharqforum.org/2021/07/09/iranian-chinese-relations/>

<sup>279</sup> “Financial ‘Noose’ of FATF divides Iran Presidential Candidates”, *Iran International*, 6 June, 2022, <https://old.iranintl.com/en/fatf-regulations>

launched by Beijing in 2015 for clearing and settling cross-border yuan transactions and thus aimed at internationalising yuan.<sup>280</sup>

Russia's invasion of Ukraine, and the coordinated sanctions imposed by the US and its allies targeting Russia's banking system, including disconnecting Russian banks from the SWIFT messaging system, have further induced anxieties about the West's ability to weaponise its dominance of the international banking and financial system. These sanctions on Russia, the world's eleventh-largest economy, have renewed the debate on the viability of the SWIFT alternatives in Asia.<sup>281</sup> In May, 2022, Russia and Iran agreed to switch to national currencies in trade settlement by using SPFS. Similarly, China is settling its energy trade with Russia in yuan.<sup>282</sup> However, the risk of punitive measures from the US, such as the proposed "CURB CIPS Act of 2022" and the fact that CIPS so far vastly relies on the SWIFT messaging system, have made Beijing circumspect about using CIPS in transactions with Russia.<sup>283</sup> At the same time, the implications of US veto power over China's global financial transactions are not lost on Beijing.<sup>284</sup>

### **Iran-China Security Cooperation**

In January 2022, Chinese Foreign Minister Wang Yi', while hosting foreign ministers of the GCC countries, remarked that there is no power vacuum in the Middle East and the region does not need a 'foreign patriarch.' Further, Wang said China supports Gulf countries in setting up multilateral dialogue platforms and taking the initiative in regional issues into their own hands.<sup>285</sup> Notably, these remarks underline Beijing's reluctance to underwrite a post-American security order in the region and its contentment with gaining economic influence in the region. At the same time, the approach to regional security articulated by Yi dovetails with the traditional Iranian view of the

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<sup>280</sup> Farid Malikov, "Russia, Iran to Expand use of national currencies in trade", 27 May, 2022, <https://caspiannews.com/news-detail/russia-iran-to-expand-use-of-national-currencies-in-trade-2022-5-26-54/>

<sup>281</sup> Kandy Wong and Ji Siqi, "Ukraine Invasion: Swift ban, sanctions cut Russian economy from the world. Will China's yuan payment system offer a lifeline?" *South China Morning Post*, 1 March, 2022, <https://www.scmp.com/economy/global-economy/article/3168829/ukraine-invasion-swift-ban-sanctions-cut-russian-economy>; Huileng Tan, "China and Russia are working on homegrown alternatives to the SWIFT payment system. Here is what they would mean for the US dollar", *Business Insider India*, 1 April, 2022, <https://www.businessinsider.in/politics/world/news/china-and-russia-are-working-on-homegrown-alternatives-to-the-swift-payment-system-heres-what-they-would-mean-for-the-us-dollar-/articleshow/91168432.cms>

<sup>282</sup> Phil Rosen, "China is buying Russian energy with its own currency, marking the first commodities paid for yuan since Western sanctions hit Moscow", *Business Insider*, 7 April, 2022, <https://www.businessinsider.in/stock-market/news/china-is-buying-russian-energy-with-its-own-currency-marking-the-first-commodities-paid-for-in-yuan-since-western-sanctions-hit-moscow/articleshow/90711062.cms>

<sup>283</sup> Chris Devonshire-Ellis, "US threatens Chinese banks with SWIFT Disconnection", *Silk Road Briefing*, 20 March, 2022, <https://www.silkroadbriefing.com/news/2022/03/20/us-threatens-chinese-banks-with-swift-disconnection/>

<sup>284</sup> Andy Mukherjee, "China can bypass SWIFT by putting Digital Money in play", *Bloomberg*, 28 February, 2022, <https://www.bloomberg.com/opinion/articles/2022-02-27/china-s-digital-yuan-could-get-a-boost-from-putin-s-war-in-ukraine#xj4y7vzkz>

<sup>285</sup> "Chinese, Saudi Arabian FMs reach broad consensus on bilateral ties", CGTN, 11 January, 2022, <https://news.cgtn.com/news/2022-01-10/Wang-Yi-meets-visiting-Saudi-Arabian-foreign-minister-in-China-16Ioz7vKzkY/index.html>



US military presence, especially in the Gulf sub-region, as the biggest threat to the regional stability, as well as to its own power and influence. Tehran not only emphasises regional self-reliance in security, but by projecting itself as an independent regional power, it has sought to leverage both Russian and Chinese Eurasian strategies, which are aimed at keeping the US/NATO power in check on the Eurasian continent.

Iran-China defence ties had received a boost with the implementation of the JCPOA in 2016, with Iran no longer being viewed as a proliferation or international security threat. President Xi Jinping's visit to Iran in January 2016 was followed by a visit from China's defence minister Chang Wanquan in November 2016, during which the two countries signed a bilateral military cooperation agreement pledging closer military cooperation in a number of areas including military training, counter-terrorism operations and holding of joint military exercises.<sup>286</sup> Iran-China defence diplomacy maintained its upward trajectory as the two countries found a common cause against increasing US pressure and unilateralism. Iran and China held a joint naval exercise near the Strait of Hormuz in June 2017, when the US Navy was accusing Iran of sending fast attack boats to harass US warships passing through the Strait of Hormuz.<sup>287</sup> The series of incidents disrupting shipping in the Gulf in the summer of 2019 led Beijing to take up greater security role to protect the freedom of navigation crucial to its energy security. This came as the Trump administration, while accusing Asian buyers of Middle East oil of 'free-riding' on the US security presence in the region, put together an international maritime coalition of its regional allies, the UAE, Saudi Arabia, Bahrain and also Australian and the United Kingdom. Subsequently, Iran, China and Russia conducted a trilateral naval exercise 'Maritime Security Belt' in the Gulf of Oman in December 2019. It underscored China and Russia's stakeholdership in ensuring security in the crucial waterway and signalling diplomatic-political support of Iran.

Washington is also troubled by Iran acquiring improved anti-access/area-denial (A2/AD) capabilities from Beijing. Iran relies on asymmetric A2/AD tactics against more conventionally capable foes, namely the US and its allies in the Gulf. Since 1980s, when Iran began importing anti-ship missiles from China, its inventory of anti-ship missiles has been built around four Chinese missile families. The Chinese air-to-surface lightweight AShM YJ-9 and C-701 are known as *Kosar* family in Iran, the C-704, shore-to-sea missile with a maximum range of 40 Km is known as *Nasr*, while Noor, Ghader and Ghadir with reported ranges of 120 km, 200km and 300 km are long-range anti-ship cruise missiles reverse engineered from Chinese C-802 cruise missiles.<sup>288</sup>

As rivalry with the US grows, so will Beijing's worries about US central role in the protection of the Gulf shipping lanes, especially the narrow Strait of Hormuz, and its ability to threaten China's energy security.<sup>289</sup> Given Beijing's reluctance to take up military role in the region, which will draw it in a direct contestation with the US in a far-off region, defence diplomacy with Iran becomes a strategic priority. Chinese Defence Minister Wei Fenghe's visit to Iran in April 2022

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<sup>286</sup> "Iran, China Sign Military Cooperation Agreement", *The Diplomat*, 15 November, 2016,

<https://thediplomat.com/2016/11/iran-china-sign-military-cooperation-agreement/>

<sup>287</sup> "Iran, China Stage Joint Naval Drills", *Tasnim News*, 18 June, 2017,

<https://www.tasnimnews.com/en/news/2017/06/18/1439553/iran-china-stage-joint-naval-drill>

<sup>288</sup> Douglas Barrie, "Does Iran harbour high-speed anti-ship missile ambitions?", *International Institute for Strategic Studies*, 13 March, 2020, <https://www.iiss.org/blogs/military-balance/2020/03/iran-anti-ship-missiles-ramjet>

<sup>289</sup> Camile Lons et al. "China's great game in the Middle East", 21 October, 2019, European Council on Foreign Relations, [https://ecfr.eu/publication/china\\_great\\_game\\_middle\\_east/](https://ecfr.eu/publication/china_great_game_middle_east/)

in the backdrop of the war in Ukraine, intensifying geopolitical volatility and prospects of revival of the Iran nuclear deal, underscored the significance Beijing attaches to Iran.<sup>290</sup>

## **Conclusion**

India sees Iran as a strategic regional actor, as its land-bridge to Central Asia and Eurasia and crucial to its energy security. India's strengthening partnership with the United States and its allies within the Indo-Pacific and efforts towards multilateral engagement with the US and its Middle East allies, it is not only determined to counterbalance China, but also shape a new multipolar order in Asia and globally. As the US strategic competition between with Russia and China intensifies, Iran's ties with these two countries are likely to be increasingly securitised in the West. Iran's deepening partnership with China not only has the potential to raise its geo-economic status from the Persian Gulf to the Mediterranean Sea, but also creates more room for Tehran to manoeuvre in its relations with other major powers such as India and even the West, given they will not want to see a major regional power getting into the Chinese fold. It is therefore of paramount importance for India that Iran is normalised in the region and maintains its strategic autonomy. Iranian foreign minister Hossein Abdoollahian's call for developing a long-term roadmap for bilateral relations during his visit to India in June, 2022 underscores that Tehran seeks to diversify its partnerships.

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<sup>290</sup> "China, Iran agree to push military ties to higher level", *CGTN*, 28 April, <https://news.cgtn.com/news/2022-04-28/China-Iran-agree-to-push-military-ties-to-higher-level-19AEBvT2swg/index.html>

# **An overview of Iran-China Relations**

Abdolmajid Eskandari\*

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Mutual cooperation and seeking convergence in foreign policy in line with national interests of each country is a common practice. China's position in the hierarchy of world powers is increasing. Countries usually seek answers to part of their needs beyond national borders and interact with each other. Keeping an eye on the existing world order, using modern management system and opening doors to the world investment, China tries to introduce its own vision in new era and pursue an economic-oriented approach with Chinese characteristics. The Chinese model of national and international economic progress has goods lessons to the world.

Iran and China, both countries in the Asia try to improve their bilateral relations. The Maximum US pressure is affecting Sino-Iranian relations. In other words, the type of bilateral relations between the two countries is sometimes a dependent variable to US attitudes towards Iran and China. Iran is one of the largest producer of oil and gas and China is the largest consumer of energy. Iran produces oil and receives Chinese high technology in oil industry and also meets parts of its commercial needs.

The recent 25-year Iran-China Comprehensive Strategic Partnership document is merely a macro framework for cooperation. Iran is one of the gateways for China to enter European markets and Central Asia on the “One road, One belt initiative” and in the project of revival of silk road. This cooperation helps Iran to ease the consequences of the imposed sanctions.

The relationship between Iran and China has deep roots in history. It is true that the political structure of Iran and China is ideologically different but this has not prevented from promotion of cooperation. China is actively cooperating with its neighbors. China emphasizes on multilateralism. In the future, we will have the poles of power and these poles of power need to cooperate with their neighboring countries as well as the rest of the world to enhance their position in the world.

China has been mostly seen from the perspective of the Western window. The western narrative of China has been predominating among some of the scholars and given the new changes, there is a need to a sort of revision. China is not only the factory of the world but the market of the world.

China believes in the principle of separation of matters and this comprehensiveness policy is a valuable look. Iran's relation with other countries, including China, is regulated based on dignity, wisdom and expediency. Cooperation with China is a win card against American extravagance. The current cooperation document of partnership is non-binding and shows the roadmap. China opposes US unilateralism by strengthening the multilateral and regional cooperation such as establishment of Shanghai pact. All countries need to collaborate to build a world with common human aspirations. World can become a better place through collaboration.

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## **Introduction**

China with more than 1.402<sup>291</sup> billion population, i.e. 18.47% of the total world population has grown dramatically over the past three decades. China has been one of the fastest growing economies since economic reforms were implemented. It has a significant position in the world economy. In other words, as a result of China's economic reforms, it has become one of the largest economic poles of the world and very influential in the global life. It is the largest supplier of goods and has the second largest economy in the world based on GDP and, according to analysts, it is in the process of further growth.

China has started developing its economic ties with the neighboring countries and the world within the framework of a desire to revive the historic silk road in modern age. It interacts with each country on a case by case basis but the general trend is to promote mutual economic ties. Reviewing the progress route of China, it is understood that China has accelerated the country's development process by understanding the internal and external requirements of economic development. Furthermore, it has tried to institutionalize a stable management model and training of elite forces and to provide a platform for the change among the leaders and elites of the country. Their model of progress has lessons for the other countries as well.

China's economic development is the outcome of various factors. One of the determinate factors was the leadership attitudes. The transformation of China's leadership body in the late 1970s and the rise to power of a range of realistic and developmental leaders paved the way for a shift in the country's grand strategy. China is now one of the countries that has gained a special status in the international arena by planning and pursuing developmental economic policies and is expected to become one of the top poles of economic and political power in the near future.<sup>292</sup> China provides an alternative to the West, helping countries gain leverage with their traditional partners (or adversaries) and seek balance in their foreign policy. Many of Beijing's economic activities are commercial and uncontroversial in nature. Beijing provides an alternative to the West and offers ready-made solutions to countries seeking economic development.<sup>293</sup>

## **Characteristics of Chinese local leadership**

In today's world, recognizing and benefiting from the human experiences and expertizes of other nations is especially important, knowing how other nations think and achieve development. These lessons are useful to build the road ahead and speed up filling the gap between the so called north and south countries.

The Chinese leaders' views on laying the foundations for the country's economic development and the creation and training of elite and managerial forces in the political system needs further consideration. It seems that each generation has trained the next generations.

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<sup>291</sup><https://www.worldometers.info/world-population/china-population/>

<sup>292</sup> The position of China's leadership system, M.A. thesis, Hassan Soleimani, Islamic Azad University of Central Tehran, [http://prb.iauctb.ac.ir/article\\_510756\\_8c55ddb7128722a95fef3197a891ffa.pdf](http://prb.iauctb.ac.ir/article_510756_8c55ddb7128722a95fef3197a891ffa.pdf)

<sup>293</sup><https://carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415>

An important feature that exists in each generation compared to the previous generation is that each generation is more professional than the previous generation. In other words, the components of the first generation were mainly ideological ones, and those of the second generation were more pragmatic leaders and the third generation were realistic generations. Moreover, the fourth generation were neo-realists, and the fifth generation elements are called nationalist realists.<sup>294</sup>

However, the common denominator of these periods and their leaders is that despite the different policies and different tastes of these leaders, as we move from the first generation to the fourth and fifth generations, China takes on a new dimension domestically and internationally and finds more power in various fields.

This topic is important from this perspective that any progress at regional and world levels need to be started from a good foundation inside the country. China and its leaders instead of swimming against the world turned to a harmonious action and tried to tune their instruments with the melody of the world order. And at the end of the road, we see that the technocratic elites are taking the place of ideological elites.

Another feature of new leadership in China is using nationalism, which serves as a driving force for development. When the ideology of communism or socialism is still in place, nationalism has also been allowed to fill the gap and becomes China's modernization engine. In these circumstances patriotism is portrayed as part of the national spirit.<sup>295</sup>

China has proved itself as a strong economic pole and has started constructive cooperation with the countries in the region and the rest of the world. China aims at pushing its exports and investments, exert political influence, and foster a positive image of China. Many countries are eager to attract Chinese investment to help jump-start job growth, reduce poverty, and build new infrastructure

### **Iran-China relations**

When it comes to the relation of China with other countries, a number of scholars talk about negative effects of China's interaction with some countries and discuss Chinese way of so called "debt trap" strategy. Undoubtedly, in order to form a relationship based on mutual interests with any country, including China, it is necessary to put several considerations on the agenda; but in recent years, many problems of Iran in international relations have arisen from Western sanctions, and on the contrary, relations with the East have always reduced some of these problems.

These features have converted China into one of the main economic and political partner of Iran. Over the past two decades, China has been able to reach a level of economic and trade power in the world that is now the number one partner of many countries, and in the near future, it is said that it will take over the United States in terms of domestic production.

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<sup>294</sup>[http://prb.iauctb.ac.ir/article\\_510756\\_8c55ddbb7128722a95fef3197a891ffa.pdf](http://prb.iauctb.ac.ir/article_510756_8c55ddbb7128722a95fef3197a891ffa.pdf)

<sup>295</sup> Matil, Alexander (2005), Encyclopedia of Nationalism, 2005P143) translated by Saeedeh Mousavi, Tehran, Office of Political and International Studies, Ministry of Foreign Affairs

### **Sanctions and its relations to Iran-China relations**

Currently, the United States and Europe have imposed several direct and secondary sanctions against Iran, the effects of which cannot be ignored. China, on the other hand, has not imposed direct sanctions on Iran and Iranians, and only occasionally China's adherence to some Western sanctions laws has created problems.

European countries have reduced Iran's oil purchases to zero for nearly a decade, but during this time, despite secondary US sanctions, China has remained the largest buyer of Iranian oil and has worked with Iran to circumvent Western sanctions.

China has been Iran's first trading partner for many years and is Iran's largest non-oil export destination. European countries, on the other hand, have a total share of one to two percent in Iran's non-oil exports.

Concerning the foreign investment and cooperation in infrastructure development, in recent years, European countries have only promised to invest in Iran, and the entry of European companies into the Iranian market has been only for the purpose of benefiting from the large domestic consumer market. On the other hand, during this period, several infrastructure projects have been implemented by the Chinese in Iran. China, except in most cases, has recognized Iran's rights and voted in favor of Iran in international forums.

Such conditions have made the prospect of bilateral relations between Iran and China very positive and constructive, and have encouraged the leaders of the two countries to establish a relationship based on mutual interests.<sup>296</sup> In other words, China has been a major driver of growth for the world economy. China has based its partnership on countries rather than on "strategic alliances, on the basis of "partnerships".

Friendly partnership, strategic partnership, comprehensive strategic partnership, are among the various levels within which Beijing frames its relationship with governments. China's goal is to create, but is not limited to, an integrated and cohesive economic zone along the route of the old Silk Road countries.

The New Silk Road consists of three routes: North, Central and South. The northern part connects China to Russia and Europe through Central Asian countries. The central route from Central Asia to Iran and the Persian Gulf, as well as Turkey and the Mediterranean Sea. The southern route starts from China and ends in Southeast Asia, South Asia and Pakistan and the Indian Ocean

### **China seeking to become an economic power**

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<sup>296</sup>Tasnim News Agency , 27 Mehr, 1400 ( 27 October 1400)

China is working to become a world power. Investing in industrial and manufacturing infrastructure and trying to increase the rate of economic growth in this country is solely for the purpose of increasing economic power and becoming an industrial and developed economy.

China can emerge as a world power only when neighboring countries or countries that are located with China in a geographical area and continent first accept it as a great economic power.

The closer economic ties between China and other members of the Asian continent could be due to efforts to prove the country as an Asian economic hub. A pole that has the potential to become an influential member of the global economy and could become the world's largest economy in the not-too-distant future.

The second issue is that China can benefit from the expansion of its economic and trade relations with Asian countries, and that is why the traces of this powerful economy can be seen everywhere in Asia. At the same time, given the negotiations that have been held in various fields with Asian countries, especially the members of the Middle East, it can provide the ground for increasing its income and profitability.

In other words, China is trying to develop its economic and trade relations with Asian countries and members of the Middle East to prove to them that it is a major hub in the world economy and its role in the international arena is not negligible. Once the Asian countries have deeply accepted this, it is time to prove their economic power and capability around the world.

China continue to warm its economic and trade relations with the Middle East in order to gain a stronger foothold in Asia and, in turn, to strengthen its international position.

### **China and Iran : A relationship beyond oil<sup>297</sup>**

The two civilizations of Iran and China have had a history of cultural, political, and economic exchanges along the Silk Road since at least 200 BC, and possibly earlier. To this day, China and Iran have developed a friendly economic and strategic partnership.

In March 2021, Iran and China signed a 25-year comprehensive strategic partnership cooperation agreement that will strengthen the relations between the two countries and that will include “political, strategic and economic” components <sup>298</sup>

The relations between Iran and China has deep roots in the history. The Handynasty diplomat and explorer Zhang Qian, who visited neighboring Bactria and Sogdiana in 126 BCE, made the first known Chinese report on Parthia. In his accounts Parthia is named "Ānxi" a transliteration of "Arsacid", the name of the Parthian dynasty. Zhang Qian clearly identifies Parthia as an advanced urban civilization, whose development he equates to those of Dayuan (in Ferghana) and Daxia (in Bactria).

Iran and China have quietly drafted a sweeping economic and security partnership that would clear the way for billions of dollars of Chinese investments in energy and other sectors, undercutting the

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<sup>297</sup>Tejarat Farda Review, 2014, No.87

<sup>298</sup> "Iran-China to sign 25-year cooperation pact: Tehran". Arab News. 27 March 2021. Retrieved 27 March 2021.

US administration's efforts to isolate the Iranian government. Two ancient Asian cultures, two partners in the sectors of trade, economy, politics, culture and security with a similar outlook and many mutual bilateral and multilateral interests will consider one another strategic partners,

Iranian supporters of the strategic partnership say that given the country's limited economic options, the free-falling currency and the dim prospect of U.S. sanctions being lifted, the deal with China could provide a lifeline.

The critics have cited previous Chinese investment projects that have left countries in Africa and Asia indebted and ultimately beholden to the authorities in Beijing. Moreover, the lack of observing liberal norms is another controversial issues which is claimed by the west vis-à-vis China.

Reviewing the record of cooperation between Iran and China, it can be said that the Sino-Iranian relationship is rooted in pragmatic cooperation on areas of overlapping interest but has evolved in recent years into a partnership more pointedly opposed to the U.S.-led international order.

Iran's location at the crossroads between Central Asia, the Middle East, and Europe makes it an important regional hub <sup>299</sup>. China has become the dominant external player in Iran's economy. China is now Iran's largest trade partner, its largest oil purchaser, and its largest foreign investor. Iran holds great geostrategic significance for China. Iran is not only one of China's largest oil providers, but also a key potential energy transport hub between the Middle East, Central Asia, and Europe.

The relationship is asymmetrical, though: due largely to its economic isolation. China and Iran should be viewed not as "strategic partners," but as "fair-weather business partners." Their relationship is highly pragmatic, and although they now share many strategic interests, in the long run, China's need to maintain good relations with Western powers may affect China's relationship with Iran.

Economic sanctions against Iran have driven the development of greater China- Iran economic ties. Having been cut off from the West by sanctions, Iran has engaged in a "Look East" economic strategy. China has been a major beneficiary. Given the desire of China to revive old silk road based on an economic strategy, therefore, such a strategy would seek to build an integrated system to transport energy between Asia and the Middle East. At the same time, it should not be neglected that U.S. coordination with China and other powers in the Persian Gulf might have impacts on China-Iran relationship

China has long been attuned to the Middle East's geopolitical significance. It is also aware of Iran's geostrategic location within the region, its crucial role in the global energy market, and its aspirations to become a regional power. The Chinese policy-makers and analysts have consistently tied developments in the Persian Gulf to great-power rivalry and the global balance of power.<sup>300</sup>

China's growing influence coupled with its Belt and Road Initiative have major strategic implications as Beijing seeks to link its economic, geostrategic and security interests. Nowhere is this more evident than its relationship with Iran, as it helps China enhance its points of interest and

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<sup>299</sup>[https://www.uscc.gov/sites/default/files/2021-06/China-Iran\\_Relations.pdf](https://www.uscc.gov/sites/default/files/2021-06/China-Iran_Relations.pdf)

<sup>300</sup> [https://www.cna.org/CNA\\_files/PDF/D0023622.A3.pdf](https://www.cna.org/CNA_files/PDF/D0023622.A3.pdf)



link the Middle East, Central, and South Asia together. It also gives Iran a much-needed boost to its economic situation.

The relationship between Iran and China will continue to flourish along key strategic lines, tilting the strategic chess board to their benefit as their agreements will strengthen economic, political and defense ties between the two countries. From a Chinese angle, strong ties with Iran will help China expand its influence and promote its geopolitical interests in the Middle East, Central Asia, Pakistan, and elsewhere in the short and long term.<sup>301</sup>

Ultimately, Iran's recent cooperation pact with China gives Tehran a political and rhetorical boost vis-à-vis the outside world, and the U.S. in particular. It formalizes the growth in Iran-China ties and could establish the groundwork for protection against future international isolation.<sup>302</sup>

Iran foresees many benefits to joining the SCO. It believes that by joining the world's largest regional organization in terms of geographic scope and population, it can neutralize U.S. efforts to isolate it. Second, full accession to the organization could establish a new role for Iran in the regional security order of Central and South Asia as an influential player that respects multilateralism in the region and beyond.<sup>303</sup>

Since the establishment of diplomatic relations between China and Iran, the friendship and cooperation relations between the two countries have developed steadily. In 2016, the Chinese President Xi Jinping's successful visit to Iran upgraded the bilateral relations up to a comprehensive strategic partnership. The political mutual trust and pragmatic cooperation in various fields have been greatly enhanced ever since.

## **Conclusion**

In the span of a few short decades, China has established itself as a global actor. It has solidified its role as one of a small handful of countries with interests spanning the globe and the capacity to act on them. China's presence is now felt in every corner of the world.<sup>304</sup> Amid growing US-China rivalry, China is eager to continue building up its own footprint in the international arena and to become technologically independent from the US. China's role as major trading partner for many countries in the world has provided a significant set of tools to exercise its influence in bilateral relations as well as on a multilateral level. Under the framework of the Belt and Road Initiative, China has diversified its economic and political relations; has established trading routes with access to harbors and trading hotspots all over the world and created a new framework under which Chinese companies can access and develop new markets.

From a Chinese perspective, connectivity has become an important feature in China's interaction with the world, intended to contribute to economic growth processes in previously rather isolated

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<sup>301</sup>The Diplomat ( <https://thediplomat.com/2021/12/the-china-iran-strategic-partnership-40-years-in-the-making/> )

<sup>302</sup>(<https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/iran/irans-new-partnership-china-just-business-usual> )

<sup>303</sup> FP News, (<https://foreignpolicy.com/2021/10/26/iran-china-russia-sco-raisi-turns-east/> )

<sup>304</sup>Global China – Regional Influence and Strategy <https://www.brookings.edu/research/global-china-regional-influence-and-strategy/>

countries and regions.<sup>305</sup> China is willing to go beyond its region and get involved in the international scene, even if its involvement does not automatically entail an adjustment to international norms.<sup>306</sup> While China had benefited especially in Africa, but also in Latin America, from its attractiveness as an emerging power with quasi great power status, Beijing is not totally immune to criticisms that are usually aimed at Western powers with a colonial past.<sup>307</sup>

China's growing influence coupled with its Belt and Road Initiative have major strategic implications as Beijing seeks to link its economic, geostrategic and security interests. Nowhere is this more evident than its relationship with Iran, as it helps China enhance its points of interest and link the Middle East, Central, and South Asia together.<sup>308</sup> China-Iran relations were also essential from an economic perspective, their trade relationship was so extensive that Iran became China's number one trading partner in the entire Middle East. This mutually beneficial relationship was extremely important for Iran as it grappled with issues related to the war and other economic and political challenges.<sup>309</sup> China may be developing a new "Silk Road" strategy in which Iran plays an important role. Such a strategy would seek to build an integrated system to transport energy between Asia and the Middle East. Iran holds great geostrategic significance for China. Iran is not only one of China's largest oil providers, but also a key potential energy transport hub between the Middle East, Central Asia, and Europe.<sup>310</sup>

China has not only bought crude oil from Iran but also become significantly involved in its upstream and downstream production processes through significant investment. The economic aspects of the China-Iran relationship are inseparable from the two countries' pursuit of political objectives and geopolitical objectives. China remains Iran's largest buyer of Iranian crude oil, which is one of Iran's largest exports. Chinese investment in infrastructure projects could properly assimilate Iran into the Belt and Road Initiative (BRI) as a transit point between Asia, Europe, and the Middle East. Iran-China Comprehensive Strategic Partnership reflects the natural evolution of relations between the two countries and parallels similar Chinese engagement with other Middle Eastern powers.<sup>311</sup>

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<sup>305</sup><https://www.kas.de/en/chinas-rolle-in-der-welt>

<sup>306</sup><https://www.cairn.info/revue-politique-etrangere-2008-5-page-51.htm>

<sup>307</sup> Ibid

<sup>308</sup> The Diplomat, <https://thediplomat.com/2021/12/the-china-iran-strategic-partnership-40-years-in-the-making/>

<sup>309</sup> Ibid

<sup>310</sup>[https://www.cna.org/CNA\\_files/PDF/D0023622.A3.pdf](https://www.cna.org/CNA_files/PDF/D0023622.A3.pdf)

<sup>311</sup><https://www.iiss.org/blogs/analysis/2021/04/china-iran-deal>

# **Connectivity and BRI**

## **Iran-China Multipurpose Relations**

Bahram Amirahmadian\*

The outbreak of the Islamic Revolution in Iran was accompanied by a transformative development in China led by Deng Xiao Ping. The symmetry of these two developments brought the relations between the two countries into an era of new nature. With the outbreak of the Islamic Revolution, Iran's foreign policy changed and it was on the path to revolutionism with the slogan “Neither Eastern nor Western”. On the other hand, in China in December 1978, at the third session of the 11<sup>th</sup>. Congress of the Communist Party, the country's macro strategy changed from revolutionism to expansionism. Symbolically, Iran and China changed their place in international politics. America's conservative and ally Iran became the stronghold of the revolution, and the revolutionary China, which once sought to destroy imperialism, made rationality the centerpiece of its foreign policy and entered into strategic partnership with the United States as the leader of the capitalist camp. The symmetry of these two developments led ideology to play little role in the relations between the two countries and mainly to link their material interests. During the Islamic Revolution, in some political groups formed during the revolution, Maoist movements were also influenced by the propaganda of the Chinese Communist Party, which, of course, had little weight among the national and Islamic currents that were ultimately eliminated.

Iran is following its independence according to its foreign policy. Even before the Trump presidency when Iran solved its nuclear deal with international organization in the framework of Joint Comprehensive Plan of Action (JCPA), Iran was hopeful to diversify its foreign policy and improve its relation with the West especially to the EU. In that case Iran decided to negotiate with American and European companies to buy passenger aircrafts from Boeing and Airbus, and signed agreements to receive more than 200 aircrafts. Some European countries started to negotiate with Iran to invest in the oil industry and construction and transportation in Iran.

China in the last decade (2010-2020) was the first trade partner of Iran and it had high place among Iran's trade partners with 25 % share in foreign trade of Iran. Especially during economic sanctions of West against Iran, which Iran was under the hard situation on its economy, and was not able to export its oil China played a significant role in Iran economy. So, China benefited double, from one side import cheap price oil, and from the other side exported its several goods to Iranian market, that before, Iranian light industries were producing it. Because of the Chinese economic structure in which the production of export goods produced more cheaper than Iranian one, and were competitive in international markets, the Chinese imported goods made Iranian light industries to be closed and finally had some negative results in Iranian national economy. In this period of the time China in Iranians attitude had negative looks. Although in the political and international environment China supported Iranian side.

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## **Background of relations**

Iran's relations with China can be divided into two historical and modern periods. Both Iran and China were from the Eastern Empires in ancient times and have a history of ancient governance. The two empires, which had established special relationships in each other's neighborhoods over the centuries, played a role in each other's historic Silk Road and mutual cultural influence. After the outbreak of insecurity in the region, and the emergence of the Mongol Empire and the closure of the Silk Road, following geographical exploration and development of maritime routes, these relations disappeared. These two Great Empires of the East, almost in a historical period, the 18th and 19th centuries CE, deteriorated and colonized. In this period, until reconnection, centuries have passed until, under the influence of the Russian Bolshevik Revolution, there was also a communist revolution in China in the middle of 20<sup>th</sup>. century.

It can be said that the relationship between the two countries with the new system based in China has been around for five decades. In the post-World War II era, On the one hand, Iran was at the forefront of the battle against communism, and on the other hand, China, after decades of civil war, finally won the Communist Revolution in 1949, and a new era began on the axis and circuit of Maoist communism in the country.

Naturally, Iran did not recognize communist China and, in keeping with the Western world, recognized Taiwan as a representative of the Chinese people. This period, which lasted from the victory of the Chinese Revolution to the early 1970s, can be considered a tense period in relations between the two countries. During this period, China considered Iran as a “loyal servant of imperialism”, and Iran was dubbed China an expansionist and aggressor country. But regardless of the literature of the two countries on each other during this period, the fundamental point is that they were on both sides of the Cold War, and naturally this period came to an end in the early 1970s. At this section, the United States re-stated its relations with China in the form of “table tennis diplomacy”, and the way to redefine Iran-China relations has always been. Ashraf Pahlavi's (sister of Iranian king) visit to China in April 1971 could be considered the starting point for a new era in Iran-China relations, which lasted until the Islamic Revolution in Iran. During this period, formal relations between the two countries were established and initial steps were taken to build trust and cooperation.<sup>312</sup>

Throughout the 42-year history after the Islamic Revolution, Iran has never experienced strong relations with any of the powers in the international arena other than China. Despite the developments and challenges in the regional and international arenas, neither country has been considered a rival to the other in its foreign policy. Because China, as one of the world's major powers, has pursued and followed a number of important principles, including respect for the territorial integrity of countries, non-interference in their internal affairs, peaceful coexistence in the international community. That's why we can dare say that the two countries have enjoyed relatively stable relations over the course of four decades<sup>313</sup>.

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<sup>312</sup>Mohsen Shariatinia, Determinants of Iran-China Relations, Quarterly Journal of Foreign Relations, 4th Year, No. 2, Summer 2012, p. 179-210

<sup>313</sup>Iran and China: The Necessities and Realities of Mutual Cooperation in New Global Confrontations.  
<http://irdiplomacy.ir/fa/news/2001428>

### **The level of Relations**

Relations between the countries of the world indicate the formation of rules that are neither built by us nor imposed on the countries of the world. Rather, we need to understand and consider these rules like all of these rules. One of the most important rules governing international relations can be found in this famous sentence: “countries do not have permanent friends and enemies”. Countries have permanent interests, so in relation to China, we can also point to areas of common interests, conflicting interests, parallel interests, and even conflicting interests. If so, then the relationship with China as a regional power trying to give global dimensions to its power can be very important to us.<sup>314</sup>

Political relations between Iran and China are always subject to various considerations that economic issues and the type of policies and stances of the two sides on international and regional issues play a very important role in this regard. Accordingly, and influenced by the economic considerations of political relations, the two sides have always enjoyed a favorable level of positions that the two sides have adopted on regional issues such as Syria and China has turned to the role of action in this field of combat, naturally aligned with Iran's policies. Beijing's veto of anti-Syrian resolutions on the Security Council, along with Moscow, has fulfilled the demands of the Islamic Republic of Iran. Beijing, which has turned to an American congress on the Syrian stage with the aim of preventing the West from conducting international procedures and norms in order to interfere in the internal affairs of countries, especially in Western Asia, has the need for thought and strategy with Iran. Of course, China's positions on the United States and its conflicts with Iran have been in the middle of two convergent and divergent trends with Iran, which seems to be considerable. However, in evaluating the level of political relations between the two countries, these relations can be considered as desirable and among the expanding relations. In 2016 we witnessed the visit of the Chinese President to Iran with a high-ranking delegation, and since the inception of the 11th government in Iran, the political relations between the two countries have been unprecedentedly expanding. The visits of high-ranking officials and cross-country political and economic trips have increased dramatically, and in the last years, the presidents of the two countries have met each other and foreign ministers have met several times. The meetings of officials of the two countries and their declared positions on important international and regional issues and China's promise to support Iran's membership in the Shanghai Organization all indicate the importance of high political importance of the two countries' relations for each other and indicate that bilateral relations in this sector are at favorable levels and degrees.<sup>315</sup>

### **China's power-driven policy**

After a period of closed-door policy and disconnection with the West, China experienced a strategic turnaround in the field of foreign policy. Of course, this change itself has been the effect of the necessities and requirements that this country has made inside. Finally, since the 1970s, Beijing opened its doors to the Western world and began diplomatic political interactions with

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<sup>314</sup> ibid

<sup>315</sup>Comprehensive study of bilateral relations between Iran and China, Deputy of Political-Legal Research, Office: Political Studies. Research Center of The Islamic Consultative Assembly. Subject Code: 062, Machine Gun Number: 52801, May 2016

mainly economic incentives. Since China's macroeconomic strategy was defined in the form of economic development, and this strategic goal, firstly without a secure regional environment and then without capital and technology, could not be achieved, the country also took a close path with the West and the United States, which continues to this day. In fact, China's power-based policy in the economic sphere has made it inevitable to adopt a policy of communicating with the West because it considers the structure and economic capacity of the West to complement its economic objectives. This is while Iran has experienced a fundamental conflict with the West. As has been observed so far, Beijing has acted in a vibrant way in its policy of conflict between Iran and the West. This means that while maintaining the level of relations and interactions and exchanges with Iran, it has maintained strategic relations with the West and the United States. Accordingly, one cannot expect that China can be treated as an ally under sensitive circumstances. Tehran-Beijing's relationship has never entered the stage of strategic unity, but that does not mean that a meaningful and effective relationship has not been formed or will not be formed between them. The relationship between the two countries is a strategic relationship and not a strategic alliance. Because the two sides' attitudes are different from those of western countries and the United States, and this is a challenge to the expansion and deepening of bilateral relations, which, of course, should be the comprehensive management of Beijing-Tehran relations on the agenda in order to neutralize it.<sup>316</sup>

### **Volume and level of strategic military relations**

Military and strategic relations between Iran and China expanded after the Islamic Revolution and especially after the beginning of the imposed war. On the one hand, Iran, which has been the target of Iraq's aggression policy with the support of Western powers and faced arms restrictions, considers China as a source of weapons and war supplies, and on the other hand, China, as a country opposed to regional hegemony by the United States and its allies in various regions, including the Persian Gulf, was in harmony with Iran. Therefore, in order to prevent the disintegration of the balance for the benefit of the West and the United States in the region, China helped to equip and arm Iran in part (of course, China is also supplying weapons to Iraq on the basis of neutrality policy) this approach and procedure continues to this day, a look at the figures published by the Stockholm Peace Institute SIPRI clearly implies that in the last two decades Iran has received one of the most important China's weapons manufacturers.

The outbreak of the Islamic Revolution in Iran was accompanied by a transformative development in China led by Deng Xiao Ping. The symmetry of these two developments brought the relations between the two countries into an era of new nature. With the outbreak of the Islamic Revolution, Iran's foreign policy changed and it was on the path to revolutionism with the slogan "Neither Eastern nor Western". On the other hand, in China in December 1978, at the third session of the 11<sup>th</sup>. Congress of the Communist Party, the country's macro strategy changed from revolutionism to expansionism. Symbolically, Iran and China changed their place in international politics. America's conservative and ally Iran became the stronghold of the revolution, and the revolutionary China, which once sought to destroy imperialism, made rationality the centerpiece of its foreign policy and entered into strategic partnership with the United States as the leader of the capitalist camp. The symmetry of these two developments led ideology to play little role in the

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<sup>316</sup>Comprehensive study of bilateral relations between Iran and China, Deputy of Political-Legal Research, Office: Political Studies. Research Center of The Islamic Consultative Assembly. Subject Code: 062, Machine Gun Number: 52801, May 2016

relations between the two countries and mainly to link their material interests. During the Islamic Revolution, in some political groups formed during the revolution, Maoist movements were also influenced by the propaganda of the Chinese Communist Party, which, of course, had little weight among the national and Islamic currents that were ultimately eliminated.

China and Iran signed a 25-year strategic cooperation agreement on March 27, 2021, addressing economic issues amid crippling US sanctions on Iran.

The deal was reached on the 50<sup>th</sup> anniversary of the establishment of diplomatic relations between China and Iran and hailed as a major step forward that will see China invest US\$400-600 billion into the Iranian economy.

The deal was originally proposed in 2016, when the Islamic Republic of Iran and the People's Republic of China issued a joint statement on comprehensive strategic cooperation between the two countries and agreed to sign a plan for comprehensive cooperation.

After rounds of consultations and negotiations, Iran's Foreign Minister Mohammad Javad Zarif and the Chinese Foreign Minister Wang Yi signed the "Comprehensive Cooperation Agreement between the Islamic Republic of Iran and the People's Republic of China" (the Agreement) on March 27, 2021.<sup>317</sup>

### **Timeline**

January 2016. Chinese president Xi Jinping proposed a plan for cooperation during his visit to Iran.

June 2016. Iranian president Hasan Rouhani signs the final draft of the program and orders the Iranian foreign ministry to finalize negotiation.

October 2020. [President Rouhani sent a message to Xi Jinping about signing off on the program.

27 October 2021. China and Iran finally sign the Comprehensive Cooperation Agreement Between Islamic Republic of Iran and the People's Republic of China.

The relations between Iran-China within the framework of 25-year strategic cooperation agreement and different perspectives on it, should be mentioned that cooperation document can be examined from different aspects. Organizations, institutions, ministries and the National Security Council have come to the conclusion that this cooperation will promote economic prosperity, investment and job creation. On the other hand, it should be noted that this is not a document that has a certain executive guarantee and is just a roadmap that has requirements for implementation, and in various areas, especially the industry, energy, oil, gas and petrochemical sectors, it requires fundamental planning to become a contract and go through its legal process.

### **Belt and Road Initiative(BRI)**

Cooperation between Iran and China in the Belt and Road Initiative (BRI), in the framework of the transportation sector, cooperation in this area since 2018 and with the visit of Ali Larijani, the speaker of parliament to China was discussed and its studies have been conducted by the Parliamentary Research Center. In this regard two points should be considered. First, the initiative

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<sup>317</sup><https://www.china-briefing.com/news/the-china-iran-25-year-cooperation-agreement-what-is-it-and-should-regional-investors-traders-pay-attention/>



has two sections: the “21<sup>st</sup>. Maritime Silk Road” and “Silk Road Economic Belt”, which has six land corridors. We know that the majority of natural goods and raw materials are transported through waterways and more than 85% of commercial transportations of the world are carried out by sea. Therefore, the capacity of Iranian seaports can be used. The misconception about the BRI in the country some people in Iran assume their place on the ancient Silk Road position, which is located in a land corridor between Europe and China, while our oil and export goods are transported from the sea due to the long distance and high cost of land transportation.

Using Iran’s transit network capacity in the framework of this cooperation document, although we can benefit from transit by being placed in this corridor, in the BRI, there are six land corridors defined, only one of them which the name is the “China-Central Asia-West Asia” route, i.e. sending goods from China to Central Asia, Iran, Turkey and Europe. This corridor is not fully operational at present and we need to pay attention to it in the form of this long-term cooperation. After the military invasion of Russia to Ukraine and sanction of West against Russia that has closed China’s main BRI corridor named “New Eurasian Land Bridge Economic Corridor” that connect China to Europe via Russia, Belarus, Poland to Germany, can come to operation.

But if we want to work with China, we can suggest that in the transportation sector, it is not only the area of transit cooperation of goods, but we prefer that China invest in Iran in the framework of additional and assembling industries and carry semi-finished goods to come to Iran and then after finishing processing period with using Iranian available skilled man power, cheap energy, investment capacities and so on, China reexports completed goods to Europe. In this case China will benefitted in opportunity costs to export goods earlier than before, and Iran be shared in Chinese value chain. We do not like to play only a transit corridor to Chin BRI. At the same time, we must not become China's factory.

One of the criticisms of China, also seen in the BRI, as China's use of Chinese manpower in projects carried out by Chinese investment in other countries. In past cooperation between Iran and China, we have also seen the presence of Chinese manpower has been implemented in various projects. One of China's long-term goals is to invest in other countries and import consumer products to China in various industries, especially those that are polluting. So, we need to be smart so that we don't become a factory, road or environment for polluting Chinese industries.

The strategy of this issue (25 years strategic cooperation plan of Iran with China) the participation of the private sector and the government, for this purpose, the public and private sectors should decide on this upstream document together, and it is better that the role of the government with less interference becomes a focus on supervision so that we can link to the global value chain that China has created. Looking to the East doesn't make us needless of the West. Another notable issue regarding looking to the East is Iran's temporary membership in the Eurasian Union. Regarding the role of Iran-China cooperation document on the issue of Iran's view on the East in foreign relations and considering the Eurasian Union in this view, China is not a member of this union and Russia is grousing the country for China's cooperation with the BRI. In fact, the New Eurasia Land

Bridge corridor, which connects China's railways to Russia and connects China to Germany via Belarus and Poland and is considered a distribution, loading and unloading center, is an active corridor that after military invasion of Russia to Ukraine has been under the West's sanction had stopped. In this regard Iran can play a crucial role to China for starting the number six economic corridor in BRI.

## **Prospects for Bilateral Relations between Iran and China**

Estimating and evaluating the bilateral relations of countries in the foreseeable future requires paying attention to the power resources of the two countries, their ability to stimulate them, as well as the contextualizing of the opportunities and challenges mentioned in the report. According to the above, there are necessities on the political and economic calculations of Iran and China, which leads them closer to the continuation of the proceeds. In this regard, mental and administrative history of both sides has a decisive role. This means that the benefits and revenues that Iran and China have gained from bilateral relations in the political and security economic spheres have led to their positive approach to each other and therefore encourages the two sides to expand them while preserving these achievements. This approach requires the expansion of bilateral relations at a comprehensive level. In fact, the Iranian and Chinese sides will advance their relations on the basis of political and economic affairs and bilaterally and multilaterally (in the form of regional and international institutions). Especially with the rift between China and the West in the area of regional policies such as the Syrian crisis, and given the strategic opening up of the Iran nuclear standoff, the path to deepening Tehran-Beijing relations has been paved. Therefore, according to the evidences, it seems that China is one of the main centers of Iran's regional policy and as such, Iran, due to its economic capacities, especially in the field of energy and populous market, as well as its strategically stimulating capability at the international level, will be one of the main objectives of China's regional policy. The outcome of constructive mutual approaches of the two countries is to draw a promising vision of bilateral relations between Iran and China.<sup>318</sup>

Today Iran has closed multipurpose relations with China including political, economic, cultural, commercial, scientific, academic and strategic. Both countries with considering their own national interests and concerns work together in the above mentioned field and the relations are all in the friendship and respectful trends. Which is based on mutual respect based on friendship and non-interference in each other's internal affairs. These relations have been following their natural course since the establishment of the Islamic Republic of Iran.

Based on its independent foreign policy, Iran is interested in having good relations with the countries of the region in the framework of regional cooperation. In the priority of Iran's foreign policy, attention to neighboring countries is more important. The region countries, among the important powers in the framework of the Shanghai Cooperation Organization (China, India and Russia), the China Belt and Road Initiative, the Organization of Islamic Cooperation, OPEC and the like are interested.

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<sup>318</sup>Comprehensive study of bilateral relations between Iran and China, Deputy of Political-Legal Research, Office: Political Studies. Research Center of The Islamic Consultative Assembly. Subject Code: 062, Machine Gun Number: 52801, May 2016

# **Prospects for Continuity and Change of China's Role in Central Asia:**

## **In the example of Kazakhstan and Kyrgyzstan**

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Mehmet Yahya Çiçekli, \*\*  
Maksat Ajykan Uulu\*\*\*

This study evaluates the prospects for continuity and change of People's Republic of China's role in Central Asia in relation to the Belt and Road Initiative, BRI. There have been significant global, regional and national events between 2020 and 2022, which might alter China's position in Central Asia. The possibility of change can be estimated by examining the developments so far. China's position in Kazakhstan and Kyrgyzstan are taken here as examples for China's role. One Belt One Road initiative, renamed in 2016 as BRI, presents multiple trade routes, some of which pass through Central Asia. This study evaluates whether this initiative has affected China's economic presence in Central Asia. The hypothesis of this study is that the Belt and Road initiative did not noticeably change the trends of China's economic presence. Economic indicators show that China is nowhere dominant in the region and the growth rate is similar to previous years before the announcement of BRI. In order to understand the reasons, China's obstacles have been analyzed through news in the media and classified as popular reaction, states' demands and China's complaints. The recent global, regional and national events will have some effect on these obstacles, and it can be expected that China's presence in Central Asia will grow, but there will be no exponential growth in the coming decade as it was expected during the announcement of BRI.

### **Introduction**

People's Republic of China (PRC) is a growing economic power on the global scale, and especially in Asia and Africa China is playing an escalating role with its intensifying economic presence. Incumbent President of PRC, Xi Jinping, announced as centerpiece of China's foreign policy the "Silk Road Economic Belt" (later "One Belt One Road" (OBOR) and recently "Belt and Road "Initiative" (BRI)) in the Kazakhstani capital Astana (now Nur-Sultan) in 2013<sup>319</sup>. Financing new land routes for transporting China's export goods to the European market was a crucial part of this enthusiastic policy. As a newly risen super power, China is trying to gain a stronger foothold in

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<sup>319</sup>*China Daily* (2013), "President Xi proposes Silk Road economic belt", 07.09.2013; [https://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/07/content\\_16951811.htm](https://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/07/content_16951811.htm). (last retrieved on 08.06.2022)

Central Asia, which presents the shortest land route from China to Europe. The excess fossil fuel reserves of Central Asia are also appealing and important for China's huge energy demand.

The aim of this study is to evaluate China's recent position and examine its future prospects in Central Asia in the examples of Kazakhstan and Kyrgyzstan with respect to BRI. It is argued that although a radical growth of economic presence was expected in Central Asia following Central Asia's centrality in China's new foreign policy, there is neither an exponential nor a blatant arithmetic growth in China's Foreign Direct Investment (FDI) or export-import figures. In order to determine the reasons, problems and obstacles China confronts need to be defined. The answer for the future of China's investments in Central Asia lies in the possibility of solving these problems in the face of recent global, regional and national events between 2020 and 2022, such as:

### **Globally:**

*Covid-19:* In 2020, Covid-19 pandemic with global effects from increasing poverty and inequalities to health security, from rising online marketing to online working etc.

*Russo-Ukrainian War:* In February 2022, tension between Russia and NATO (or the US and EU) over Ukraine escalated. On February 21, 2022 Russia recognized separatist Ukrainian territories with Russian majority, the "Donetsk People's Republic" and the "Luhansk People's Republic". On February 24, 2022 with "Russian military operation" a war in Ukraine started, which was expected to be short but turned into a war of attrition for Russia. The war brought sanctions against Russia, which is sometimes called as the "New Cold War"<sup>320</sup>. The discussion about a "New Cold War" is not new, but there were different arguments about the "new evil" in global politics, whether it would be China or Russia<sup>321</sup>. With the war in Ukraine, Russia became the main antagonist for the West in the New Cold War.

### **Regionally:**

*Taliban's rise to power in Afghanistan:* In May 2021 US withdraw its troops from Afghanistan and in August Taliban re-captured most of Afghanistan including Kabul reestablishing the Islamic Emirate of Afghanistan, which brought a potential threat of the rise of Islamic fundamentalism in Central Asia.

*Unrest in Kazakhstan and Russia's intervention:* Between January 2 and 11, 2022, Kazakhstan was shaken by widespread popular uprising, which was suppressed with the intervention of the Collective Security Treaty Organization (CSTO) with member countries Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan but led by Russia, which was the first such operation of CSTO in its existence for 30 years, although assistance had been demanded in the

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<sup>320</sup> Dina Smeltz (2022), "Russians and Americans Sense a New Cold War - April 2022", *The Chicago Council on Global Affairs*. 09.06.2022, <https://policycommons.net/artifacts/2431650/russians-and-americans-sense-a-new-cold-war/3453242/> (last retrieved on 09.06.2022); Ian Bremmer (2022), "The New Cold War Could Soon Heat Up", *Foreign Affairs*, May 5, 2022; <https://www.foreignaffairs.com/articles/russia-fsu/2022-05-05/new-cold-war-could-soon-heat>. (last retrieved on 09.06.2022); James F. Smith, "Are we entering another Cold War? Probably not—but it could be even worse", *Harvard Kennedy School*, March 08, 2022; <https://www.hks.harvard.edu/faculty-research/policy-topics/international-relations-security/are-we-entering-another-cold-war>. (last retrieved on 09.06.2022).

<sup>321</sup> S. Mahmud Ali, *The US-China-Russia Triangle: An Evolving Historiography*, Cham: Springer Verlag, 2022.

past by Armenia and Kyrgyzstan<sup>322</sup>. This operation was considered as a sign of Russia's revival as a big player in Central Asia. It predates Russia's war in Ukraine and Russia's intervention was criticized by the US Secretary of State Antony Blinken as "one lesson of recent history is that once Russians are in your house, it's sometimes very difficult to get them to leave."<sup>323</sup> Russia (and CSTO), however, left Kazakhstan very quickly on January 13, when Russia's move triggered fear in Central Asian republics among the rulers and the people. Russian led CSTO intervention started as a national event but turned into an issue of regional anxiety. Russo-Ukrainian War has changed the situation in Central Asia again by relieving Russian pressure in Central Asia.<sup>324</sup>

### *Nationally:*

*Protests, change of president and return to presidential system in Kyrgyzstan:* In October 2020, Kyrgyzstan witnessed another wave of protests against unfair parliamentary election. President Jeenbekov had to resign, Japarov was elected as the new President and under his direction Constitution was changed to increase the presidential power and ending the parliamentary system of Constitution 2010. Parliamentary system was a unique example for Central Asia and even for most post-Soviet republics. If it were successful, it could rise the popular demand to shift from presidential to parliamentary system with division of power in other Central Asian republics as well, but it brought instability with frequently changing coalition governments not able to solve deeper problems of the country.

*Constitutional referendum in Kazakhstan on 5 June 2022:* During the suppression of the January protests President Tokayev's consolidated his power against the former President Nazarbayev. The constitutional referendum held on 5 June 2022 granted more power to the Parliament, and it stripped of former President Nazarbayev's power.

The main question of this study is how these national, regional, global events will influence the role of China in Central Asia? Will there be a radical change in implementing BRI in Central Asia or will there be a continuity unaffected (or less effected) by the changes? The change in the role of China in Central Asia can be estimated by looking at the developments so far. Thus, it should be answered first, whether there has been a radical shift (exponential growth) or continuity following the implementation of BRI in Central Asia. China's role and effect of BRI in Central Asia will be analyzed by statistics on Foreign Direct Investment (FDI) and export-import between China and Central Asia, exemplified by Kazakhstan and Kyrgyzstan. If BRI has not brought about an exponential growth, then the reasons, what prevented the implementation of BRI, need to be estimated, which can be studied through news in Kazakhstan and Kyrgyzstan. The effect of national, regional and global events will be considered accordingly.

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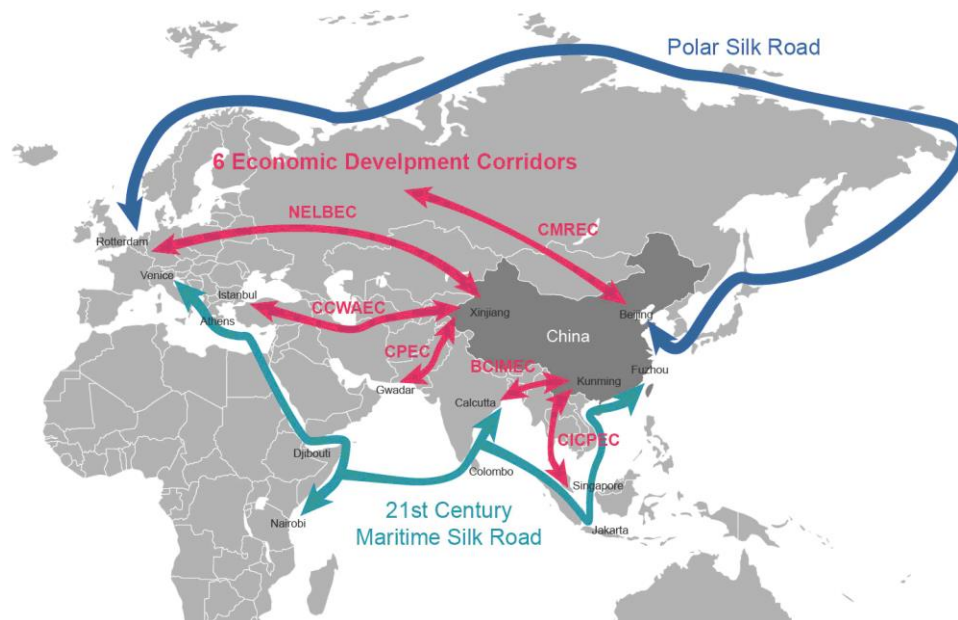
<sup>322</sup> Bruce Pannier, (2022). How the Intervention in Kazakhstan Revitalized the Russian-led CSTO, FPRI: Foreign Policy Research Institute. Retrieved from <https://policycommons.net/artifacts/2273603/how-the-intervention-in-kazakhstan-revitalized-the-russian-led-csto/3033430/> on 09 Jun 2022. CID: 20.500.12592/zt19n7 (last retrieved on 09.06.2022).

<sup>323</sup> *BBC News*, "Kazakhstan unrest: Blinken questions Russian troop deployment", 08 January 2022, <https://www.bbc.com/news/world-asia-59918004> (last retrieved on 09.06.2022).

<sup>324</sup> Diana T. Kudaibergenova & Marlene Laruelle (2022), "Making sense of the January 2022 protests in Kazakhstan: failing legitimacy, culture of protests, and elite readjustments", *Post-Soviet Affairs*: 13-14.

### **Belt And Road Initiative (BRI)**

The Belt and Road Initiative was first announced as the “Silk Road Economic Belt” in the Kazakhstani capital Astana (now Nur-Sultan) on September 7, 2013,<sup>325</sup> which was later renamed as “One Belt One Road” (OBOR), when it was expanded by adding sea routes under “the 21st Century Maritime Silk Road”, and shortened as BRI in 2016.<sup>326</sup> This Initiative presents multiple trade routes, some of which pass through Central Asia, namely New Eurasian Land Bridge Economic Corridor (NELBEC) and China – Central Asia – West Asia Economic Corridor (CCWAEC). BRI is historically based on the ancient Silk Road – as it was first announced by Xi Jinping –<sup>327</sup> but covers a wider area with sea routes of “the 21st Century Maritime Silk Road” and “the Polar Silk Road” including east coast of Africa, whole Asia and Europe. The Initiative is a long term intercontinental and transcontinental policy and program, which involves investment to infrastructural development and economic integration of countries.<sup>328</sup> As mentioned above, it was first publicized in Kazakhstan, which displays the significance of Central Asia for the project. Shortly after, in October 2013 the 21st Century Maritime Silk Road was pronounced in Indonesia, and on January 26, 2018, the Polar Silk Road was added to the BRI.



**Map 1. Land and Sea Routes of the Belt and Road Initiative**<sup>329</sup>

<sup>325</sup> China Daily, 2013; *People's Republic of China Ministry of Foreign Affairs* (2013), “President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries”, 07.09.2013, <https://www.mfa.gov.cn/ce/cegy/eng/zgyw/t1076334.htm>. (last retrieved on 10.06.2022)

<sup>326</sup> *People's Daily Online* (2016), “Chronology of China's Belt and Road Initiative”, 24.06.2016; <http://en.people.cn/n3/2016/0624/c90883-9077342.html>. (last retrieved on 08.06.2022)

<sup>327</sup> China Daily, 2013; *People's Republic of China Ministry of Foreign Affairs*, 2013.

<sup>328</sup> *BRI Belt and Road Initiative* (2022), “Belt and Road Initiative”, <https://www.beltroad-initiative.com/belt-and-road/>. (last retrieved on 10.06.2022)

<sup>329</sup> *BRI Belt and Road Initiative*, 2022.

## China's Economic Presence in Central Asia

China's economic presence in Central Asian countries can be studied by statistics of Foreign Direct Investment (FDI), export and import volume and finally debts in the examples of Kazakhstan and Kyrgyzstan. If China's BRI is effective, there should be an exponential growth in economic figures, because of the centrality of Central Asia in China's redefined foreign economic policies. China's FDI began growing in Central Asia around 2005 and hit the billion-USD mark in the middle of 2007. Between the beginning of 2007 and the end of 2008, the FDI tripled and climbed up to two-billion mark. China's FDI was almost non-existent at the beginning of the 21<sup>st</sup> century, but a decade later, in 2010 it was already above

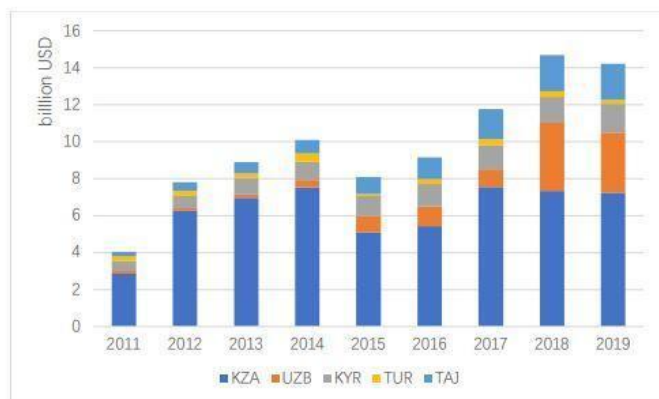


Figure 1: China's FDI to Central Asian countries from 2011 to 2019

Data Sources: 2019 statistical bulletin of china's outward foreign direct investment

3 billion dollars.<sup>330</sup>

**Table 1.** China's FDI in Central Asia between 2011 and 2019<sup>331</sup>

**Table 2.** China's Investment in Central Asian Countries between 2003 and 2018<sup>332</sup>



Source: Chinese Ministry of Commerce

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China's FDI in Central Asia had increased between 2011 and 2019. Compared to the 4 billion US Dollars FDI of 2011, 2019 presents more than three fold increase at 14 billion dollars. Whereas such a 10 billion dollar increase is nowhere near trivial, this does not mean a stable growth. 2015 and 2016 shows lower FDI compared to previous years. Also, 2019 is almost equal to the previous year with a small decrease. Still, the average growth in China's FDI is above 1 billion dollars annual. Among the five countries, Tajikistan and Kyrgyzstan have the most stable FDI from China, while Uzbekistan and Kazakhstan have the highest rise. Kazakhstan received most of the FDI, receiving at least half the volume of Chinese FDI throughout the years. The only country in the region without a billion-dollar Chinese FDI is Turkmenistan, and it is also the only country not experiencing an increase in Chinese FDI.<sup>333</sup>

Although there has been a growth of China's FDI in Central Asia, these tables indicate that the initiation of BRI in 2013 did not produce a radical shift in the investments. There are fluctuations in tables suggesting that the rate of investments depended on relations with singular countries

<sup>330</sup> Temur Umarov (2020), "China Looms Large in Central Asia", *Carnegie Endowment for International Peace*, 30.03.2020, <https://carnegiemoscow.org/commentary/81402>. (last retrieved on 10.06.2022)

<sup>331</sup> Zhang Lingzhi (2021), "Research on Import and Export Trade Based on China's FDI to Central Asian Countries", *International Journal of Innovation and Economics Development*, vol. 7, issue 1: 7-15.

<sup>332</sup> Umarov, 2020.

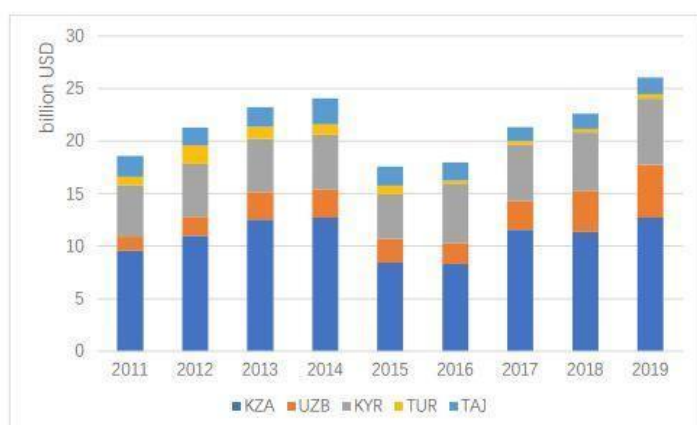
<sup>333</sup> Lingzhi, 2021.



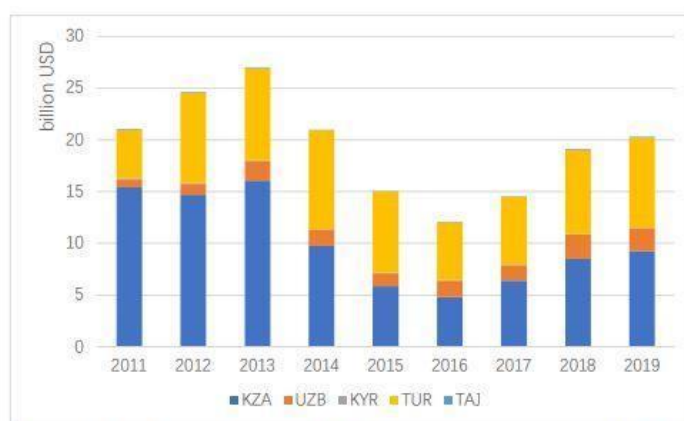
rather than a total plan about Central Asia. From 2011 to 2014 it rose and then declined depending on the investment in Kazakhstan. From 2015 to 2019 it increased again with new investments mainly in Kazakhstan and in Uzbekistan, where the new President Mirziyoyev undertook a more open policy for FDI – and to a lesser degree Chinese projects financed in Tajikistan.

### **China's Export to and Import from Central Asia Between 2011 and 2019**

China's export to Central Asia has risen one third, with more than 6 billion US Dollars increase between 2011 and 2019 and climbed above 25 billion dollars. During the last decade China's exports to Central Asia show a somewhat similar pattern to FDI, where Turkmenistan receives the lowest volume of export which has decreased over the years, while Kyrgyzstan and Tajikistan have the most stable exports from China. The only country in Central Asia with a somewhat stable growth in export from China is Uzbekistan, and highest proportional increase is also in exports to Uzbekistan. Kazakhstan has the highest volume of exports between 2011 and 2019 amounting to half of China's all exports to Central Asia. The value of China's exports to Kazakhstan was below 10 billion dollars in 2011 and shows a one third increase by 2014, and in 2019 it was still similar to amount in 2014.<sup>334</sup>



**Figure 3:** China's export trade to Central Asian countries from 2011 to 2019  
**Data Sources:** China Statistical Yearbook (2012-2020)



**Figure 2:** China's import trade from Central Asian countries from 2011 to 2019  
**Data Sources:** China Statistical Yearbook (2012-2020)

**Table 3.** China's Export to Central Asian Countries between 2011 and 2019<sup>335</sup>

**Table 4.** China's Import to Central Asian Countries between 2011 and 2019<sup>336</sup>

Since China's imports from Central Asia are mostly related to energy sources, Kyrgyzstan and Tajikistan, which are energy importers, are almost non-existent in China's import figures. While there was a fluctuation during the period, both in 2011 and 2019 the amount of total value of imports was a little above 20 billion US Dollars mark. Kazakhstan and Turkmenistan is the source of most of the imports with a share above 90% while Uzbekistan's slice reaches 10% only in 2016.

<sup>334</sup> Lingzhi, 2021.

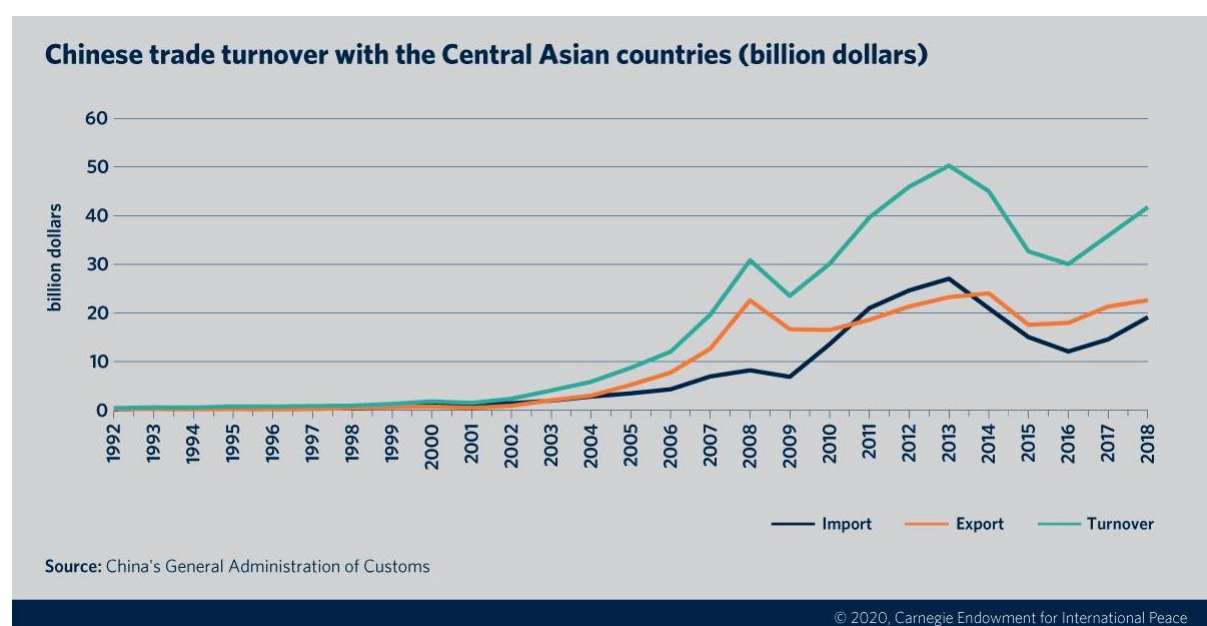
<sup>335</sup> Lingzhi, 2021.

<sup>336</sup> Lingzhi, 2021.



Kazakhstan's portion – based mainly on petroleum – in the China's import volume was decreased in more than a half over the years and Turkmenistan's share – based on natural gas – almost doubled so that in 2011, import from Kazakhstan was three times the amount of Turkmenistan's whereas in 2019 two countries had almost the same value of imports.<sup>337</sup>

China had little trade turnover with Central Asian countries before 2000s. It reached 10 billion US Dollars mark in 2005, with 20 billion mark in 2007 and 30 billion mark in 2008. Since then it has never fallen from that threshold except in 2009. The trade turnover reached 40 billion dollars mark in 2011 and reached an overall record of 50 billion dollars in 2013. Export and import volumes were somewhat balanced throughout the years except in 2008 and 2009, where China's exports were more than double the value of imports. Trade turnover was always in favor of China except a period of Central Asia's surplus between 2011 and 2013.<sup>338</sup>



**Table 5.** China's Overall Trade Turnover with Central Asian Countries between 1992 and 2018<sup>339</sup>

Table 5 on China's trade turnover with Central Asian countries clearly demonstrates that in the first decade of the 21<sup>st</sup> century the trade volumes increased steadily until the 2008 world economic crisis. After a short interval it rose again until 2013, when it fell again in 2016. The peak of trade turnover was in 2013, which is peculiar, as that year should have marked the beginning of a takeover with the initiation of BRI.

### **China's Economic Ties with Kazakhstan and Kyrgyzstan**

The statistical data about China's economic position in Central Asia presents that there are some problems in realizing BRI's economic influence in the region. In order to determine the obstacles China confronts, China's two neighbors and contact points on the New Eurasian Land Bridge Economic Corridor (NELBEC) and China – Central Asia – West Asia Economic Corridor

<sup>337</sup> Lingzhi, 2021.

<sup>338</sup> Umarov, 2020.

<sup>339</sup> Umarov, 2020

(CCWAEC), namely Kazakhstan (NELBEC) and Kyrgyzstan (CCWAEC) will be analyzed, but first the data on their economic relations should be examined.

As stated above, China's investments and exports to Kyrgyzstan are somewhat stable while increasing in a small rate, with a lack of imports from Kyrgyzstan. Kazakhstan is the largest partner of China in the region in terms of trade volume and also China's investments in the region.



**Table 6.** China's FDI in Kyrgyzstan, 2010-2020<sup>340</sup>

China has a visible position among Kyrgyzstan's foreign investors, with a yearly proportion higher than 20 percent since 2012. Peak year for China's investment is 2015 with an investment value of 470 million dollars followed by 2013 with 460 million dollars, followed by 2018 and 2019 with around 340 million dollars. Top years for China's position among foreign investors are 2013 and 2017, with China's share reaching 50 percent.<sup>341</sup>

### **Offset of China's Economic Presence at Its Focus: Kazakhstan**

As stated above, Kazakhstan is the focus of China's FDI since Kazakhstan receives most of the FDI from China with a proportion among Central Asian countries that does not fall from at least half the volume of China's FDI to the region. However, considering the amount of foreign investments in Kazakhstan between 1993 and 2018, China ranks the fourth following the Netherlands, USA and Switzerland.<sup>342</sup> In 2021, China was even pushed to the fifth position by Russian Federation. Netherlands had the highest amount of investment of 7 billion US Dollars, and it was followed by the United States - \$2.8 billion, Switzerland - \$2.6 billion, Russian Federation - \$1.9 billion. China closely follows Russia with \$1.8 billion. China's share of FDI in

<sup>340</sup> Statista (2022), "Foreign direct investment (FDI) from China into Kyrgyzstan from 2010 to 2020", <https://www.statista.com/statistics/1271965/fdi-inflow-from-china-into-kyrgyzstan/> (last retrieved on 12.06.2022)

<sup>341</sup> Statista, 2022.

<sup>342</sup> CABAR (Central Asian Bureau for Analytical Reporting) (2022), "Infographics: Why China Invests in Kazakhstan?", <https://cabar.asia/en/infographics-why-china-invests-in-kazakhstan>. (last retrieved on 12.06.2022)

Kazakhstan among these top 5 countries is a little bit over 10%, while it constitutes lower than 9% of total investment among top 10, and even less among all foreign investors.<sup>343</sup>

### **Evaluation of China's Role in Central Asia by Economic Indicators**

Economic indicators show that while China's economic presence globally grows, it is nowhere dominant in the region, and the growth rate is similar to previous years before the announcement of BRI. There is no geometric (exponential) growth for Kyrgyzstan, and not even a stable increase for Kazakhstan. In Kazakhstan, China invested in infrastructure for pipeline and road construction, and until 2013 they were nearly completed. After BRI Kyrgyzstan became part of China's economic expansion to the West through Central Asia, as in big projects in road construction, but without a significant growth of investment.

China has become an economic partner of the region in 2000s. China's role in trade volume and foreign investment began rising in the second half of the first decade of 2000s. Fluctuation in trade volume and investment of China implicates a volatile presence. For example, after a peak in trade volume was reached in 2013, there was a 40% decrease in the following three years. Such volatility means that the stability of economic growth of China in the region is not reliable. Over the last fifteen-year period, China's economic presence grew noticeable, but BRI have not brought a change to economic trends and there is no dramatic change in growth after the BRI.

China's expansion to Central Asian markets grew following the investments in transport, energy, telecommunications infrastructure and hydropower plants. In Kazakhstan China invested in big pipeline projects, also roads were constructed connecting China to Kazakhstan. Kazakh city of Khorgas was already operating as a dry port on the "New Eurasian Land Bridge" before BRI. Kyrgyzstan, on the other hand, was not part of China's infrastructural expansion to the west. After 2013 construction of roads and logistic centers became a priority for China, which are still under construction. It should be mentioned that these projects were supported by the Kazakh and Kyrgyz governments as well. In the recent years, China shifted its investments in Central Asia from infrastructural projects to manufacturing, diversifying China's risks and helping it to take deeper roots in the economies of Kazakhstan and Kyrgyzstan.

### **The Obstacles Preventing China's Expansion to Kazakhstan and Kyrgyzstan**

China confronts a wide range of obstacles in the region, which most probably prevented China to play a bigger role in Central Asia, specifically in Kazakhstan and Kyrgyzstan. Firstly, there is a considerable Sinophobia among the peoples of Kazakhstan and Kyrgyzstan. News on protests against China or even attacks on Chinese citizens or businesses are not exceptional cases.<sup>344</sup> These protests can be classified in two categories: against China's investments and policies towards Uighur minority in the Xinjiang Uighur Autonomous Region (XUAR).

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<sup>343</sup> *Kapital* (2022), "В 2021 году объем иностранных инвестиций в РК превысил \$23 млрд", 04.04.2022, <https://kapital.kz/economic/104293/v-2021-godu-ob-yem-inostrannykh-investitsiy-v-rk-prevysil-23-mlrd.html> (last retrieved on 12.06.2022)

<sup>344</sup> Olzhas Auyezov, Pavel Mikheyev, Tamara Vaal, William Maclean (2019), "Dozens protest against Chinese influence in Kazakhstan", *Reuters*, 04.09.2019, <https://www.reuters.com/article/us-kazakhstan-china-protests/dozens-protest-against-chinese-influence-in-kazakhstan-idUSKCN1VP1B0>. (last retrieved on 12.06.2022)

Even before the growing Chinese presence and the Uighur problem, there was a strong Sinophobia in Kazakhstan and Kyrgyzstan. Both people have negative memories with their eastern neighbor resting on a long past, and they are alert on a territorial expansion of China. The big demographic difference with China is also considered as a threat; they are afraid of being swallowed by Chinese population. The past with China and demographic difference were potential threats for the peoples of both countries, which were stimulated by China's investments bringing its own labor force from China. Now, growing number of Chinese workers, marriage with local women – although it is rare – and settlement of some Chinese citizens are facts, which are reflected in protests.<sup>345</sup>

These protests have the power to stop China's investment. In 2019, China and Kazakhstan signed a big project for relocating 55 factories from China to Kazakhstan, which was supported by the Kazakhstani government in expectation of new jobs. However, it was cancelled as a result of widespread protests.<sup>346</sup> The public anger against Chinese investments in Kyrgyzstan is also similar. According to the Oxus Society in Central Asia's protest tracker "603 protest activities occurred in Kyrgyzstan between 2018 and 2020, with 10 percent focused on anti-Chinese sentiments and China's mining operations in the nation."<sup>347</sup> In Kyrgyzstan there were also attacks injuring Chinese citizens, which were protested by the Ambassador of PRC in Bishkek.<sup>348</sup> Kyrgyz people neither trust the government nor the China.<sup>349</sup> Again similar to Kazakhstan they are not reluctant on stopping big projects. Kyrgyz people are afraid of China's "invasion", because in 2001 Kyrgyz state accepted to give a small plot of land to China under pressure. Chinese investors lease land from the Kyrgyz state for 49 years, which is considered as land grab by the people.<sup>350</sup>

The second biggest project of transportation – after Khorgos Gateway in Kazakhstan - connecting China through Central Asia on the Silk Road Economic Belt is CCWAEC starting in Kyrgyzstan. CCWAEC is aimed to connect Kashgar (XUAR, China) with the Kyrgyz city of Osh. It does not only aim to construct an alternative route to the West, but it will also connect China with Uzbekistan, Turkmenistan, Tajikistan and Iran (see Map 2). Thus it is vital for connecting China with the heart of Central Asia. The project also includes a free trade zone – similar to Khorgos Gateway – on the Kyrgyz border of At Bashy. The free trade zone in At Bashy was abandoned

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<sup>345</sup> *Eurasinet* (2019), "Kyrgyzstan: Another week, another anti-China rally", 17.01.2019, <https://eurasianet.org/kyrgyzstan-another-week-another-anti-china-rally>. (last retrieved on 12.06.2022)

<sup>346</sup> Auyezov, Mikheyev, 2019.

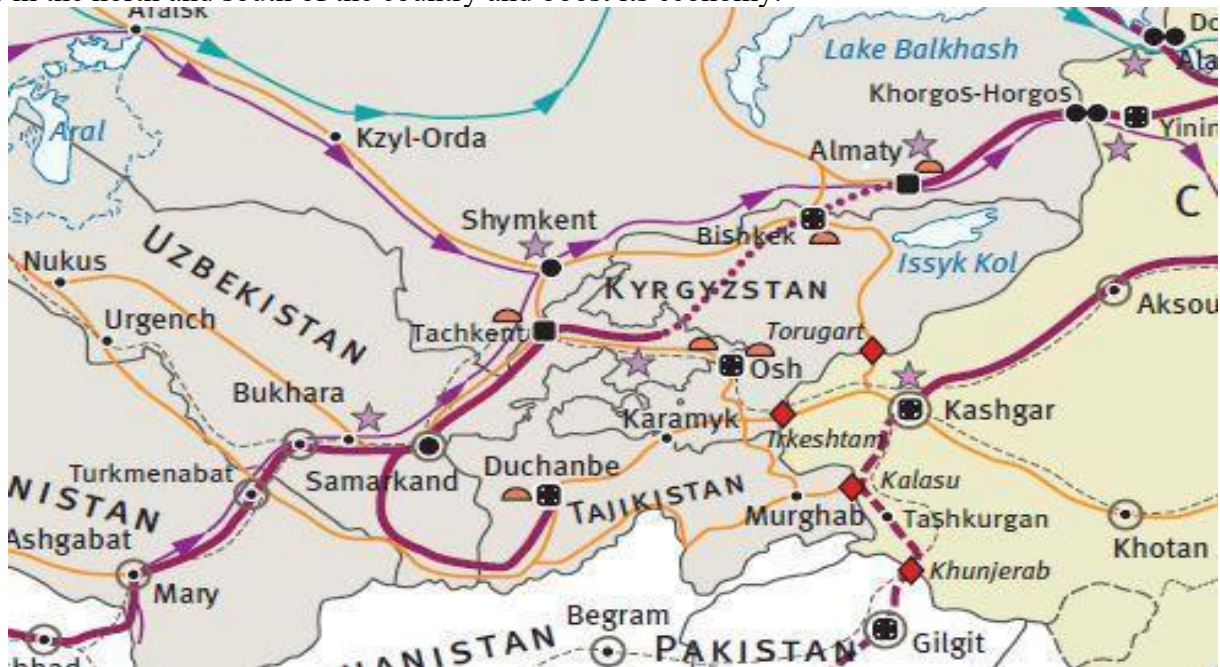
<sup>347</sup> Khiradmand Sheraliev (2021), "Mining Kyrgyzstan: Chinese Companies Encounter Increasing Conflict", *The Diplomat*, 29.11.2021, <https://thediplomat.com/2021/11/mining-kyrgyzstan-chinese-companies-encounter-increasing-conflict/#:~:text=Beijing%20accounted%20for%20about%20half,percent%20of%20all%20Chinese%20FDI>. (last retrieved on 12.06.2022)

<sup>348</sup> *China Daily* (2013), "18 Chinese workers injured in Kyrgyzstan clash", 01.01.2013, [http://www.chinadaily.com.cn/world/2013-01/10/content\\_16103803.htm](http://www.chinadaily.com.cn/world/2013-01/10/content_16103803.htm) (last retrieved on 12.06.2022)

<sup>349</sup> Beril Ocaklı, Tobias Krueger, & Jörg Niewöhner, (2020). "Shades of Conflict in Kyrgyzstan: National Actor Perceptions and Behaviour in Mining". *International Journal of the Commons*, 14(1): 191–207.

<sup>350</sup> Aizat Shailoobek kyzy (2021), "Is anti-Chinese sentiment in Kyrgyzstan strong enough to freeze a key Belt and Road Initiative project?", *Global Voices*, 05.08.2021, <https://globalvoices.org/2021/08/05/is-anti-chinese-sentiment-in-kyrgyzstan-strong-enough-to-freeze-a-key-belt-and-road-initiative-project/> (last retrieved on 13.06.2022)

after protests.<sup>351</sup> The China-Kyrgyzstan-Uzbekistan Railroad was on the shelf for years, and it was even considered by some as a hopeless case,<sup>352</sup> although presidents of all three countries were positive about its construction.<sup>353</sup> Finally, on May 20, 2022, President of Uzbekistan Mirziyoyev announced that the construction will start in Autumn 2022 and defined it as “the biggest project in the whole history of independence”.<sup>354</sup> On May 20, 2022, first at a cabinet meeting on the development of railway transport for 2022-2026, Prime Minister of Kyrgyzstan Akylbek Japarov mentioned the construction, then Kyrgyz President Japarov declared that the construction will start in 2023, “after feasibility study will be completed”.<sup>355</sup> There are still many problems to be solved, such as the differences of gauge between China and post-Soviet republics and the budget,<sup>356</sup> and also the route is a conflicting issue, as “China and Uzbekistan want a shorter and cheaper transit route to Europe and the Middle East, whereas Kyrgyzstan prefers a longer variant that will connect centres in the north and south of the country and boost its economy.”<sup>357</sup>



<sup>351</sup> *Silk Road Briefing* (2020), “Kyrgyzstan Cancels China Logistics Super-Hub Investment After At-Bashy Protests”, 28.02.2020, <https://www.silkroadbriefing.com/news/2020/02/28/kyrgyzstan-cancels-china-logistics-super-hub-investment-at-bashy-protests/> (last retrieved on 13.06.2022)

<sup>352</sup> Jalil Saparov, Bakyt Ibraimov (2021), “China-Kyrgyzstan-Uzbekistan railway remains uncertain”, Jalil Saparov, Bakyt Ibraimov, 13.01.2021, <https://www.thethirdpole.net/en/regional-cooperation/china-kyrgyzstan-uzbekistan-railway-remains-uncertain/>. (last retrieved on 13.06.2022)

<sup>353</sup> Baktygul Osmonalieva (2021), “President: China – Kyrgyzstan - Uzbekistan railroad is road of friendship”, *24.kg News Portal*, 04.02.2022, [https://24.kg/english/222921\\_President\\_China\\_Kyrgyzstan\\_-\\_Uzbekistan\\_railroad\\_is\\_road\\_of\\_friendship/](https://24.kg/english/222921_President_China_Kyrgyzstan_-_Uzbekistan_railroad_is_road_of_friendship/). (last retrieved on 13.06.2022)

<sup>354</sup> *Gazeta.uz* (2022), “Строительство железной дороги Китай-Кыргызстан-Узбекистан могут начать осенью”, 21.05.2022, <https://www.gazeta.uz/ru/2022/05/21/railway/> (last retrieved on 13.06.2022)

<sup>355</sup> *Global Times* (2022), “China-Kyrgyzstan-Uzbekistan railway to start construction in 2023: Kyrgyz President tells local media”, 02.06.2022, <https://www.globaltimes.cn/page/202206/1267203.shtml>. (last retrieved on 13.06.2022)

<sup>356</sup> Majorie van Leijen (2022), “Is the China-Kyrgyzstan-Uzbekistan railway route finally happening?”, *Rail Freight*, 06.06.2022, <https://www.railfreight.com/beltandroad/2022/06/06/is-the-china-kyrgyzstan-uzbekistan-railway-route-finally-happening/?gdpr=accept>. (last retrieved on 13.06.2022)

<sup>357</sup> Saparov, Ibraimov, *The Third Pole*.

## Map 2. China–Central Asia–West Asia Economic Corridor (CCWAEC) under Discussion<sup>358</sup>

In addition to fear of land grab, environmental problems and pollution brought by China's investments is another source of concern.<sup>359</sup> Oxus Society in Central Asia's reported that "23 anti-Chinese demonstrations out of 42 in the 2018-2020 period were caused by ecological concerns in Kyrgyzstan."<sup>360</sup> A Kyrgyz movie about pollution of a Chinese mining company, corruption and protests was shot. It was banned by the Kyrgyz state, but director added it to YouTube to watch freely by everyone.<sup>361</sup>

The protests "against China's increasing influence and economic power" have been intensified with the "mass incarceration of members of indigenous Turkic-speaking communities in China's Xinjiang region."<sup>362</sup> China's policies against the Uighurs in XUAR triggered protests in many countries. China's policy does not only target Uighurs but it is directed to other Muslim peoples, which consists of diaspora of Kyrgyz and Kazakh peoples in XUAR as well. Consequently, Chinese "re-education camps" for the Muslims also incarnate members of Kazakh and Kyrgyz diaspora in XUAR. Additionally, there is a sizeable diaspora of Uighurs in Kazakhstan and Kyrgyzstan. A protest organized by the Uighur diaspora for their relatives in XUAR is supported by the Kazakh and Kyrgyz protesters anxious for their kin in XUAR. The states, on the other hand, are very cautious on keeping their diplomatic ties with their neighbor, China. They do not criticize China's policies, and accuse protesters of "inciting ethnic hatred" and arrest organizers.<sup>363</sup>

People's reserved, cautious and even anxious attitude is not limited to civil society. Governments of Central Asian countries have priorities of their own, and while consolidating economic relations with China helps these countries with an economic boost, region's governments are wary about a dominant China. It is no surprise that Central Asian countries are not enthusiastic about a new super power entrenching itself in the region. Their concern can be classified as follows: fear of debt trap, creating jobs for their citizens, industrial capacity building and diversification of investments. The last three of them are interconnected.

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<sup>358</sup> Shailoobek kyzy, 2021.

<sup>359</sup> Ulitina, Ekaterina (2018), "'Джунда' превышает допустимые нормы по загрязнению сточных вод", *Vecherniy Bishkek*, 18.09.2018, [https://www.vb.kg/doc/373533\\_djynda\\_prevyshaet\\_dopystimye\\_normy\\_po\\_zagryazneniu\\_stochnyh\\_vod.html](https://www.vb.kg/doc/373533_djynda_prevyshaet_dopystimye_normy_po_zagryazneniu_stochnyh_vod.html) (last retrieved on 14.06.2022)

<sup>360</sup> Khiradmand Sheraliev (2021), "Mining Kyrgyzstan: Chinese Companies Encounter Increasing Conflict", *The Diplomat*, 29.11.2021, <https://thediplomat.com/2021/11/mining-kyrgyzstan-chinese-companies-encounter-increasing-conflict/#:~:text=Beijing%20accounted%20for%20about%20half,percent%20of%20all%20Chinese%20FDI.> (last retrieved on 12.06.2022)

<sup>361</sup> Ayzirek Imanaliyeva (2020), "Kyrgyzstan: Drama about mining protests banned from cinema screens", *Eurasianet*, 28.07.2020, <https://eurasianet.org/kyrgyzstan-drama-about-mining-protests-banned-from-cinema-screens>. The movie is on the following YouTube link: [https://www.youtube.com/watch?v=63\\_sxMT2ezM](https://www.youtube.com/watch?v=63_sxMT2ezM). (last retrieved on 12.06.2022)

<sup>362</sup> *Radio Free Europe / Radio Liberty's Kazakh Service* (2021), "Anti-China Protests Staged Across Kazakhstan; At Least 20 Detained", 27.03.2021, <https://www.rferl.org/a/kazakhstan-china-influence-protests/31172596.html>. (last retrieved on 13.06.2022)

<sup>363</sup> *Radio Free Europe / Radio Liberty's Kazakh Service* (2019), "Kyrgyzstan Charges Anti-China Protester With Inciting Ethnic Hatred", 29.01.2019, <https://www.rferl.org/a/kyrgyzstan-charges-anti-china-protester-with-inciting-ethnic-hatred/29739781.html>. (last retrieved on 13.06.2022)



The debt trap is a serious concern for the Kyrgyz Government. Just like many other beneficiary states of BRI with weaker economies, Kyrgyzstan is already or almost in a debt trap. Half of Kyrgyzstan's debt is to China, and out of \$4.2 billion debt to external creditors, Kyrgyzstan owes \$1.8 billion to the Export-Import Bank of China (2020).<sup>364</sup> Kyrgyzstan is among the most fragile economies in the world with "Djibouti, Laos, Zambia and Kyrgyzstan [which] have debts to China equivalent to at least 20% of their annual GDP."<sup>365</sup> Thus, Kyrgyz state gives great effort to postpone or restructure debt payments to China. Both President Jeenbekov and Japarov asked China for debt relief during the pandemic<sup>366</sup>, which were met and brought a partial relief after political upheaval of September 2020.<sup>367</sup> However, Kyrgyzstan still suffers under the pressure of repayment "as China refuses to reduce debt".<sup>368</sup> Furthermore as in the case other countries in debt trap, China's debt relief demands invitation to new projects.<sup>369</sup> The debt of Kazakhstan to China, on the other hand, does not present a threat like it is to Kyrgyzstan, but still it is a concern for the people mentioned during anti-China protests.<sup>370</sup> China's loans became less attractive and less prevalent for both countries. Nevertheless, China's banks' also prefer "more conservative lending policies globally for infrastructure projects," as they face critical problems repayments.<sup>371</sup>

Another problem for both governments of Kazakhstan and Kyrgyzstan is that China's investment in infrastructure does not create jobs but bring labor from China, and increase in Chinese immigrants provokes Sinophobia among the people. Additionally both governments are in need of decreasing unemployment through China's investments. Kazakhstan and Kyrgyzstan also demand diversification of investment. Shift of China's investments from infrastructural projects to manufacturing in Central Asia corresponds to host countries' demands for "industrial capacity building".<sup>372</sup>

As a result of these demands, Kazakhstan and Kyrgyzstan – together with other Central Asian countries – pushed Chinese firms to localize by employing more local people and diversify their investments. As it was mentioned in a report of van der Kley and Yau, large-scale transport projects

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<sup>364</sup>Paul Bartlett (2021), *Nikkei Asia*, 24.05.2021, <https://asia.nikkei.com/Politics/International-relations/Fresh-off-gold-mine-seizure-Kyrgyzstan-president-heads-for-Russia>. (last retrieved on 13.06.2022)

<sup>365</sup>Kai Wang (2022), "China: Is it burdening poor countries with unsustainable debt?", BBC, 06.01.2022, <https://www.bbc.com/news/59585507> (Last retrieved on 11.06.2022).

<sup>366</sup> *Radio Free Europe / Radio Liberty's Kazakh Service* (2020), "Kyrgyzstan Asks China For Debt Relief Amid Economic Strain of Pandemic", 15.04.2020, <https://www.rferl.org/amp/kyrgyzstan-jeenbekov-china-debt-xi-coronavirus/30555118.html>. (last retrieved on 13.06.2022)

<sup>367</sup> Paul Bartlett (2020), "China offers cash-strapped Kyrgyzstan a glimmer of hope on debt", *Nikkei Asia*, 03.12.2020, <https://asia.nikkei.com/Politics/International-relations/China-offers-cash-strapped-Kyrgyzstan-a-glimmer-of-hope-on-debt>. (last retrieved on 13.06.2022)

<sup>368</sup> Kanat Altynbayev (2021), "Kyrgyzstan at risk of losing national assets as China refuses to reduce debt", *Caravansarai*, 19.03.2021, [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2021/03/19/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2021/03/19/feature-01). (last retrieved on 13.06.2022)

<sup>369</sup> Bartlett, 2020.

<sup>370</sup> Temur Umarov (2019), "What's Behind Protests Against China in Kazakhstan?", *Carnegie Endowment for International Peace*, 30.10.2019, <https://carnegiemoscow.org/commentary/80229>. (last retrieved on 13.06.2022)

<sup>371</sup> Dirk van der Kley, Niva Yau (2021), "How Central Asians Pushed Chinese Firms to Localize", *Carnegie Endowment*, 15.10.2021, <https://carnegieendowment.org/2021/10/15/how-central-asians-pushed-chinese-firms-to-localize-pub-85561>. (last retrieved on 13.06.2022)

<sup>372</sup> Umarov, 2019.

have been replaced by “industrial projects that seek to make value-added products that can be exported. These projects are increasingly staffed by Central Asians who receive technical training from Chinese firms,” but controversially, increasing the number of local workers by Chinese companies, increased public sentiments towards Chinese people well. Working under Chinese employers enhanced enmity. A common complaint of Kyrgyz workers is that they have to pay bribe to get jobs.<sup>373</sup>

There are also problems, setbacks or obstacles on China's side. They can be classified as corruption and bribery, avoiding Russian temperament and their policy in XUAR. Van der Kley and Yau report that «[m]any Chinese firms in Central Asia are employing more locals. Yet the more closely integrated these Chinese firms become with the region's economies, the more they must deal with, or be co-opted by, localized corruption and political fights.»<sup>374</sup> Chinese companies complain about giving bribes to a multitude of local authorities at all levels, which is more overwhelming than pursuing inter-state diplomatic relations.

The problem of corruption in Khorgos Gateway, “the ‘buckle’ in Beijing’s global Belt and Road transport and infrastructure network” had to be dealt by the President of Kazakhstan, Tokaev, when it created a diplomatic problem with China. There is a big difference between the numbers of China’ and Kazakhstan’s export-import reports. In 2019, China declared the trade volume as \$22.3 billion, while according to Kazakhstan it was \$14.7 billion with \$7.6 billion difference. In 2020, China reported \$21.4 billion, Kazakhstan \$15.7 billion with \$5.7 billion difference. In 2021 (except December), according to China, trade was \$25.2 billion, whereas according to Kazakhstan it was at \$16.6 billion with \$8.6 billion difference. The difference in billions of dollars it attested to a smuggling ring in Khorgos.<sup>375</sup>

Another obstacle or rather a setback for China is their concern about avoiding Russia’s temperament. Central Asia is considered by Russia as its zone of influence, and China does not want to risk its relations with the supplier of some of its energy sources, its partner in the Shanghai Cooperation Organization and an ally in a possible confrontation with the US. It should be added that Kazakhstan and Kyrgyzstan are also able to play powers – Russia and China– against each other through multivector foreign policy.

China’s Uighur policy presents another problem for China in Central Asia; at least it prevents them to pursue effective soft power policies. This policy can be evaluated as part of China’s long-term calculations on BRI. China is focused for now, on pacifying any potential threat of secessionist terror or even resistance to Chinese policies and creating a safe zone in XUAR for a stable flow of goods from China to the west.

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<sup>373</sup> Van der Kley, Yau, 2021.

<sup>374</sup> Van der Kley, Yau, 2021.

<sup>375</sup> Joanna Lillis (2022), “Kazakhstan promises to smash smuggling rings on Chinese border”, *Eurasianet*, 02.02.2022, <https://eurasianet.org/kazakhstan-promises-to-smash-smuggling-rings-on-chinese-border>. (last retrieved on 13.06.2022)



## **Concluding Remarks**

China's policies gained a new momentum in Central Asia with the introduction of "One Belt One Road" Initiative (BRI) under Xi Jinping's presidency after 2013, when he redefined Central Asia as the main land transit corridor for transferring China's goods to European markets. China's investments in Central Asian markets seems to be in conformity with Kyrgyz and Kazakh governments as they correspond to their needs of developing transportation, industrial infrastructure. Despite the fact that policy makers in all three countries are for flourishing economic relations, economic parameters on investment and trade volume confirm that growing global presence of China is not close to a decisive influence in Central Asia, although Central Asia has crucial position on the Silk Road Economic Belt of BRI.

China could reach neither an exponential nor a steady arithmetic growth in Central Asia and fell beyond expectations, which is the result of a multitude of facts. Firstly, people in Kazakhstan and Kyrgyzstan strongly dislike China's investments and policies, and they frequently protest China's investments, increasing influence on their countries and China's Uighur policy. Additionally, governments of Kazakhstan and Kyrgyzstan are able to push harder for more beneficial agreements thanks to their multivector policies. Moreover, China's bureaucrats and investors are annoyed by problems they face in Kazakhstan and Kyrgyzstan.

The future of China's relations with Kazakhstan and Kyrgyzstan will be defined by persisting inner factors and changing regional and global power games. Since 2020, significant events are taking place on the national, regional and global level, which might lead to a redefinition of China's position in Central Asia, such as Covid-19 pandemic (2020-2022), withdrawal of the US from Afghanistan and return of Taliban, uprisings and political changes in Kazakhstan (end of Nazarbayev era) and Kyrgyzstan (return to presidential system), Russia's intervention to Kazakhstan and revival as a bigger player in Central Asia, Russia's attempt to gain a stronger position in world politics through its occupation of Ukraine, which is controversially turning it to the "new evil" in global politics.

The main question in this study was about how national, regional, global events would influence the role of China in Central Asia. In order to understand the possibilities, the following arguments can be developed:

- There is a strong anti-Chinese sentiment rooted in the past and triggered by China's expansion, which cannot be overwhelmed in the near future.
- China's policies towards Uighur minority might change in the near future, but negative memories will remain, as they have deep historical and social roots, which were reactivated.
- Debt policies have a very negative impact, and they should be softened, but Chinese banks have already given big amounts of money to be paid back.
- China is diversifying its investments and creates jobs, but their involvement with the local people and politics deteriorates their negative image even further.
- There are complaints on the Chinese side on corruption and bribery, which cannot be solved in the short term, as they have so deeply embedded in the political, economic, social structure in the region.

- The position of Russia may change in coming years. After Russian intervention in Kazakhstan in January 2022, it was expected and feared by Central Asian governments and people that Russia would put more pressure on Central Asian governments. However, their invasion or “operation” in Ukraine is turning into a war of attrition. Russia will probably focus more on its integral stability and domestic economic problems after the Ukrainian war.
- China will respect Russian preoccupation with Central Asia less than before, as Russia - under sanctions will necessitate a stronger cooperation with China in a “New Cold War”.
- Central Asian governments will also probably rely more on China in face of aggressive Russian policies demonstrated in the Ukrainian War.
- China will act more boldly in connecting to Central Asia after pacifying Xinjiang Uyghur Autonomous Region.

Consequently, China can act more confidently in Central Asia, and its role in Kazakhstan and Kyrgyzstan can increase in this decade. However it needs to be underlined that China will still be slowed down, because:

- Sinophobia is very strong in Kazakhstan and Kyrgyzstan.
- Chinese entrepreneurs and banks will continue to experience problems with bribery and corruption.
- The Government of Kyrgyzstan will continue to demand debt relief, as they are not in a position to pay debts. Thus Chinese banks will be giving fewer credits for investments in Kyrgyzstan, which will further deteriorate relations.
- Russia can lose some of its might in Central Asia but not all of it. It is also possible that Russia might try to revive its position after the Ukrainian war as a regional power by increasing its pressure in Central Asia.

As a result, most probably China’s influence will grow in Central Asia because of global changes, but not radically, because of regional and national obstacles China will continue to confront in Central Asia. China can become a significant actor in the region only in the long term with the implementation of carefully planned soft power policies.

# **Soft Power Politics**

# **Muddled Friendships and Disgruntled Geographies: Lung Dragon in the Neighbourhood**

Anup Shekhar Chakraborty\*

The paper would *first* glean the muddled relations in the neighbourhood in South Asia and complicate the spectre of China in the Himalayan nations of Nepal and Bhutan. *Second*, the paper would unearth the dragon's innocuous soft presence in India's northeast and introduce the tensions of India's disgruntled geographies. The change from a Monarchy to democracy in the two Himalayan states of Nepal and Bhutan in South Asia has been webbed with the stories of muddled friendships. Friendship in the region has witnessed recalibrations and customisations and is made conditional, with or without benefits. The notion of 'neighbourhood ties' in South Asia has forever been shape-shifting, and the notions of friendship in the neighbourhood (real and virtual) oscillate from angst to animosity. The emergent voices in a newfound democracy have been pressing to recalibrate the old ties with India and make new meanings of the geopolitics. The New Democracies' 'right to look for newer friends' and take care of their national interest, including diversification of their foreign policies, has taken centre-stage in the political debates and conversations. The Doklam standoff foreshadowed Bhutan's vulnerability vis-à-vis the 'Lung Dragon' (Aggressive dragon). China's formidable presence in India's neighbourhood and the fear of being smothered by India's omnipresence doubled with the loudness of Modi's muscular nationalism made the neighbourhood voices inaudible. Thus begrudged select neighbours circulated angst, discomfort, resentment, and a calculated reaction to flush India's globally recognised centrality in the Asian geopolitics. The discussion also brings to the fore the otherside of China's innocuous soft presence in India's northeast and the need to re-evaluate the transitions and wayfindings in these disgruntled geographies.

## **I**

### **The Idea of the Neighbourhood and Friendships: What's the Noise all about?**

The inherited territorial geographies of South Asia are indeed contested territorial spaces and befuddled cartographies. The power tilts and inclinations among nations of South Asia is ever changing. Nepal has always inclined towards Pakistan, it has also continued to consume cultural appropriations through cinematic engagements from India (Bollywood). The culture vultures in Nepal have found this Indianization through soft power (visuals, and consumerism) to be problematic much like the web of India directed development that has smothered by Nepal's autonomy.

The anti-India wave conjures paradoxical roles expected from India in terms of interventions and support, respect of territorial spaces, and good neighbourly behavior. The expected Indian responses in other smaller nations' domestic issues in the neighborhood were not perceived as a

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problem if it benefitted Nepal. For instance, in the late 1980s to 1990s Nepal had expected India to intervene in Bhutan's cultural Nationalism phase that resulted in the ousting of the Nepali speaking people (lit., Lhotsampas, 'people of the south'). Nepal accused India of not intervening in its most favoured neighbour's domestic policies.

Nepal, in recent times, criticized India on several grounds. It alleged that 'India and the Modi government did not provide much to Nepal in the post-2015 earthquake-rebuilding programmes'. The economic embargo unleashed through the 'Chakka bandh/ Nakabandhi 2015' in the India-Nepal border made life difficult for people in Nepal. Nepal also accused India of intervening in the making and adopting 'the new Constitution of Nepal.'<sup>376</sup> Nepal's media (print and televised) reported, 'India was inclined to the Madeshis.'<sup>377</sup> The media-mediated communication wedged the public opinion taught a section to believe that 'India influenced the proposal to make Nepal a secular state,' another segment felt that India wanted Nepal to be a Hindu nation.

Nepal mooted for less Indian visibility and vocality. More assertions of Nepal's sovereignty, visibility, and role-play in the pitched politics of neighbourhood in the form of a revival of the SAARC or a sinuous yet unbroken passage to the seas for landlocked nations in the BIMSTEC (Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation). While fettering with the idea of renegotiating the cusped geographic locationality between the proverbial 'rocks,' Nepal simultaneously reconfigured and synced its 'confluent territorialities' and 'overlapping sovereignties. To assign for itself the coveted centrality in the geopolitical space between South Asia and the Trans-Himalayas, Nepal realigned its connectivity to the north instead of limiting itself only to the south. The revived Nepali Nationalism as audible in '*Sayaun Thunga Phulka*' (made of Hundreds of Flowers) — the new national anthem that replaced in 2007 the previous national anthem (lit. *rastra gaan*) '*Shreeman Gambhira*' (the King's Song) screams the insatiable lost territorial shared spaces. The lament of the lost territory and the indelible hurt of a collective National Ego of the Gorkha people through the *Sugauli Treaty (1816)* continues to linger and echo through the trans-Himalayas. Agam Singh Giri's poetry '*Naulakha Tara Udaye*' sung by Ambar Gurung in 1961, exemplifies the lament of lost spaces. This revived Nepali Nationalism through new, inherited much of the tenor from the past regimes, and the protracted call for 'Greater Nepal'<sup>378</sup>-claiming reintegration of lost territories, and correcting false histories and expunge historical wrongs with historical rights.

The after effect of disgruntledness through 2015-2020 evolved into the mustering of collective angst towards India in the form of a hashtag movement #BackoffIndia.<sup>379</sup> This particular hashtag movement took the form of a 'virtual Jana Andolan' among Nepal's diaspora. The 'virtual Andolan' had as its drive the task to claim a more deserved and a more engaged role for Nepal in the neighbourhood geopolitics. Nepal's new avatar as an independent sovereign democracy

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<sup>376</sup> Majumder, Sanjoy. Why India is concerned about Nepal's constitution. BBC News Delhi, 22 September 2015. <https://www.bbc.com/news/world-asia-india-34313280> accessed on 20.06.2021.

<sup>377</sup> Shastri, Sanjal. The Madhesi Conundrum: Making Sense of India's Stand. ISSSP Reflections No. 41, May 03, 2016. <http://issp.in/the-madhesi-conundrum-making-sense-of-indias-stand/> accessed on 20.06.2021.

<sup>378</sup> Dixit, Kanak Mani. Looking for Greater Nepal. HimalSouthAsia. 01 March 1993. <https://www.himalmag.com/looking-for-greater-nepal/> accessed on 20.06.2021.

<sup>379</sup> Parashar, Utpal. "BackOffIndia! Nepal protesters slam 'interference' over statute". Hindustan Times. 23 September 2015. <https://www.hindustantimes.com/world/backoffindia-nepal-protesters-slam-interference-over-statute/story-hIFyfqrPRRq3KYnGkkJLP.html> accessed on 20.06.2021.

striving for a “*Samruddha Nepal, Sukhi Nepal*” is troubled by looped issues such as Vishnu’s specter. The transitions from a *Rajshahi* (Monarchy, an avatar of the Hindu God—Vishnu) to a *Prajatantra/Loktantra* (Democracy) have been uneasy. In the year 2008, Nepal abolished the Monarchy and subnational monarchies in phases. As late as 2017, the demand to restore the King (‘*Raja aao, Desh bachao*’) continues to linger and eternalize the mark of Vishnu in the Himalayan nation. The Left-wing politics in Nepal has obliterated *Rajshahi* and associated caste-class social hierarchies, yet *Samajwad* remained a statist utopia. The borrowed semantics of political discourse at the behest of donor countries remained incomprehensible to the people. An emergent bourgeoisie surreptitiously mutated from the older regime and absorbed the privileges of power circuits, education, localized nexus of dons, underworld, and parallel governments.

Nepal’s complex process of interactive changes in the state formation from a traditional to a modern one has moved over the embryonic stage. Nepal is graduating from an LDC towards a developing one. However, it continues to be haunted by the webbed nature of state-society-governance-citizenship like most of the new democratic institutions. Nepal’s *disturbia* is at a peek high misgovernance, political senility, normalization of *bhrastachar* (corruption), and culture of *ghus* (bribe) marks Nepal’s inherited political culture. The Janata expressed angst and apathy towards the state and unstable governments as it did in the ‘*Raja ko Palo*’ (King’s time) ‘*Rana ko Palo*,’ (Rana’s time) or other forms of statecraft experiments. It evolved in stages from a *Praja* (subject/denizens) to a *Jana Andolan* to finally a *Jagrukta Sachet Janata Janardan* (Vigilant-conscious People’s collective). The *Janata Janardan* in the urban spaces briskly shed its *Raja-Praja syndrome*. The state inchmeal detached its inclinations to the congress and the right-wingers while holding on to India’s sinistral comradeship. The state mustered its *autonomy and adopted a ‘Naya Naksha’* (a new Map) while ‘Claim the border’ cacophony was mooted by the *Janata* in the neighbourhood. The real and virtual activism propelled a *jugalbandi* (entwined duet) of ‘wenness’ against India and muddled the neighbourhood’s friendship.

The fear of being smothered by India’s omnipresence<sup>380</sup> has overwhelmed its smaller yet very significant neighbours in South Asia. The loudness of Modi’s muscular nationalism made the neighbourhood voices inaudible. The ‘loudness of India’ was further amplified by the televised media houses of India. India’s achievements from sports to beauty pageants to the Nobel Prize, the military might, and cartographic realignments of internal/domestic territorial spaces post the undoing of Article 370 of the Indian Constitution, thus begrudged select neighbours and circulated angst, discomfort, resentment, and a calculated reaction to flush down India’s globally recognised centrality in the Asian geopolitics. The virtual neighbourhood ‘*Halla Gulla*’ (noise) pegged on all these, including the hubris of a *Bir* heritage, and the uneasy of having lost the exceptional badge of being the only Hindu nation.

The conversational reciprocity accepted from the Indian side was marked by silences and more exhorted engagement in combating the Pandemic in India.<sup>381</sup> The media houses invested in prime

<sup>380</sup> Chakraborty, Anup Shekhar. Dance of the Dragons and the Bromance: Friendships in the Neighbourhood. MultidimensionMagazine. 04 January 2021. <https://multidimensionmagazine.com/dance-of-the-dragons-and-the-bromance-friendships-in-the-neighbourhood/> accessed on 15.05.2021.

<sup>381</sup> Chakraborty, Anup Shekhar. The Pandemic and Dystopia: Complicating the coming of the Virus to India. Multidimension Magazine. 24 June 2020. <https://multidimensionmagazine.com/the-pandemic-and-dystopia-complicating-the-coming-of-the-virus-to-india/> accessed on 15.05.2021.

time news spinning/rolling animated nationalistic fervours from both ends. The Indian military was caught in out-of-turn speaking, while the Indian Bureaucracy cautiously disengaged face to face confrontations. The omnipresent troll-brigade and online *andolanwadis* from predictable universities in India strangely for unexplained reasons were untraceable. The reasons could be due to the Pandemic's burden, or sense of maturity to disengage from out-of-turn and out-of-place speaking, or exhausted data package, or digital detoxification, or sinistral comradeship across the borders.

Contestations mark the virtual neighbourhood over shared heritages. The contests over 'Gorkha,' the Himalayan commons, Hinduism and Hindu *Sanskriti* (ways of life), Vedas, Yoga, Sanskrit, birthplace Buddha and place of enlightenment of the Buddha, the notion of Bharatvarsha, and the idea of a Zone of Peace continues between Nepal and India.

The neighbourhood's ongoing cartographic contests and showmanship over map-making exercise reveal at one level that memories are complex engagements with remembering and forgetting. The new social media, the virtualisation of the public sphere, and the new virtual neighbourhood leave behind unerasable digital footprints, making remembering easy and forgetting more difficult. Agam Singh Giri's lines convey the complexities of the simple act of forgetting.

*Sugauli Sandhi hamile birseka chainau bhanideu* (we have not forgotten the Sugauli Treaty)

*Killa Kangada hamile birseka chainau bhanideu* (we haven't forgotten Fort Kangara)

The hurt of National Egos occurs through out-of-turn, out-of-place speaking, and actions/inactions. India and Modi's belittling, disdain towards Indian ways of life, have bombarded the virtual neighbourhood from Nepal's end. The immediate borderland spaces and communities having overlapping shared heritages from the western end of the Himalayas to the eastern on the Indian side have maintained a poised response. In contrast, the Indian government has kept its silence on cartographic brinkmanship of the Nepalese counterparts. The Indian media (News channels) have continued to act unbecomingly through reportages crossing the lines of ethics of journalism. In the process India too remembered its trust issues with Nepal from the Hijack of the Indian aircraft to activities compromising India's security concerns.

Wary of their more diminutive stature, India's neighbours began to respond to India's toxic muscular nationalism. Muscularity invited muscular responses from its smaller neighbours, thereby making the *neighbourhood first policy* unintelligible among actors in the region. In order to win the trust of its neighbours, India will have to address the myriad forms of materialities of trust. For instance, India in the past had to give more than it received, as in the cases of India-Bangladesh enclave exchange 2015<sup>382</sup> and the Indus Water Treaty with Pakistan.<sup>383</sup> Any heavy-handed gesture will hurt the fragile trust and make the smaller neighbours defensive.

The priority for New Delhi would be to make concerted efforts to mend the trust deficit with Nepal and check the growing trust issues with Bhutan. India should be mindful of the push factors driving a wedge in various policy areas between itself and the Himalayan neighbours—Nepal and Bhutan. Instead of leaving low-level discords on the back burner, as the territorial dispute, it should take the initiative for opening channels of communication, lest these issues blow up into more inflexible

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<sup>382</sup> PTI. India, Bangladesh exchange enclaves, people rejoice. *India Today*. Coochbehar. 01 August 2015. <https://www.indiatoday.in/india/story/india-bangladesh-enclave-exchange-effected-from-midnight-285810-2015-08-01> accessed on 15.05.2021.

<sup>383</sup> GOI. Indus Water Treaty. 19 September 1960. <https://mea.gov.in/bilateral-documents.htm?dtl/6439/Indus> accessed on 20.06.2021.

points of contention. India should not engage in a contest to match China's dynamic economic investments in the neighbourhood either in Nepal or in Bhutan. It should instead meaningfully synergise to renegotiate existing treaties. Re-engage the social and community networks that have sustained bilateral trade, strengthen the tradition of closeness between the armed forces, and increase the avenues of youth exchange programmes between India and the himalayan nations. For that, New Delhi should understand the value of the pragmatic bubble of friendship and tackle the trust deficit in the neighbourhood.

India should understand that the smaller nations in South Asia have the right to look for newer friends. The change from a monarchy to democracy has been webbed with the stories of rising inequalities, unemployment, migrations, political consciousness and assertiveness that question the models of development controlled by India's 'grants and loans'. Bhutan's over-reliance on India and the disillusionment in the economic realm has spilt the public opinion in Bhutan. The emergent voices in a newfound democracy have been pressing for recalibrations of the old ties with India, and make new meanings of the geopolitics. Bhutan's 'right to look for newer friends' and take care of its national interest, including diversification of Bhutan's foreign policy, has taken centre-stage in the political debates and conversations.

The disgruntled Bhutanese opinion has renewed China's interest in Bhutan.<sup>384</sup> China has skillfully swayed a section in Bhutan by promising a better future and soft power strategy just as it has done in another Himalayan neighbour—Nepal. Friendship in the region is witness to recalibrations and customizations and being made conditional, with or without benefits. The notion of 'neighbourhood ties' in South Asia have forever been shape-shifting, and the notions of friendship in the neighbourhood (real and virtual) oscillate from angst to animosity.

## II

### **Nepal-India and the Lung Dragon's Spectre**

The Left-wing politics in Nepal has obliterated *Rajshahi* (Monarchy) and associated caste-class social hierarchies, yet *Samajwad* (Socialism) remained a statist utopia. Nepal's uniqueness is that it tends to present trends in deviation from global experience. While globally communists and communist ideology are in life-support, and communist parties have dwindled, let alone be in determining political positions, Nepal post-2018 presents a case in contradistinction. In 2018 the electoral alliance of the two main communist parties in Nepal won a nearly two-thirds majority in Parliament. The coalition led to a merger of the CPN-UML (Communist Party of Nepal-United Marxist Leninist) and CPN-MC (Communist Party of Nepal-Maoist Center) and the evolution of the Nepal Communist Party (NCP). The formidable electoral support rode on anti-India nationalist rhetoric. K.P. Sharma Oli (CPN-UML Chairman) took over the reins of control. This was perhaps the strongest democratically elected government that Nepal had experienced and painted a *Samajwad* in broad-strokes from *Prachandapath* (Prachanda's way) to *Olipath* (Oli's way). This

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<sup>384</sup> RepublicWorld. China Eyes Bhutan As A Part Of Its Expansionist Strategy Post Clashes With India: Sources. 12 May 2020. <https://www.republicworld.com/world-news/rest-of-the-world-news/china-eyes-bhutan-as-a-part-of-its-expansionist-strategy.html> accessed on 20.05.2021.



sub-section of the chapter continues to glean the muddled relations in the neighbourhood and wayfind a possible direction silhouetted on these complex intertwined issues.

The period following the 2015 earthquake and India's response deficit to its Himalayan neighbour in crisis propelled the collective angst towards India and the Modi government. The economic embargo that followed through the 'Chakka bandh/ Nakabandhi 2015' in the India-Nepal border made life even more difficult for people in Nepal.' Nepal at this stage also accused India of intervening in the making and adoption of 'the new Constitution of Nepal.' Nepal's media (print and televised) reported, 'India was inclined to the Madeshis.' Prime Minister Oli effectively leveraged this sentiment to win the national election for his leftist party. The trust deficit in the neighbourhood exacerbated by domestic politics and external constraints scripted the story of Comrades in alliance in Nepal.

The alliance of the comrades witnessed a series of factional quarrels. Pushpa Kamal Dahal and CPN-UML leader Madhav Kumar Nepal joined hands to oust Oli from power. Oli was asked to give up either the party chairmanship or the premiership. Nevertheless, Oli refused, thus deepening the rift in the new party. The Nepal Communist party has not been able to endear itself to the *Janata* despite the spectacular mandates in the 2017 elections. Questions that loomed primarily included: Was there a need for a left coalition in Nepal at all? Or was it the outcome of a pragmatic friendship? The leadership feuds between Oli and Dahal reflected the fragility of trust. This led to reconfigurations within the alliance and the rearrangements in the House of Cards to keep the bubble of friendship among the comrades alive.

### **Manufacturing Olipath**

Nepal's relations with India crumbled steadily through 2019 to 2020. The 'Kalapani-Lipulekh-Limpiyadhura' cartographic contestations marked a low point in the Indo-Nepal ties. Oli's government weaved a nationalist narrative of transgressions by the Indian side and checked the Hindu pilgrim passage to the holy Mansarovar in Tibet. The construction of a new road connecting Darchula and Kailash-Mansarovar via Lipulekh in May 2020 gaslighted the relations between the neighbours. The Kalapani-Lipulekh-Limpiyadhura issue, though old, gained prominence in November 2019 not only because of the release of maps by MEA-India after the creation of Union Territories of Jammu and Kashmir and Ladakh but also due to by-elections in Nepal. The main opposition party, the Nepali Congress, played up the issue to embarrass the Communist government in power in Nepal.

The endorsement of a new map depicting Kalapani-Lipulekh-Limpiyadhura as a part of Nepal by the Nepali Parliament and the gate-keeping (lit. *Chowkidar*, *Pehredar*) role that Oli styled for himself in the contested borderlands magnified Oli's stature. As the gatekeeper holding the key to the Hindu pilgrim paths to Mansarovar, the Nepalese premier reinvented the centrality of Nepal even in matters ecclesiastical. All this to reaffirm the *Janata* that Nepal remains deeply Hindu though now constitutionally secular and ideologically communist. Furthermore, to send the message that Nepal has not lost its control as the epicentre of Hindu-Buddhist cosmology and a nation of unpolluted believers.

Oli, through a series of statements, manufactured his stature as a powerful equivalent to Modi. The stature manufacturing exercise of Oli can be contextualised to deeper issues of caste, class, religion, political ideology complex in South Asia. Oli took a jibe at India and mocked if India subscribed to the physical aspect of its emblem — the Lion Capital of Ashoka — “*simhaev jayate*”(lion alone prevails) or “*satyamev jayate*”(truth alone prevails).<sup>385</sup>

On 19<sup>th</sup> May 2020, Oli commented in the Nepal Parliament that the Indian virus was more lethal than the Chinese one and that Nepal should distance itself from the southern neighbour.<sup>386</sup> After spinning Hindutva and *Ramrajya*, Oli claimed that Ram was born in Thori, Nepal and not in Ayodhya, India. Oli attempted to belittle the BJP's achievements among the global Hindu through the verdict of the Supreme Court of India on the contentious Ramjanmabhoomi-Babri Masjid.<sup>387</sup> Oli also churned the contested claims to the inherited, shared heritages of South Asia such as Yoga<sup>388</sup>, the Vedic mantras<sup>389</sup>, etc. In doing so, Oli reinstalled Nepal's position as a Hindu Rashtra in a secular ecosystem. This occurred when a section believes that ‘India influenced the proposal to make Nepal a secular state.’ At the same time, the segment felt that India wanted Nepal to be a Hindu nation. A section of the *Janata* construed this as Nepal reclaiming lost grounds and repositioning Nepal as a formidable Zone of Peace. While another felt it was Oli's ego issues and his deep-seated desire to match his Indian counterpart<sup>390</sup>, Narendra Modi, through *Olipath*.

### **Notion of Centrality**

In Modi's *Neighbourhood First Policy*, Kathmandu was central in improving economic and strategic integration in the subcontinent.<sup>391</sup> Nepal's new centrality was in multi-lateral arrangements like the BIMSTEC. Nepal, however, decided to pull out of its assigned centrality from the BIMSTEC counter-terrorism joint military exercise in September 2018. The notion of centrality is strongly tied to the material manifestations of trust that come to the negotiation table from the northern and southern power. The Eminent Persons' Group (EPG) on India-Nepal relations, or the 2+1 Dialogue, could ingress into discussing sticking points like trade and commerce, border control, and regional stability. Open frameworks for multi-level engagement

<sup>385</sup> Joshua, Anita. Nepal rubs it in with ‘satyamev’. *The Telegraph Online*. 19 May 2020. <https://www.telegraphindia.com/india/nepal-rubs-it-in-with-satyamev-jayate/cid/1774416> accessed on 20.06.2021

<sup>386</sup> Roy Chaudhury, Dipanjan. Indian coronavirus more lethal than Chinese: Nepal PM K P Sharma Oli. ET Bureau. 21 May 2020. <https://economictimes.indiatimes.com/news/international/world-news/coronavirus-coming-from-india-more-lethal-than-those-from-china-italy-oli/articleshow/75850117.cms?from=mdr> accessed on 20.06.2021.

<sup>387</sup> Ayodhya verdict: Indian top court gives holy site to Hindus. BBC News. 09 November 2019. <https://www.bbc.com/news/world-asia-india-50355775> accessed on 20.06.2021.

<sup>388</sup> Mohan, Geeta. After Lord Ram claim, Nepal PM Oli says yoga did not originate in India. 22 June 2021. India Today. New Delhi. <https://www.indiatoday.in/world/story/after-lord-ram-claim-nepal-pm-oli-yoga-did-not-originate-india-1817774-2021-06-22> accessed on 22.06.2021.

<sup>389</sup> Gayatri Mantra is the 'mantra of mantras', says Nepal Prime Minister KP Oli. DNA Webteam. 12 January 2021. <https://www.dnaindia.com/india/report-gayatri-mantra-is-the-mantra-of-mantras-says-nepal-prime-minister-kp-oli-2867471> accessed on 20.06.2021.

<sup>390</sup> DNA Special: When two PMs meets, it is not the big PM and the small PM, says Nepal Prime Minister Oli. DNA Webteam. 12 January 2021. <https://www.dnaindia.com/india/report-nepal-pm-kp-sharma-oli-pm-modi-brothers-equal-countries-zee-news-2867438> accessed on 20.06.2021.

<sup>391</sup> Ranjan, Alakh. Neighbourhood First: India's Policy towards Nepal. VIF. 01 October 2019. <https://www.vifindia.org/2019/october/01/neighbourhood-first-india-s-policy-towards-nepal> accessed on 20.06.2021.

would help delineate each side's notion of centrality, potential areas of compromise, and shared interests. Each side must discard a zero-sum game perspective to whittle out confidence-building measures and navigate the fragile trust. Nepal's geostrategic location and potential to act as a buffer zone between China and India is one of New Delhi's most significant points of interest in maintaining amicable relations with Kathmandu. However, India must take few steps backwards. Its perceived interference in domestic politics has created a less-than-favourable public opinion about Nepal's dependence on India.

### III

#### **Bhutan-India and the Lung Dragon's Spectre**

What has kept India-Bhutan bromance kindling is Bhutan's deep social imaginaries of *gyagar* (holy-land India) linked to the wisdom of the 8<sup>th</sup> century Indian Buddhist monk Guru Padmasambhava. Bhutan and its people have diligently stayed true to their religio-cultural links with India—their *gyagar* neighbour. Over the years, India took its smaller neighbours for granted creating trust deficit among its neighbours and compelled them to wayfind newer friends.<sup>392</sup> Bhutan has mostly been an exception to that trend. India Bhutan camaraderie commemorated 50 years of diplomatic ties.

The Himalayan Kingdom transition from Monarchy to Democracy has been marked by an open-door policy and an inclination to open to a larger world. Having revised the Treaty of Perpetual Peace and Friendship of 1949 with India in February 2007, the Indo-Bhutan Friendship Treaty in its new avatar clarifies Bhutan's status as an independent and sovereign nation. Under the revised norms, Bhutan no longer requires India's approval over importing arms. India supports Bhutan's progress towards sovereignty and democracy.

Bhutan's significance in India's 'neighbourhood gaze' can be construed from the inherited 'nonnegotiable position' that the Himalayan Dragon has marked for itself. For instance, Bhutan became the first country to be visited during the first tenure of the Indian Prime Minister in 2014. India provides a market for three-fourths of Bhutan's hydropower, besides investments in the Himalayan nation. Bhutan has stood firm by India in all its entanglements in the neighbourhood including the territorial skirmishes with China. Bhutan has inclined towards India even in clash of interests between India-Pakistan.

Unlike Nepal, Bhutan has never played the China card. In recent memory, the camaraderie was squandered in 2012 when then Bhutanese Prime Minister Jigme Thinley met Chinese Prime Minister Wen Jiabao after the Rio+20 Summit. India exhibited its discomfort in the new friendship by withdrawing fuel subsidies to Bhutan.<sup>393</sup> However, India's public exhibition of pain belittled

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<sup>392</sup> Chakraborty, Anup Shekhar. Bhutan and Australia: The Himalayan Kingdom Goes Down Under. *TheGeopolitics*. 29 April 2019. <https://thegeopolitics.com/bhutan-and-australia-the-himalayan-kingdom-goes-down-under/> accessed on 20.06.2021.

<sup>393</sup> Amaresh, Preethi. Red Dragon's Shadow in the Land of Thunder Dragon: China-Bhutan Enigma. *Diplomatist*. 06 June 2020. <https://diplomatist.com/2020/06/06/red-dragons-shadow-in-the-land-of-thunder-dragon-china-bhutan-enigma/> accessed on 15.06.2021.

India's age-old aura ingrained in the social imagery of the *gyagar* (holy-land India). The people in the Himalayan nation were taken aback by the official reaction of New Delhi. The new democracy began to construe it as attempts of throttle and smother by a big democracy. It signalled the rising trust deficit and the weaving of the reach of the leadership of the Indian National Congress in the neighbourhood. The inherited ambiguity in India's foreign policy on its neighbourhood countries has strained its relationship with in South Asia. The immediate fallout of which has been visible on the SAARCs paralysis.

The power tilts and inclinations among nations of South Asia, for instance, 'Nepal being more comfortable and supportive to Pakistan rather than being smothered by India's hegemony' and 'Nepal and Bhutan post tryst with democracy being on the same page on the point that India is a bully in South Asia.' The expected Indian responses in other smaller nations' domestic issues in the neighborhood were not perceived as a problem if it benefitted Nepal. For instance, Nepal had expected India to intervene in Bhutan's cultural Nationalism phase back in the 1990s that resulted in the ousting of the Nepali speaking people (lit., Lhotshampas, 'people of the south'). Nepal accused India of not intervening in its most favoured neighbour's domestic policies. The loudness of Modi's muscular nationalism was further amplified by the televised media houses of India. It fed and circulated the collective angst, discomfort, resentment, and a calculated reaction to flush down India's globally recognised centrality in the Asian geopolitics.

The BJP government post-2014 tried to maximize its space in the neighbourhood by catapulting this 'trust deficit' and re-wiring the political connections through its '*Neighbourhood First Policy*' (NFP). However, Modi's 'charm offensive' adversely affected Indo-Nepal relations during the Madhesi movement and pushed Nepal's diplomatic gaze to its northern neighbour-China. The milestones of Modi's NFP were mirage-like in the sense that whatever was gained in Sri Lanka and Maldives in 2018 were undone by 2020. Likewise, Bhutan had another reason to harbour closeness with China. It watched with alarm that India itself is finding difficult to hold on its own territory and is trying to save honour being in denial mode.

### **The Dance of the Two Dragons**

Bhutan (Norbu Dragon/Peaceful dragon) and China (Lung Dragon/ Aggressive dragon) as the two Dragons have little ethnic affiliations. Periodic territorial incursions and cartographic tensions mark the inherited memories of the two dragons. Though the two dragons share standard frontiers, diplomatic ties have been minimal. The only connectivity that China can leverage is the 'Tibet-Bhutan shared heritages'. Bhutan has a long tradition of cultural and religious conversations and synergy with Tibet.

Post-Doklam, China has been wooing Bhutan to join the BRI (Belt and Road Initiative) to strengthen its footprint in Bhutan. In its desire to dance with the 'Norbu dragon', China has strategically opened the land-ports in the Tibetan region such as the Yadong area adjacent to Bhutan. This invite to 'come and dance' and engage with the Chinese economy through Tibet will open foreign trade services in Western China- Qinghai and Gansu provinces and the Xinjiang Uyghur Autonomous Region.

This is in strong contrast to the times in the late 1950s when the 14th Dalai Lama arrived in India and unfettered the region's geopolitics. Tibet uprising made the security of Bhutan's border with

China a constraint for Bhutan.<sup>394</sup> Thousands of Tibetans fled to Bhutan and were granted asylum after which Bhutan subsequently closed its border to China, fearing the arrival of more refugees. Bhutan's ties with India and China, the two geopolitical, economic and demographic titans are moulded by history and geography.

### **China's territorial Over-drive**

Territorial incursions and skirmishes loom large over trans-Himalayas from Ladakh to Uttarakhand, Nepal to Sikkim, from Bhutan to Arunachal Pradesh and Nepal the Tibet Autonomous Region (TAR). Bhutan had evaded China's expansionist drive through its skilful engagement with India. The Bhutanese Monarchy had favourably inclined towards its southern neighbour for all-purpose, bypassing conversations with the northern economic neighbour. But with the winds of change in the land of 'Norbu Dragon' and the evolving of new democracies in the region, India's alignments with the neighbours have recalibrated exceedingly.

China has been keen to recommence and realign the assemblages of the old trade and cultural connectivities through trans-Himalayas. Bhutan-China relations have been far from smooth. In 1988 China's PLA troops erected roads and forcibly occupied Bhutan's territory. Like in the case of Tibet, the western powers turned a blind eye to China's territorial over-drive, while India stood by the 'Norbu Dragon'.

China's territorial over-drive and expansionist strategies have been perceived as aggressive causing apprehensions from South Asia to the Indo-Pacific region. China's military intrusion into Doklam (2017) was one such attempt to destabilize and create a trust deficit towards India in the neighbourhood. The Doklam standoff foreshadowed Bhutan's vulnerability vis-à-vis the 'Lung Dragon'. China's interest seems to make Bhutan its cat's claws. The flag-bearers of 'right to look' and find newer friends should read with caution the smooth talk of China's 'debt diplomacy' and learn from the experience of Sri Lanka, Pakistan and a few African countries. Bhutan should weigh the pragmatism in its 'bromance' with its age-old Southern friend before being overzealous of possible 'dance' with a new friend.

## **IV**

### **Disgruntled Geographies and the otherside of Lung Dragon's Spectre**

I describe the borderlands on both sides of North East India and Chin state and Sagaing region in Myanmar as 'disgruntled geographies' precisely because of interweaving complexities of the geography (densely forested, mountainous, riverine, resource-rich) with that of the Anthropocene (ethno-linguistically heterogeneous, fragmented on religious/denominational lines, sparsely populated, resource contested). Also, the region as 'disgruntled geographies' has witnessed the mushrooming of armed insurgent groups exhibiting insatiable anger due to the paucity or the limited nature of connectivity, minuscule industrial growth, and lack of employment opportunities in the region. With the ever-changing geopolitical moorings of what I describe as 'disgruntled

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<sup>394</sup> Amaresh, Preethi. Red Dragon's Shadow in the Land of Thunder Dragon: China-Bhutan Enigma. *Diplomatist*. 06 June 2020. <https://diplomatist.com/2020/06/06/red-dragons-shadow-in-the-land-of-thunder-dragon-china-bhutan-enigma/> accessed on 15.06.2021.

geographies,’ the discussion attempts to decode how the multiple *Patriarchies* and their *agencies* selectively churn newer maps of ethnic connectivity and cultural ties through ‘regulated insularity’ and ‘control.’ The discussion thereby connects assemblages of material cultures and social imaginaries that operate surreptitiously in the borderlands of North East India and how at different times sway from radical to analytical negotiations of their experience of colonialism, modernity, and the global market economy and thereby *wayfind* their way into a slippery world of their own choice.

### **The Politics of Culture in the borderlands: Locating China**

The broader restrictions on and lack of cultural outreach of Hindi in the Northeast unleashed a wave of material cultures from South East Asia in the region — depict an interconnected nature of India’s Northeast with Southeast Asia to the east. Ethnic communities in the Northeast borderlands have expressed loud and clear concerns on issues of contagious cultural idioms bracketed as the ‘Indian cultural invasion’ and its threat to the region’s socio-cultural roots. In Manipur, screening of Hindi films was banned throughout the 90s by the Revolutionary People’s Front. While in Mizoram, the Church and the *Nexus of Patriarchy* have always been fisted on issues relating to Hindi Cinema and Western lifestyles (particularly the phenomenon of dwindling attendance in Church services) and Heavy Metal Music. This comes as a paradox precisely because those in “mainland” India have been fed with stereotype images of people, especially youths from the Northeast, as ‘people well versed in English, attired in western clothing, strumming the guitar and singing English songs.’ However, what goes amiss is the deep-seated conservatism in the region. The item songs and dance sequences in Hindi films are construed to be polluting the youths’ minds in the region. The Churches in Mizoram and Nagaland and the disgruntled outfits in Manipur agree on external elements polluting ‘our culture.’

Hindi films had a good following in the Northeast through the 60s, an era when the region’s local film industry had not yet evolved. In Aizawl, Mizoram’s capital, for instance, cinema culture and theatre had grown to a good stand. During the time, Mizoram was under the spell of the Mizo National Front (MNF) uprising and had become what Mizos locally refer as the *rambuai* (lit., disturbed land). Following the bombing of the capital town Aizawl in 1966, curfews and raids, usually by the CRPF (Central Reserve Police Force), had become a norm in Mizoram. The troubled times of the MNF’s secessionist movement and the experience of counter-insurgency in Mizoram adversely affected the way the Zo/Mizos and others residing in the Mizo Hills traditionally spent their evenings. The decades of evening curfews imposed by the Government in the name of maintaining ‘law and order’ weeded the Mizo culture of ‘*pawnto*’ or activities during leisure hours in the evenings, which included children’s games such as ‘*in biruksiak*’ (hide and seek) etc., among the Mizos. These curfews affected the cinema culture and theatre in the region (Seema (Chhetri) Chakraborty, *Personal Interview*. 2018). Gagan Chhetri (*Personal Interview*, 2017), a resident of Paltan Bazar, Guwahati, mentioned that ‘these bans are usually another means of extortion. Once the amount demanded is worked out, those imposing the ban are Ok with the screening of Hindi films.’ Like Gagan, another resident of Guwahati Paramjeet (*Personal Interview*, 2017) mentioned that ‘he has grown up in Guwahati witnessing these ‘Notices’ to ban Hindi films, ousting Hindi speaking people from the region.’ The filmmakers and artists from Assam have remained fisted to the militants’ call to impose a ban on Hindi cinema and expressed reservations on such a ban’s objective.

In Manipur, militants had successfully banned Hindi films' screening through the 90s, including Hindi film audio cassettes' sale. Northeast-based militant outfits frequently issue statements and impose various codes designed to 'protect and preserve' the cultural identity of the different ethnic groups that inhabit the region. In Manipur, a prominent rebel group, the Kanglei Yawol Kanna Lup (KYKL), had issued Notices to impose a dress code for women in the State and threatened violators with death. The cultural diktats have prohibited women from wearing trousers or saris in public. The code compels them to don traditional sarongs known as *Phaneks*. The KYKL justified the dress code saying traditional ways were under threat from increasing 'Western and Indian influences.' Similar ideas criss-cross the cultural revivalist imaginations of the agencies of the Patriarchy in Mizoram concerning the traditional clothing of Women – the *Puan*.

Since the late '90s, the people of Manipur face a cultural forbiddance imposed by radical, fringe institution in the name of preserving the local culture. They hold an opinion that Hindi movies undermine Manipuri cultures and traditions. 'An anti-Hindi movement loomed large. Hindi songs were scorned upon, and youngsters listening or playing Hindi music were subjected to bullying' (Johnson (name changed) (*Personal Interview*, 2014). 'The local nationalist aspirations contested the overarching national spirit circulated from New Delhi. Singing Hindi songs, learning the language, etc., became problematic for the region's residents, and those who defied were reprimanded and ostracized. The ban curbed an individual's right to learn and use the Hindi language' (Monpriya (name changed) (*Personal Interview*, 2014).

The cinema halls that screened Hindi and English movies previously have converted to shopping complexes, hospitals, and other purposes. The closure of cinema has affected the '*black ticketers*' of their livelihood, most of whom were women. In the case of Manipur, the ban had turned a blessing to local moviemakers. The Manipur film industry developed quite well with their movies also being picked for awards and screening in film festivals. Few artists and directors found opportunities for enterprise. The vacuum created by the Hindi film industry was filled by south Indian languages, Bengali, and other regional films, but could not sustain the interest of the public for long.<sup>395</sup> The ban on Hindi cinema resulted in the growth of piracy in the region. And now, with unlimited access to the internet such as Jio, it is easy to get a taste of Hindi songs and music.

Culture manufacturing and culture making are indeed political engagement and China through bootlegging engagements in these borderlands has accelerated the choice making in the manufacture of cultural identities. For instance, the Korean sitcoms and movies have won the admiration and acculturation in varying degrees by the Mizos, Manpuris, and Nagas in the region and are perceived to be non- threatening to local cultures. The regional markets display endless China made pirated DVDs of Korean TV series and films and posters of Korean icons. Mizo and Manipuri youths commonly use Korean greetings in their everyday conversations and emulate Korean stars' hairstyles and costumes. The most striking change is that Mizoram and Manipur's youths are keen to pursue schooling in Korea. China has merchandised on the '*Hallyu Wave*' and

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<sup>395</sup>Sumitra. Manipur, the Indian State Ruled by Korean Pop-Culture. *Odditycentral*. 12 August 2015. <https://www.odditycentral.com/news/manipur-the-indian-state-ruled-by-korean-pop-culture.html> accessed on 20.06.2021.

has also controlled the shape-shifting social imaginaries of the multitude of ethnicities in the region. China through its strategic and selective marketing of soft-power has converted to its advantage the promises of the gaze of Look East to the operation of Act East in these disgruntled geographies. Here we observe that China's aggression has positively sustained an ecosystem to evolve that drives the connectivity required to accelerate regional collective programmes such as the BIMSTEC and BRICS and link South Asia globally in multi-directions — (east) the Asia Pacific, (west) Africa, (north) Europe, (south) Oceania.

A section of the Mizo Church sees a potential evangelical market to be explored in South Korea and the extended ASEAN. Mizoram's churches are keen to export evangelists and missionaries to preach the Good News and proselytize newer populations into Christianity's fold. Mizo evangelists and missionaries can be seen engaging in proselytizing missions in Thailand, Indonesia, Vietnam, Kiribati, Australia, South Korea, China etc. However, small in number, their presence in unfamiliar geographies is significant.

Few respondents believed that the Korean effect was a transitory addiction or a craze among the Mizo youths and would fizzle out to another point of time, much like the hippie culture in the 70s culture in the 80s, etc. A section of the Mizo Church has identified the Korean wave as responsible for churning the trend of homosexuality in Mizoram. Mizos are a culture of '*enton*' (imitation), and the State has had a similar fascination with American and Hindi films earlier. The herd mentality makes trendsetting easy among the Mizos. Professor Thangchungnunga (*Personal Interview*. 2008) and also Vanramchhuangi (*Personal Interview*. 2008) call Mizoram's present culture as a culture of 'imitation' ('*enton*') display/exhibition ('*ti hmuh*'). For instance, in music, traditional instruments have been replaced by guitar and gospel singing. Likewise, traditional dances that have been revived by the Art and Culture Department's efforts are in danger of becoming mere concert displays instead of symbolic expressions of tribal life.

### **The Politics of Consumption and Economics within**

Doordarshan's inability to provide programs in Mizo and the limited hours of broadcast (20-30 minutes a day) provided the dubbing industry in Mizoram to boom. Local cable networks such as LPS, Zonet, and Skylinks began running their own translation services (Sangzuali. *Personal Interview*. 2010, Aizawl). The translation and dubbing enterprise became economically attractive in the land-locked terrain. The popularity of Vai serials and material culture from elsewhere in India was considered polluting the Zo culture and the Christian ways of life; the Church and its nexus of Patriarchy began instilling a need to assert cultural vigilantism vis-a-vis revivalism (Nita. Conversation/Interview. Aizawl. 2010). Notices were issued, and the public sphere debates were stirred to call for an assertive protectionist regime to cleanse and protect the pristine Zo Christian ways sans influence of the 'Vai culture.' Housewives watching the dubbed Hindi serials and the youths following the Bollywood visuals trends were branded as deviants emulating 'non-believers.' The Hindi to Mizo dubbing wave and consumption of Bollywood/Vai culture and commodities gave way to Korean to Mizo dubbing wave and consumption of Korean culture via Chinese bootlegging. It is interesting to note that the Korean wave is enabled to flow into these borderlands due to Chinese bootlegging.

Foreign items from the east are categorized as *Khaw Chak chuak*. Pari, a local shopkeeper, mentioned that fairness is an obsession in the State, and Korean fairness products rule the business.



The desire to be Korea-like results in greater consumption of Korean products. ‘Made in Korea’ is more socially valued than ‘Made in India,’ especially when fairness products are concerned. Indian fairness products would not result in becoming Korea-like (Pari. (2010). *Personal Interview*. (Shopkeeper at Champhai). Aizawl). The second-hand markets in Aizawl’s Barabazaar and Zion Street are flooded with cheap affordable clothes from *Khaw Chak* (Abraham. *Personal Interview*. 2010). The borderlands of Northeast India have witnessed the freer flow of materialities with the realignment of old trade routes in the name of LEP/AEP. For instance, Zokhawthar, a transit area between Mizoram and Myanmar, stocks huge collections of commodities from S. Korea, China and ASEAN’s neighbouring regions.

### **Unbraiding the Borderlands, the Gaze and China’s footprints**

The continued selective insular politics operative in the region signals polarized tussles of the inheritance of the ‘contact zone idea’ and cultural conservatism’s cacophonies. Ethnic insecurities have become fisted, and enclosure of territories, and ‘rentier capitalism,’ the new normal. Alongside the region has witnessed a heightened engagement of claims-making of contending/competing patriarchies. Paradoxically the sizeable ethnic communities have been eagerly anticipating the opening of the borders and the erasure of ‘Colonial lines’ that have been criss-crossed around the region and estranged specific tribes in the area from cousins across the Chin Hills and South East Asia. The YMA in Mizoram recently in 2018 issued a letter requesting the governments at the centre and the federal units to hasten the opening of the borders and boost the connectivities across the region through the Act East Policy and bridge the people to people contact and bring closer the estranged *Zo hnahthlak* in the Chin Hills of Myanmar. Bringing to a closure the maze of issues gleaned in this segment of the discussion. The discussion in this subsection (IV) enables us to reflect on the otherside of China’s presence in India’s Northeast. China’s innocuous soft-power reaches and holds over communities in these disgruntled geographies. The flow of materialities, and the emergent culture manufacturing that flows among the ethnic communities in these disgruntled geographies indicate the indelible footprints of China either as the actor pushing these new cultural idoms, or as agents/intermediaries arranging the flow of alien cultural materialities. The discussions also suggest how communities therein navigate, circumvent and reconfigure their local economies and myriad identities in their quest for seeking development and its promises premised on hope.

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Kimi. (name changed). *Personal Interview*. Chaltlang, Aizawl: 30 January 2008

Monpriya (name changed) *Personal Interview*. (Professional from Manipur). New Delhi: 19 March 2014

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# Comrades in Arms? Decoding China's Taliban Gamble

Raghav Sharma\*

Afghanistan has been slowly inching its way up in the Zhongnanhai's strategic calculus. Over the past decade Beijing sought to carefully recalibrate its Afghan strategy, engaging with state and non-state actors that dot the landscape. Beijing's strategy has been underpinned by a desire to protect its core interests, in the economic and security realm, by ensconcing them in relationships it has cultivated with actors like the Taliban dating back to the 1990's. It has choreographed these moves to align itself with the changing contours of the regions' geo-political landscape. While the Zhongnanhai has traditionally been uncomfortable with a large foreign military presence in its immediate neighbourhood, it is now confronted with opportunities and challenges following the chaotic withdrawal of US led forces from Afghanistan and the meteoric collapse of the Western backed government in Kabul. The unfolding developments in Beijing's western neighbourhood throws up new opportunities for Beijing as it seeks to play a more active role in shaping the trajectory of developments on the international stage. Its ambitions are boosted by a convergence of interests with seemingly implausible alliance of key regional players such as Russia, Iran and Pakistan. However, the path ahead is fraught with challenges as China navigates uncharted waters. It will be argued that the mutual embrace of Zhongnanhai and Taliban underpinned by realpolitik has its limitations. While Beijing has demonstrated little enthusiasm to fill in the vacuum generated with the withdrawal of the US from Afghanistan and has not rushed to tighten its embrace of the group, the Taliban too, while keen to amplify the basket of diplomatic options, will find it hard to reconcile its ideological fellow travelers with Beijing. Moreover, the long-term endurance of convergent regional interests remains in doubt and may cast a shadow over Beijing's Taliban gamble.

## Introduction

The major changes in Afghanistan once again show that democracy imposed and transplanted by others will not last or be firm. I learned from the news today that one of the people who died after falling from the landing gear of a US plane was 19-year-old Afghan national team football player Zaki Anwari. This is heart-breaking...Zaki Anwari's fallen, American myth down. More and more people are awakening. (Chunying, 2021)<sup>396</sup>

Caustic remarks by Hua Chunying, Spokesperson of China's foreign ministry in the wake of the chaotic and humiliating US military retreat from Afghanistan, preceded by a collapse of the US

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<sup>396</sup> Chunying, H. (2021, August 20). *Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on August 20, 2021*. Retrieved May 2022, from Ministry of Foreign Affairs of the People's Republic of China [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/202108/t20210820\\_9170802.html](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/202108/t20210820_9170802.html)

backed government in Kabul two weeks prior. Developments in Afghanistan became symptomatic for many in Beijing of the irreversible decline of US hegemony on the world stage. This sentiment echoed loudly in nationalist quarters in China, wherein it was argued that in the 1970's, post "Saigon moment" the US retained its global "hegemony" by drawing on the support of China as a "strategic force" in dealing with the Soviet Union. However today it regards "Beijing as its top rival", a view not held by many of the countries (Tengjun, 2021)<sup>397</sup>.

Two decades after having toppled the Taliban swiftly as the US scrambled to wind down its military and diplomatic mission in Kabul in light of the Taliban's blitzkrieg across the country, Beijing remained among the few capitals that chose to retain its diplomatic presence in Kabul. These developments were reflective of ideological and geo-political road traversed by the Zhongnanhai which barely three decades ago cast the group in the mold of a militant hardline Islamist movement. As the withdrawal of US led NATO alliance loomed over the horizon the Zhongnanhai sought to gingerly recalibrate its position in a post-American Afghanistan, courting not just the Islamic Republic but also overtly engaging with the Taliban who described China as

...our most important partner... It is ready to invest and rebuild our country...rich copper mines in the country, which, thanks to the Chinese, can be put back into operation and modernised. In addition, China is our pass to markets all over the world. (Zabiullah Mujahid, 2021)<sup>398</sup>

While the Taliban's interim government was widely criticised for its lack of inclusivity, Beijing in contrast issued a swift endorsement of it by describing it as a "necessary step" to end "anarchy". It sweetened its outreach to the Taliban by offering it a modest US \$31 million aid package, followed by a high level visit by Foreign Minister Wang Yi to Kabul in March 2022 (Basu, 2022)<sup>399</sup> (Press Trust of India, 2021)<sup>400</sup>.

This chapter will engage with Kabul's rapid ascent in Beijing's strategic calculus, underpinned by key interests in the areas of security and economics that drive Beijing's growing engagement with its Western neighbor. Particular emphasis will be laid on discerning the factors that underpin the Zhongnanhai and Taliban's mutual embrace. It will be argued that while Beijing's has a rich history of covertly courting the Taliban in the 1990's to draw on however its overt embrace of Taliban 2.0 is new and characterized by reconfigured context colored by a perceived decline of

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<sup>397</sup> Tengjun, Z. (2021, October 18). *Unlike after 'Saigon moment,' US can't stand tall after Afghan failure*. Retrieved May 2022, from China Institute of International Studies: [https://www.ciis.org.cn/english/COMMENTARIES/202110/t20211018\\_8214.html](https://www.ciis.org.cn/english/COMMENTARIES/202110/t20211018_8214.html)

<sup>398</sup> Mujahed, Z. (2021, September 02). *Afghanistan: Taliban to rely on Chinese funds, spokesperson says*. Retrieved May 2022, from Al Jazeera: <https://www.aljazeera.com/news/2021/9/2/afghanistan-taliban-to-rely-on-chinese-money-spokesperson-says>

<sup>399</sup> Basu, N. (2022, March 24). *Chinese Foreign Minister Wang Yi makes surprise stop in Afghanistan to meet Taliban leaders*. Retrieved May 2022, from The Print: <https://theprint.in/diplomacy/chinese-foreign-minister-wang-yi-makes-surprise-stop-in-afghanistan-to-meet-taliban-leaders/887014/>

<sup>400</sup> Press Trust of India. (2021, September 09). *China backs Taliban's interim govt, says necessary step to end anarchy, restore order*. Retrieved May 2022, from India Today: <https://www.indiatoday.in/world/story/china-endorses-taliban-s-interim-govt-announces-usd-31-million-aid-for-afghanistan-1850735-2021-09-08>

US hegemony; China's willingness to play a more assertive role; a greater appetite for risks as Beijing seeks to secure its core security and economic interests; and a congruence of interests with key regional players. Although brutal realpolitik appears to be driving China's Taliban gamble the road ahead is fraught with challenges including the inherent contradictions that characterize the alliance and have the potential to derail China's Taliban bandwagon.

### **China–Afghanistan Relations in Historical Perspective<sup>401</sup>**

The forging of bi-lateral relations between China and Afghanistan in the contemporary period can be dated to the year 1944 when the nationalist government of China inked a Treaty of Amity with Afghanistan. Following the establishment of the People's Republic of China, Kabul swiftly bestowed recognition on it by 1950. However, concerns over US military and economic assistance to Kabul led Beijing to withhold reciprocating. However, by January 1955 the Eisenhower administration's decision to spurn Afghanistan in favour of forging military links with Pakistan strained relations between Washington and Kabul, creating room for diplomatic manoeuvre and paving way for establishment of full diplomatic relations. Soon thereafter in January 1957 Premier Chou En Lai visited Kabul, followed by Prime Minister, Sardar Mohammad Daud Khan's visit to Beijing in October 1957<sup>402</sup> (Emadi 1993, p.108)<sup>403</sup>. But despite being geographically proximate, Afghanistan remained far removed from Beijing's strategic and foreign policy calculus. The rhetoric of common colonial experience notwithstanding, relations lacked depth and substance. The only notable milestones in this period were the signing of a non-aggression pact in 1960 and the opening of boundary negotiations in December 1962 over the Wakhan corridor<sup>404</sup> <sup>405</sup> that culminated in the inking of a draft border treaty agreement on 01<sup>st</sup> August 1963. Under the terms of the treaty arrangement China renounced its claims to the Wakhan and by March 1965 the demarcation process was completed (Krishnan & John 2022, p.96)<sup>406</sup>. This was significant as it came in the wake of growing Sino–Soviet rift and a deepening Soviet footprint in Afghanistan.

Chinese concerns regarding growing Soviet influence in Afghanistan were amplified following a coup by Daud Khan in 1973 against his cousin, King Zahir Shah that led to the establishment of a Republican regime. What troubled Beijing was the backing Daud received from the pro–Soviet

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<sup>401</sup> Some parts of this section were originally published in (Sharma, Afghanistan: Discerning China's Westward March, 2019).

<sup>402</sup> Emadi, H. (1993). China's Politics and Developments in Afghanistan . *Journal of Asian and African Studies* (XXVIII).

<sup>403</sup> Emadi, H 1993 *ibid*

<sup>404</sup> The Wakhan corridor is a strategically located, narrow strip of territory– 10 kms. wide at its narrowest point and 60 kms. at its broadest– wedged between China, Tajikistan and Pakistan Occupied Kashmir. The territory became part of the Afghan state following the Anglo–British negotiations of 1891 which were propelled by British fears of Tsarist Russia undertaking exploratory missions to the Wakhan. Sensing a threat to its imperial possessions and keen to preempt the possibility of geographical contiguity between the two empires London engaged in intense negotiations with St. Petersburg. The two sides forcibly gifted the Wakhan to Amir Abdur Rehman Khan, his protests notwithstanding. This would thus come to constitute a short 76 km. border between China and Afghanistan

<sup>405</sup> Dupree, L. (1980). *Afghanistan*. Princeton, New Jersey, USA: Princeton University Press.

<sup>406</sup> John, A. K. (2022). *Comrades and the Mullahs: China, Afghanistan and the New Asian Geo–politics*. Gurugram, Haryana, India: Harper Collins.

*Hizb-i-Demokratik-i-Parcham-i-Afghanistan* also known as the People's Democratic Party of Afghanistan (PDPA [Parcham]). Daud was the principal architect of the policy of Pushtunistan that had strained Afghanistan's relations with China's main ally Pakistan.<sup>407</sup><sup>408</sup> Moscow supported Kabul's claims on Pushtunistan and the two inched closer on military cooperation (Emadi 1993, p111)<sup>409</sup>. However, it was the bloody *Saur* (April) coup by the pro-Soviet PDPA (*Khalq Faction*) in April 1978 against Daud followed by the Soviet military invasion of Afghanistan in December 1979 that catapulted Afghanistan up Beijing's strategic calculus.

A large Soviet military presence on its borders deeply unsettled the Chinese leadership, which on 31 December 1979 unequivocally conveyed to the Soviet Ambassador in Beijing that "Afghanistan is China's neighbour...and therefore ...the Soviet armed invasion of that country poses a threat to China's security. This cannot but arouse the grave concern of the Chinese People." Beijing's fears were accentuated in light of the uneasy hold it exercised over its western border province of Xinjiang<sup>410</sup>.<sup>411</sup> (Segal 1981, p.1165)<sup>412</sup>. A palpable sense of unease with a massive Soviet military presence on its borders and the growing entente with Washington—a development in which Islamabad had played a key role between 1969 and 1971—Beijing began to closely coordinate its Afghan policy with Washington, Islamabad and Riyadh. It covertly aided the *mujahideen* in the anti-Soviet *jiḥād* in Afghanistan. Beijing is estimated to have contributed about US \$ 100 million to the anti-Soviet *jiḥād*, this figure stands in stark comparison to the US \$44 million extended by way loans to the Afghan government till 1972 and the measly US \$4 million pledged in immediate humanitarian assistance in 2001. Significantly Beijing not only tolerated participation of Uighurs from Xinjiang in the Afghan *jiḥād* in order to dislodge the Soviets from Afghanistan, but the People's Liberation Army (PLA) helped train *mujahideen* fighters in Xinjiang. Infact in 1985 the Soviet backed Babrak Karmal government claimed that China had imparted training to more than 30,000 "counter revolutionaries" in 120 camps situated in Pakistan and three camps,

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<sup>407</sup>In response to Daud's support to Pushtun irredentism and Baloch rebels, Pakistan began courting Islamists such as Gulbuddin Hekmatyar and Burhanuddin Rabbani in Afghanistan. In 1975 five thousand Islamists staged a series of failed uprisings in Panjshir, Herat, Laghman and Badakhshan against Daud's government. The Afghan government claimed that the rebels had been supplied with Chinese arms (Emadi 1993, p.112) (Sharma 2020, P.107).

<sup>408</sup> Sharma, R. (2020). *Nation, Ethnicity and the Conflict in Afghanistan: Political Islam and the Rise of Ethno-politics (1992–1996)*. London, UK: Routledge.

<sup>409</sup> Emadi, H 1993 *ibid*

<sup>410</sup>Xinjiang which literally means "New Territories" became part of the Qing state as late as 1750 and by the nineteenth century it came to serve as a strategic frontier against Tsarist Russia. However, following the dissolution of the Qing dynasty, China entered a period of political fragmentation with territories being controlled by warlords or the Japanese. Xinjiang was ruled by a local warlord who in the 1920's sought and received Soviet support. Over the course of the 1930's the Afghans supported an Islamic Republic of East Turkestan in Xinjiang that sought to spurn both Soviet and Chinese control before the Communist Party of China established control over the region in 1949–50. The Muslim majority province has since witnessed a crackdown on local language, culture and religion, persecution as well as attempts at internal colonialism with the a state sponsored influx of Han Chinese (Segal 1981, p.1159)

<sup>411</sup> Davis, E. V. (2008, Spring). Uyghur Muslim Ethnic Separatism in Xinjiang, China. *Asian Affairs*, 35(1), 15-29.

<sup>412</sup> Segal, G. (1981, November). China and Afghanistan Source: . *Asian Survey*, 21(11), 1158-1174.

namely: Azgar, Gogirfen and Maryand in Xinjiang (John & Krishnan 2022, p.97)<sup>413</sup> (Emadi 1993, p.115)<sup>414</sup>.

Following the Soviet withdrawal in 1989 and subsequent collapse of both the USSR and the PDPA government in Kabul in 1992 the most pressing threat for Beijing faded and with it its interest in its Western neighbour waned. However the Zhongnanhai confronted the ugly reality of a blowback in its western peripheral province of Xinjiang. The Afghan sojourn provided Uyghurs connections with a wider network of radicalized militants that would eventually be cultivated by the East Turkestan Islamic Party (ETIP) leadership to find safe sanctuary in Afghanistan and subsequently in Pakistan. Thus it came as little surprise that close on the heels of Soviet withdrawal from Afghanistan in February 1989 – which contributed to the rising crescendo of political Islam in the region – on 5 April 1990 Baren became the stage for the first major protests since 1949 against Chinese rule over Xinjiang. While the Chinese state stamped out the protests, the events at Baren had a domino effect, sparking violent protests against the policies of the Chinese state (Sharma, *Afghanistan: Discerning China's Westward March* 2019, p.5)<sup>415</sup>.

As the Taliban rolled into Kabul in September 1996, Beijing shuttered its embassy in Kabul and ceased formal diplomatic contact. However covert overtures to the Taliban were initiated with the help of Rawalpindi. By<sup>416</sup> the year 2000 China's first tentative outreach to the Taliban was initiated when it organized a visit to Afghanistan from the Ministry of Security-affiliated think-tank the Chinese Institute for Contemporary International Relations. Close on the heels of this visit came the inking of contracts that awarded two Chinese telecom companies, Huawei and ZTE, the franchise to install 12,000 and 5,000 landlines in Kandahar and Kabul, respectively. The People's Liberation Army (PLA) also forged an agreement with the Taliban to train and maintain the Taliban's forces and equipment. Beijing's flirtation with the Taliban reached a crescendo following China's ambassador to Pakistan Lu Shulin's December 2000 meeting with Mullah Omar in Kandahar. Succinctly articulating the nature of China's engagement with the Taliban up till 2001 the former spokesperson for Mullah Omar and former Taliban Foreign Minister, Wakil Ahmed Muttawakil opines: "We did not have diplomatic relations with the Chinese. What we had were business and trade relations...The meeting [with Mullah Omar] took place...China had a problem with the Taliban, especially with regard to the Uyghur Muslims." (Interview, Muttawakil 2011). This outreach lasted barely over a year with the Taliban being toppled by October 2001 in the aftermath of the events of 9/11 (Sharma, *Afghanistan: Discerning China's Westward March* 2019, p.7–8)<sup>417</sup>.

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<sup>413</sup> John, A. K. (2022). *Comrades and the Mullahs: China, Afghanistan and the New Asian Geo-politics*. Gurugram, Haryana, India: Harper Collins.

<sup>414</sup> Emadi, H 1993 *ibid*

<sup>415</sup> Sharma, R. (2019, October 24). *Afghanistan: Discerning China's Westward March*. *Asian Affairs*.

<sup>416</sup> In the aftermath of the 9/11 attacks the spotlight was cast on China's covert engagement with the Taliban on the 15<sup>th</sup> of September 2001 the Ministry of Foreign Affairs issued vigorous denials of what it described as "baseless" and "groundless" reports. However, three days later the Ministry's spokesperson Zhu Bangzao went on to acknowledge links with the Taliban in a convoluted fashion, stating that "At the request of the Taliban, China had some contacts with it at the working level. China explained to the Taliban our principled position. Some other countries have also done the same. We wish to stress that we have no official relations of any form with the Taliban. This is very clear and should not be misinterpreted." (Ministry of Foreign Affairs of the People's Republic of China, 2001) (Ministry of Foreign Affairs of the People's Republic of China, 2001).

<sup>417</sup> Sharma, R 2019 *ibid*

China once again confronted with the specter of large-scale foreign military presence in its western neighborhood. However, in contrast to its strong condemnation of the Soviet assault on Afghanistan and disapproval of NATO mission in Kosovo in 1999, Beijing cautiously positioned its support to the US led 'war on terror'. The Zhongnanhai grasped that the magnitude of the 9/11 attacks had galvanized support for US led 'war on terror' and explicit opposition to it at this juncture would sully China's image. It also saw in these events an opportunity to legitimize its attempts to muzzle dissent among ethnic minorities in restive provinces of Xinjiang and Tibet by bringing it under ambit of terrorism (BBC News, 2001)<sup>418</sup>. This is explicitly borne out in the statement of Chinese Foreign Ministry Spokesperson Zhu Bangzao

The United States asks for China's support and assistance in the fight against terrorism. China, in the same token, has reason to ask the United States to give its understanding and support in China's fight against national splittism and terrorism (Ministry of Foreign Affairs of the People's Republic of China, 2001)<sup>419</sup>.

Subsequently the US would go on to designate the East Turkestan Islamic Party (ETIP) as a terrorist organization and China would launch a vicious crackdown against Uighur Muslims in Xinjiang, condemning nearly two million to modern day concentration camps<sup>420 421</sup> (Nebehay, 2018)<sup>422</sup> (Office of the High Commissioner for Human Rights, 2021)<sup>423</sup> (Petersen, 2021)<sup>424</sup>.

#### China, Afghanistan, and the Taliban in the Shadow of the US

Following the establishment of a US backed interim government led by Hamid Karzai, Beijing would move swiftly to re-establish diplomatic relations with Kabul in December 2001 and pledging a paltry US \$150 million in immediate humanitarian assistance. In 2002 the two sides inked the 'Kabul Declaration on Good Neighbourly Relations'. However, in the early years of US intervention Beijing largely sought to steer clear of a political role. It largely confined itself to testing waters in the economic and commercial arena, winning a US \$3.5 billion bid for one of the

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<sup>418</sup> BBC News. (2001, November 08). *Robinson warns China of repression*. Retrieved June 2022, from BBC News: <http://news.bbc.co.uk/2/hi/asia-pacific/1644662.stm>

<sup>419</sup> Ministry of Foreign Affairs of the People's Republic of China. (2001, September 15). *Chinese Foreign Ministry Spokesperson on the reported relations between China and Taliban*. Retrieved May 2022, from Ministry of Foreign Affairs of the People's Republic of China: <https://www.fmprc.gov.cn/ce/ceun/eng/zghlhg/hphaq/fk/t26904.htm>

<sup>420</sup> Beijing appears to have exerted pressure on the UN human rights body which has dragged its feet over making public its fact-finding report on human rights abuses in Xinjiang. This has cast a dark shadow over the OCHR and led 192 international organizations to address an open letter to the UN Human rights commissioner imploring her office to release the report (Human Rights Watch, 2022).

<sup>421</sup> Human Rights Watch. (2022, March 08). Retrieved June 2022, from <https://www.hrw.org/news/2022/03/08/open-letter-un-high-commissioner-human-rights-ohchr-report-grave-human-rights>

<sup>422</sup> Nebehay, S. (2018, August 10). *U.N. says it has credible reports that China holds million Uighurs in secret camps*. Retrieved June 2022, from Reuters: <https://www.reuters.com/article/us-china-rights-un-idUSKBN1KV1SU>

<sup>423</sup> Office of the High Commissioner for Human Rights. (2021, March 29). *China: UN experts deeply concerned by alleged detention, forced labour of Uyghurs*. (United Nations) Retrieved June 2022, from OCHR: <https://www.ohchr.org/en/press-releases/2021/03/china-un-experts-deeply-concerned-alleged-detention-forced-labour-uyghurs>

<sup>424</sup> Petersen, K. (2021, September 08). *How 9/11 helped China wage its own false 'war on terror'*. Retrieved June 2022, from Al Jazeera: <https://www.aljazeera.com/opinions/2021/9/8/how-9-11-helped-china-wage-its-own-false-war-on-terror>



largest copper reserves in the world at MesAynak as well as oil and gas blocks in Sar-i-Pul and Faryab provinces(NASDAQ, 2011)<sup>425</sup> (Sharma, China's Afghanistan Policy:Slow Recalibration 2010, p.203–205)<sup>426</sup>. While most of China's commercial forays in the country faltered, with not an ounce of copper being mined and oil production coming to halt within a year of production kicking off, its political stature grew gingerly as it carefully recalibrated engagement with its western neighbor(Tolo News, 2013)<sup>427</sup> (Reuters, 2021)<sup>428</sup>.

A number of developments coalesced to set the stage for setting in motion a process of strategic re-alignment between Kabul and its Western allies, allowing Beijing room for maneuver. By 2008 Hamid Karzai's relationship with his Western partners began to fray over the mounting civilian casualties in the countryside which made him "confront" the US military "very, very strongly...I told them that they were behaving like an invasion...they should stop...they better leave". Karzai's allies in the west were livid and accused his administration of being corrupt and inept. The relationship would continue to unravel following his deeply flawed re-election to the Arg in 2009 for which Karzai would blame Washington, arguing

...that the principal fraud was committed by the US, they spoilt the elections, they wanted me to be in no position to resist them. They said the election was fraudulent and must go to the second round even before the results were declared...they wanted me silent and I won't stay silent(Karzai, 2021)<sup>429</sup>.

Notably soon after inauguration of his second term, Karzai chose Beijing as his destination for his second overseas visit in March 2010 signaling a determination to whittle down dependence on the west. However, cooperation remained largely confined to the commercial sphere. In 2012, for the first time in half a century, Beijing dispatched its first senior official, Zhou Yongkang, Minister for Security and member of the powerful politburo of the CCP to Kabul. Agreements were linked to "train, fund and equip the Afghan police" This was followed by the appointment of Sun Yuxias China's first special representative to Afghanistan, indicating a growing concern that NATO withdrawal is likely to leave China's troubled Western periphery exposed to hotbed of radical militancy and narco-trafficking. In February 2012, Beijing hosted the first China-Afghanistan-Pakistan trilateral dialogue where some security issues and trilateral cooperation were discussed. Then in June 2012, as China was holding the Shanghai Cooperation Organization (SCO) Summit in Beijing, President Hu Jintao signed a bilateral "strategic partnership" agreement with President Karzai. By 2014 in an indication of both its growing weight and willingness to play a more political role in Afghanistan, China became a part of the Quadrilateral Coordination Group(QCG) framework along with the US to guide the peace process in Afghanistan. Notably its support to the QCG framework was predicated on securing its "core interests" of "sovereignty, and territorial

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<sup>425</sup> NASDAQ. (2011, December 28). *China Wins First Oil Drilling Rights for Afghanistan*. Retrieved June 2022, from NASDAQ: <https://www.nasdaq.com/articles/china-wins-first-oil-drilling-rights-afghanistan-2011-12-28>

<sup>426</sup> Sharma, R. (2010). China's Afghanistan Policy : Slow Recalibration . *China Report*, 46(201).

<sup>427</sup> Tolo News. (2013, August 20). *Amu Darya Basin Oil Extraction Operation Halted*. Retrieved June 2022, from Tolo News: <https://tolonews.com/business/amu-darya-basin-oil-extraction-operation-halted>

<sup>428</sup> Reuters. (2021, August 20). *Taliban's return clouds plans for Afghan resource projects*. Retrieved June 2022, from Euro News: <https://www.euronews.com/2021/08/20/us-afghanistan-conflict-china-commodities>

<sup>429</sup> Karzai, H. (2021, September 15). *A Wish for Afghanistan: The President*. (L. Doucet, Producer, & BBC) Retrieved June 2022, from BBC Sounds: <https://www.bbc.co.uk/sounds/play/w3ct2jn9>

integrity” which entailed denying space to the ETIP. Thus, the first round of QCG dialogue was preempted by the arrest and deportation of 12 Uighurs from Kabul and Kunar provinces(Sharma, Afghanistan: Discerning China's Westward March 2019, p.9–10)<sup>430</sup> (RFE/RL, 2010)<sup>431</sup>.

Sino–Afghan engagement would acquire heightened momentum under President Ashraf Ghani who within a month of his contentious election to the *Arg* in 2014 would choose China as his first destination for an overseas visit. Daoud Sultanzoy, advisor to Ghani, astutely remarked: “China was invited to play the pivotal role that it can because China has a lot at stake for its own stability. Also, China has a tremendous amount of clout when it comes to Pakistan.” Ghani’s new policy gambit of attempting to harness Beijing’s political clout marked a paradigm shift in the quest to achieve elusive peace. (Sharma, Afghanistan: Discerning China's Westward March 2019, p.2). Ghani’s ascent to the political centerstage came close on the heels of the launch of the Belt and Road Initiative (BRI) by China in 2013 which dovetailed with his administration's push for enhancing regional trade and connectivity.

Beijing’s growing heft in Afghan affairs was amplified further with its simultaneous cultivation of the Taliban who described Beijing as its ‘most trusted partner’ and by 2015, China was hosting the Taliban for secret talks with the Afghan government brokered by the Inter-Services Intelligence(ISI) of Pakistan, ironically in Urumqi (Teizzi, 2015)<sup>432</sup>. Beijing’s concerted efforts to cultivate ties with groups like the Taliban are underpinned by a desire to deny safe sanctuary to ETIP and secure its investments in the BRI of which the ambitious China Pakistan Economic Corridor (CPEC) is a major component. Thus, Pakistan serves as a primary trope through which developments in Afghanistan and the region at large are contextualized and engaged with. The view from Beijing was laid thread bare by Chinese scholars in Oslo in 2018, who argued that

stability in Afghanistan and Pakistan is regarded by China as a crucial issue for the future.” But it is seen more as a regional problem than an ‘Afghan’ one. “How does China rate Afghanistan as a problem?” one of the scholars asked, rhetorically. “We first are concerned about an overspill from Afghanistan to Pakistan, then about one from Afghanistan to Central Asia, and only then about Afghanistan itself. [...] “If the Afghan government collapsed, this would be a problem; but if the Pakistani government collapsed, this would be a catastrophe(Ruttig, 2018)<sup>433</sup>.

Thus, the Zhongnanhai’s pan–regional security concerns underpin its deepening engagement in its western neighborhood, underscoring both its growing heft as also its appetite for risks associated with such a role. The analysis of Chinese scholars was anchored in another reality which came to

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<sup>430</sup> Sharma, R. 2019 *ibid*

<sup>431</sup> RFE/RL. (2010, March 24). *Afghan President Signs Economic Agreements On China Visit*. Retrieved June 2022, from Radio Free Europe/Radio Liberty: [https://www.rferl.org/a/Afghan\\_President\\_Meets\\_China\\_Leadership/1992126.html](https://www.rferl.org/a/Afghan_President_Meets_China_Leadership/1992126.html)

<sup>432</sup> Teizzi, S. (2015, January 07). *China Hosted Afghan Taliban for Talks: Report Has China quietly begun brokering talks between Afghanistan’s government and the Taliban?* Retrieved June 2022, from The Diplomat: <https://thediplomat.com/2015/01/china-hosted-afghan-taliban-for-talks-report/>

<sup>433</sup> Ruttig, T. (2018, April 18). *Climbing on China’s Priority List: Views on Afghanistan from Beijing*. Retrieved June 2022, from Afghan Analyst Network: <https://www.afghanistan-analysts.org/en/reports/regional-relations/climbing-on-chinas-priority-list-views-on-afghanistan-from-beijing/>

the public spotlight in October 2016 with reports surfacing of Chinese patrols being spotted in the Wakhan corridor. Pictures captured by a German mountaineering expedition showed Mine Resistant Ambush Protected (MRAP) used by the Chinese military being part of the patrol. Notably there existed no known agreement for joint border patrols or war games between Kabul and Beijing. China is believed to be inserting itself militarily into the strategically located Wakhan corridor via 1000 square kilometers of land ceded to it by Tajikistan in the Pamir mountains in 2011, a deal which brought the curtains down on a 130-year-old border dispute. Critics argue that China is trying to buy Pamir by debt-trapping Dushanbe. Tajikistan joined the BRI in 2017. At least 350 Chinese companies operate in the country. As of this year, Beijing owns over half of Tajikistan's external debt that amounts to around 35.9 percent of the country's GDP(The Hindu, 2011)<sup>434</sup> (BBC News, 2011)<sup>435</sup>(Shih, 2019)<sup>436</sup>.

By the time the Taliban seized power in August 2021, Beijing was well poised to entrench itself further, setting up an elaborate military base near an old Soviet outpost at Shaymak, Tajikistan. Located barely 12–15 kms. from the Wakhan corridor, the base is said to host troops from both the PLA as well as the People's Armed Police Force (PAPF)— the latter tasked with internal security. Chinese troops are said to have replaced the Tajiks for border patrols in the area. In a recent trip along the Tajik–Afghan border by *The Washington Post*, its reporter confirmed the presence of a Chinese military compound in Tajikistan and personally encountered a group of uniformed Chinese troops shopping in a Tajik town, the nearest market to their base. They bore the collar insignia of a unit from Xinjiang. Notably expert analysis satellite imagery of this region shows a large Chinese military outpost, its second on foreign soil after Djibouti, with plans for its future expansion. Spread over seven hectares it is believed to be able to host anything between a battalion to a brigade worth of troops with support elements(Standish, 2021)<sup>437</sup> (Shih, 2019)<sup>438</sup> (Bhat, 2019)<sup>439</sup>.

By the time the Trump administration inked the Doha agreement with the Taliban in February 2020, bypassing and thereby undermining the Afghan government, China had positioned itself for a post–American Afghanistan. Whilst continually emphasizing the need for an “orderly and responsible” withdrawal and “a negotiated political settlement” it continued to court the Taliban vigorously, consistently calling on the group to “fulfill its counterterrorism

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<sup>434</sup> The Hindu. (2011, January 13). *Tajikistan cedes 1,000 sq km to China*. Retrieved June 2022, from The Hindu: <https://www.thehindu.com/todays-paper/tp-international/Tajikistan-cedes-1000-sq-km-to-China/article15517690.ece>

<sup>435</sup> BBC News. (2011, January 13). *Tajikistan cedes land to China*. Retrieved June 2022, from BBC News: <https://www.bbc.com/news/world-asia-pacific-12180567>

<sup>436</sup> Shih, G. (2019, February 18). *In Central Asia's forbidding highlands, a quiet newcomer: Chinese troops* . Retrieved June 2022, from The Washington Post: [https://www.washingtonpost.com/world/asia\\_pacific/in-central-asias-forbidding-highlands-a-quiet-newcomer-chinese-troops/2019/02/18/78d4a8d0-1e62-11e9-a759-2b8541bbbe20\\_story.html](https://www.washingtonpost.com/world/asia_pacific/in-central-asias-forbidding-highlands-a-quiet-newcomer-chinese-troops/2019/02/18/78d4a8d0-1e62-11e9-a759-2b8541bbbe20_story.html)

<sup>437</sup> Standish, R. (2021, October 14). *From A Secret Base in Tajikistan, China's War On Terror Adjusts To A New Reality*. Retrieved June 2022, from Radio Free Europe/ Radio Liberty: <https://gandhara.rferl.org/a/tajikistan-china-war-on-terror-afghan/31509370.html>

<sup>438</sup> Shih, G. 2019,ibid

<sup>439</sup> Bhat, C. V. (2019, February 22). *China has built second foreign military base near key Afghan corridor — just north of PoK*. Retrieved June 2022, from The Print: <https://theprint.in/defence/china-has-built-second-foreign-military-base-near-key-afghan-corridor-just-north-of-pok/196321/>

commitments”(Ministry of Foreign Affairs of the People's Republic of China, 2021)<sup>440</sup> (The Economic Times, 2020)<sup>441</sup>.

## A Post American Afghanistan

The hasty withdrawal of US and NATO troops from Afghanistan actually marks the failure of U.S policy towards Afghanistan...the Afghan Taliban is an important military and political force in Afghanistan and is expected to play an important role in the country's peace, reconciliation, and reconstruction process...We hope the Afghan Taliban will make a clean break with all terrorist organizations including the ETIM and resolutely and effectively combat them (Yi, 2021)<sup>442</sup>

As the Taliban were on the offensive across Afghanistan on the 28<sup>th</sup> of July 2022, the Chinese Foreign Minister, Wang Yi played host to a Taliban delegation led by Mullah Baradar in the city of Tianjin, barely two weeks prior to the collapse of the Islamic Republic of Afghanistan. He not only minced no words in taking a swipe at the US as it stared at one its most significant strategic defeats of the 21<sup>st</sup> century but notably referred to the Taliban as a major player even before it formally seized power. The Zhongnanhai had already begun positioning itself publicly as Afghanistan's geo-political landscape was poised for cataclysmic transformation. In doing so China also categorically laid out its red lines, making its engagement and support contingent on receptivity to Chinese concerns on the ETIM.

What followed since has been a persistent attempt to re-package the Taliban's image from a group that symbolized an extremist, militant Islam to one that was equated by some of China's leading academics to "...the People's Liberation Army during the war of liberation" which has "...been demonized by the Americans"(Yiwei, 2021)<sup>443</sup>. Similarly, Beijing's serving special envoy to Afghanistan, Yue Xiaoyong in an interview given in Islamabad to CISS, not only painted the Taliban as 'sons of the soil' who "...are like other Afghans...they are very friendly, they like to

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<sup>440</sup> Ministry of Foreign Affairs of the People's Republic of China. (2021, May 17). *Joint Statement of extended "Troika" on peaceful settlement in Afghanistan, Doha, 30 April, 2021*. Retrieved June 2022, from Ministry of Foreign Affairs of the People's Republic of China: [https://www.fmprc.gov.cn/mfa\\_eng/gjhdq\\_665435/3265\\_665445/3220\\_664352/3221\\_664354/202105/t20210507\\_9169151.html](https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3265_665445/3220_664352/3221_664354/202105/t20210507_9169151.html)

<sup>441</sup> The Economic Times. (2020, March 02). *China welcomes US-Taliban deal: Calls for orderly withdrawal of foreign troops from Afghanistan* Read more at: <https://economictimes.indiatimes.com/news/defence/china-welcomes-us-taliban-deal-calls-for-orderly-withdrawal-of-foreign-troops-from-afghanista>. Retrieved June 2022, from The Economic Times: <https://economictimes.indiatimes.com/news/defence/china-welcomes-us-taliban-deal-calls-for-orderly-withdrawal-of-foreign-troops-from-afghanistan/articleshow/74442164.cms?from=mdr>

<sup>442</sup> Yi, W. (2021, July 28). *Wang Yi Meets with Head of the Afghan Taliban Political Commission Mullah Abdul Ghani Baradar*. Retrieved June 2022, from Embassy of the People's Republic of China in the Republic of Liberia: <https://www.mfa.gov.cn/ce/celr/eng/zgyw/t1895950.htm>

<sup>443</sup> Yiwei, W. (2021, August 08). *Chinese Professor Wang Yiwei: The Taliban Are The 'Liberation Army' Of Afghanistan; They Are Demonized By The U.S., But Are China's 'Good Brothers'*. (The Middle East Media Research Institute) Retrieved June 2022, from MEMRI TV: <https://www.memri.org/tv/china-wang-yiwei-prof-renmin-univeristy-taliban-liberation-army-afghanistand-demonized-united-states>

exchange ideas with me, to talk to other people, they listen to other people's ideas" but notably went on to heap praise on his country's strategic ally Pakistan for having "...played a very important role in the Afghan issue...they contributed a lot to peace, reconciliation"(Xiaoyong, 2021)<sup>444</sup>. His praise of both Pakistan in the face of evidence to the contrary and the Taliban whose worldview sits uneasily with Beijing's domestic policies towards Muslims in Xinjiang is telling of both the naked realpolitik driving the relationship as also the inherent contradictions that underpin it.

In its bid to rehabilitate the Taliban, Beijing has found a strong congruence of interests with Rawalpindi, Tehran and Moscow. This coupled with the weakening of the *tanzeem* which with the support of Tehran, Moscow and New Delhi had mounted opposition to the Taliban in the 1990's has made the task at hand easier for Beijing. China has been at the forefront of conversations to engage with and rehabilitate the Taliban, extending a US \$31 million "emergency aid" package in September 2021 while castigating US' economic sanctions on Afghanistan(BBC News, 2021)<sup>445</sup>. The Zhongnanhai has made concerted push to cement ties with the Taliban with reports emerging in October 2021 of Beijing dispatching troops to the Bagram airbase to train special forces of the notorious Haqqani terror syndicate (Sulaiman, 2022)<sup>446</sup>(Faddis, 2022)<sup>447</sup>, a claim supported among other by the former Afghan Vice President Amrullah Saleh

A small contingent of foreign troops hv taken some of the inner sections of the Bagram airbase. I don't want to speculate on who they are & what functions they perform. It won't remain dark for long though. They train the Haqqani militias which is confirmed by multiple sources(Saleh, 2022)<sup>448</sup>.

Close on the heels of this purported development came the visit of Foreign Minister, Wang Yi who landed in Kabul in March 2022, barely twenty four hours after the Taliban was castigated for closing doors of higher education on Afghan girls. Notably China is among the handful of countries to have accredited Taliban diplomats in Beijing whilst withholding *de jure* recognition<sup>449</sup>(Rassa, 2022)<sup>450</sup>(Greenfield, 2022)<sup>451</sup>. The Zhongnanhai's decisive lurch towards the Taliban is anchored

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<sup>444</sup> Xiaoyong, Y. (2021, September 08). *Afghan People Should Hold Fate in their Own Hands: Yue Xiaoyong*. (CISS, Producer) Retrieved June 2022, from CISS: <https://podcasts.apple.com/co/podcast/afghan-people-should-hold-fate-in-their-own-hands-yue/id1538089635?i=1000534639299&l=en>

<sup>445</sup> BBC News. (2021, September 09). *China offers \$31m in emergency aid to Afghanistan*. Retrieved June 2022, from BBC News: <https://www.bbc.com/news/world-asia-china-58496867>

<sup>446</sup> Sulaiman. (2022, May 04). *Are Chinese troops at Bagram air base?* Retrieved June 2022, from Salaam Times: [https://afghanistan.asia-news.com/en\\_GB/articles/cnmi\\_st/features/2022/05/04/feature-01](https://afghanistan.asia-news.com/en_GB/articles/cnmi_st/features/2022/05/04/feature-01)

<sup>447</sup> Faddis, S. (2022, March 12). *Updated: China Training Haqqani Network At Bagram Airbase*. Retrieved 2022 June, from AND Magazine: <https://andmagazine.substack.com/p/china-training-haqqani-network-at?s=r>

<sup>448</sup> Saleh, A. (2022, April 22). Retrieved June 2022, from Twitter: <https://twitter.com/AmrullahSaleh2/status/1517451740961984517>

<sup>449</sup> In this respect China finds itself in the company of Pakistan, Russia, Turkmenistan and Iran all of whom have accredited Taliban diplomats.

<sup>450</sup> Rassa, M. S. (2022, April 04). *China Welcomes Taliban's Diplomats*. Retrieved June 2022, from Hasht-e-Subh Daily: <https://8am.af/eng/china-welcomes-talibans-diplomats/>

<sup>451</sup> Greenfield, C. (2022, March 24). *China's foreign minister visits Afghanistan*. Retrieved June 2022, from Reuters: <https://www.reuters.com/world/asia-pacific/chinas-foreign-minister-visits-afghanistan-2022-03-24/>

not merely in the need to deny space to Uyghur militants<sup>452 453 454 455 456</sup> but also the belief that it will serve as a bulwark against a common enemy i.e. “the Islamic State...we should encourage the Taliban to defeat the Islamic state”. The IS which acquired a foothold in Afghanistan since 2014 has ratcheted up its rhetoric against China, by peppering its propaganda not just by references to Uyghurs but seeks to cast its net over the country’s wider Muslim population by arguing that “Muslim rights are forcibly seized” and it released a map which showed Xinjiang as part of its envisioned Caliphate (Ruttig, 2018)<sup>457</sup> (Keck, 2014)<sup>458</sup>. Key regional capitals from Tehran to Moscow have found a strong congruence of interests with Beijing on deploying the Taliban as an effective bulwark to counter the physical and the ideological threat posed by the IS. Tehran has gone a step further by linking the threat posed by the IS not just in the realm of security but also China’s grand geo-economic strategy predicated on its ambitious BRI, arguing about the threat posed by extremism to the BRI, a national security issue for China and for Iran (Sharafedin, 2015) The growing shadow of the ISIS in Afghanistan is a source of concern for both Beijing and Tehran, which has been calling on Beijing to be “...more active in the fight against the Islamic State” (Sharafedin, 2015)<sup>459</sup>.

However worryingly for Beijing in the wake of the US pullout and the Taliban takeover, the IS which denounced the Taliban takeover of Afghanistan as ‘insufficiently hardline’ has registered a significant increase in its activity in Afghanistan. Puncturing the Taliban’s claim of providing security the group carried out 365 terrorist attacks that resulted in 2,210 casualties in 2021. Since the Taliban’s seizure of power, the IS has expanded its presence across all provinces according to the UN and stepped up its attacks through 2022. In February 2022 the IS castigated the Taliban for

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<sup>452</sup>The true scope of a threat posed by Uyghur militants from Afghanistan to China is disputed. A 2021 UNSC report—which relies on intelligence inputs of member states, —pegs the number of Uyghur militants at several hundred, concentrated in Badakhshan, Kabul, Nuristan and Faryab provinces. However, given the virtually sanitized nature of the Sino-Afghan border it appears unlikely that they would pose a direct threat. Some experts have cast doubt on their ability to coordinate and mount attacks in China. With the Taliban in charge the country’s 2000 odd Uyghurs have expressed greater vulnerability given China’s history of pursuing Uyghurs in Central Asia (Standish, Taliban ‘Removing’ Uyghur Militants From Afghanistan’s Border With China, 2021)

<sup>453</sup> United Nations Security Council. (2021, July 21). *Letter dated 15 July 2021 from the Chair of the Security Council Committee pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning Islamic State in Iraq and the Levant (Daesh), Al-Qaida and associated individuals, groups, undertakings*. Retrieved June 2022, from [https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/S\\_2021\\_655\\_E.pdf](https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/S_2021_655_E.pdf)

<sup>454</sup> Roberts, S. R. (2020, June 24). *China’s hidden partner in suppressing the Muslim Uighurs – the US*. Retrieved June 2022, from The Guardian: <https://www.theguardian.com/commentisfree/2020/jun/24/china-suppressing-muslim-uighurs-us-trump-9-11>

<sup>455</sup> Gunter, J. (2021, August 27). *Afghanistan’s Uyghurs fear the Taliban, and now China too*. Retrieved June 2022, from BBC News: <https://www.bbc.com/news/world-asia-58342790>

<sup>456</sup>Standish, R. (2021, October 05). *Taliban ‘Removing’ Uyghur Militants From Afghanistan’s Border With China*. Retrieved June 2022, from Radio Free Europe/Radio Liberty: <https://www.rferl.org/a/afghanistan-taliban-uyghurs-china/31494226.html>

<sup>457</sup> Ruttig, T. (2018, April 18). *Climbing on China’s Priority List: Views on Afghanistan from Beijing*. Retrieved June 2022, from Afghan Analyst Network: <https://www.afghanistan-analysts.org/en/reports/regional-relations/climbing-on-chinas-priority-list-views-on-afghanistan-from-beijing/>

<sup>458</sup> Keck, Z. (2014, October 22). *Al-Qaeda Declares War on China, Too*. Retrieved June 2022, from The Diplomat: <https://thediplomat.com/2014/10/al-qaeda-declares-war-on-china-too/>

<sup>459</sup> Sharafedin, B. (2015, December 24). *Iran calls China to join the fight against the Islamic State*. Retrieved June 2022, from Reuters: <https://www.reuters.com/article/uk-mideast-crisis-iran-china-idUKKBN0U714J20151224>

forging close ties with Beijing which it accused of “eradicating Uyghur Muslims” in Xinjiang (United Nations Assistance Mission to Afghanistan, 2021)<sup>460</sup> (The Meir Amit Intelligence and Terrorism Information Center, 2022)<sup>461</sup> (Goldbaum, 2022)<sup>462</sup> (Gupta, 2022)<sup>463</sup>. This coupled with Afghanistan's catastrophic economic meltdown, absence of an inclusive political process and institutional breakdown will exacerbate the challenges at hand for China's Taliban allies in their quest for ‘stability’. Far from nudging the Taliban to address these challenges the Zhongnanhai reportedly shoring up efforts to cast the group in its image by helping it tighten its hold on information flows through supply of equipment to set up new TV and radio stations and the supply of sophisticated surveillance systems of the kinds used in Xinjiang to snuff out dissent (Sheikh, 2022)<sup>464</sup>.

Moreover, China remains undeterred in securing the interests of its ally Pakistan in the region by not only giving a helping hand to the Afghan Taliban but also its willingness to take calculated risks by shielding ‘strategic assets’ of Rawalpindi such as Maluana Masood Azhar, founder of a designated terror organization, the *Jaish-e-Mohammad*. Beijing repeatedly put his designation as a terrorist on hold at the United Nations Security Council, relenting after intense pressure from the US. Thus at a regional level China's Approach to Afghanistan is likely to amplify differences with India which is increasingly branded as “pro US” and a country prejudiced “...against the Afghan Taliban, and its competition with Pakistan in the Afghan issue combined restrict the role India can play...The country puts too much emphasis on its own interest and neglects Afghanistan's actual demands in the peace process”(Jianxue, 2018)<sup>465</sup> (Chinoy, 2019)<sup>466</sup>. While Beijing has found common cause with Russia and Iran for now the longevity of this congruence of interests remains to be seen, particularly in light of the Taliban's onslaught on Iran's ideological constituency in Afghanistan.

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<sup>460</sup> United Nations Assistance Mission to Afghanistan. (2021, November 17). *SRS LYONS BRIEFING TO THE UNSC ON THE SITUATION IN AFGHANISTAN*. Retrieved June 2022, from UNAMA: <https://unama.unmissions.org/srsg-lyons-briefing-uns-c-situation-afghanistan-3>

<sup>461</sup> The Meir Amit Intelligence and Terrorism Information Center. (2022, January 25). *Summary of ISIS Activity around the Globe in 2021*. Retrieved June 2022, from The Meir Amit Intelligence and Terrorism Information Center: <https://www.terrorism-info.org.il/en/summary-of-isis-activity-around-the-globe-in-2021/>

<sup>462</sup> Goldbaum, C. (2022, May 01). *With Spate of Attacks, ISIS Begins Bloody New Chapter in Afghanistan*. Retrieved June 2022, from The New York Times: <https://www.nytimes.com/2022/05/01/world/asia/afghanistan-isis-attacks.html>

<sup>463</sup> Gupta, S. (2022, February 04). *ISIS-K blasts Taliban for supporting China on Uyghur repression*. Retrieved June 2022, from The Hindustan Times: <https://www.hindustantimes.com/world-news/isis-k-blasts-taliban-for-supporting-china-on-uyghur-repression-101643957658774.html>

<sup>464</sup> Sheikh, S. R. (2022, April 07). *China lends the Taliban a slow but sure helping hand*. Retrieved June 2022, from Asia Times: <https://asiatimes.com/2022/04/china-lends-taliban-a-slow-but-sure-helping-hand/>

<sup>465</sup> Jianxue, L. (2018, October 10). *Excluding New Delhi from ‘Troika Plus’ shows India's minor role in Afghan issue*. Retrieved June 2022, from CIIS: [https://www.ciis.org.cn/english/COMMENTARIES/202110/t20211018\\_8211.html](https://www.ciis.org.cn/english/COMMENTARIES/202110/t20211018_8211.html)

<sup>466</sup> Chinoy, S. R. (2019, May 23). *Why China changed its stand on Masood Azhar*. Retrieved June 2022, from The Hindu: <https://www.thehindu.com/opinion/op-ed/why-china-changed-its-stand-on-masood-azhar/article27211058.ece>

## Conclusion

In the wake of the US pullout from Afghanistan, China has ramped up its rhetoric on the inevitable decline of US hegemony on the world stage. It appears willing to step up for a larger political role, particularly in its immediate neighbourhood in a bid to secure its core interests that pre-dominantly revolve around security. However, this will come at a price for China which had thus far relied on presence of US troops for stability in its troubled western periphery. It could potentially render China increasingly vulnerable to attacks on its interests in third countries as recent targeting of Chinese workers in Pakistan has demonstrated.

Driven by brutal realpolitik both the Taliban and China have crossed the Rubicon and in doing so they both entered uncharted territory. While the Zhongnanhai has harped on the threat posed by religious extremism it has ironically embraced those very forces that promote violent extremism as comrades in arms. The Taliban while drawing close to Beijing in a bid to diversify their basket of diplomatic options and galvanize their quest for securing international legitimacy will find the alliance with China hard to sell ideologically considering its policies in Xinjiang. Moreover, the Taliban, like in most other instances has unsurprisingly failed to deliver on commitments to prevent use of Afghan soil by foreign terror networks and it has in fact been working to assimilate these groups into its military structure in Northern Afghanistan as is seen in the case of the Al-Qadea linked Jamaat Ansarullah commander, Qari Fasihuddin, who has been appointed as the Taliban's Chief of Army Staff (Roggion & Tobbin, 2022)<sup>467</sup>.

This coupled with Afghanistan's economic freefall, absence of a political process, exclusionary character of the Taliban's ruling structure and the schisms within the Taliban ranks will create space for groups like the IS to find fertile breeding ground. The IS has been swift to tap into this in its propaganda rhetoric, framing the Taliban as a "treacherous, deviant" Pushtun ethno-nationalist movement (Weber, 2021)<sup>468</sup> (Pannier, 2022)<sup>469</sup> (Sajid, 2021)<sup>470</sup> (Trofimov, 2021)<sup>471</sup>. In fact, the resurgence of the IS in Afghanistan will puncture the image of the Taliban as a force capable of providing security and stability—two goals cherished by China.

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<sup>467</sup> Tobbin, B. R. (2022, May 25). *Tajik terrorist serves as Taliban commander in northern Afghanistan*. Retrieved June 2022, from Long War Journal: <https://www.longwarjournal.org/archives/2022/05/tajik-terrorist-serves-as-taliban-commander-in-northern-afghanistan.php>

<sup>468</sup> Weber, L. (2021, December 09). *Eurasia Net*. Retrieved June 2022, from Perspectives | Islamic State continues anti-Taliban PR push, with Tashkent in crosshairs: <https://eurasianet.org/perspectives-islamic-state-continues-anti-taliban-pr-push-with-tashkent-in-crosshairs>

<sup>469</sup> Pannier, B. (2022, May 13). *Northern Afghanistan and the New Threat to Central Asia*. Retrieved June 2022, from Foreign Policy Research Institute: <https://www.fpri.org/article/2022/05/northern-afghanistan-and-the-new-threat-to-central-asia/>

<sup>470</sup> Sajid, I. (2021, December 12). *Poverty pushing Afghans to join terror group Daesh/ISIS-K*. Retrieved June 2022, from Anadolu Agency: <https://www.aa.com.tr/en/asia-pacific/poverty-pushing-afghans-to-join-terror-group-daesh-isis-k/2449002>

<sup>471</sup> Trofimov, Y. (2021, October 31). *Left Behind After U.S. Withdrawal, Some Former Afghan Spies and Soldiers Turn to Islamic State*. Retrieved June 2022, from The Wall Street Journal: <https://www.wsj.com/articles/left-behind-after-u-s-withdrawal-some-former-afghan-spies-and-soldiers-turn-to-islamic-state-11635691605>



# **Economics and Regional Dynamics**

# **The Impacts of Chinese Economic Policies on Myanmar**

San San Khine\*

This study aims to examine the Chinese economic policies and strategies, and to explore ways and means for Myanmar to manage the implications. The ultimate national objective of China is to become an economic super power in 2049, and it has now been the second largest economy of the world. The successive Chinese leaders applied respective economic policies to fulfil this strategic objective. As the qualitative research, this study inquires what are the economic policies and objectives of China? What are their activities or strategies in Myanmar to fulfil its economic objectives? and how do their activities impact Myanmar? In addition, this study will consider the possible recommendations for Myanmar to manage her impacts. Maintaining internal political stability, and applying effectively its tangible and intangible resources, Myanmar should strive to increase its national power, not to depend too much on any other country in the future.

## **Introduction**

Economic policy is the product of a policy making process, in which policy players seek to influence the economic developments to achieve social, economic and political objectives(Zhang 2017)<sup>472</sup>. After the formation of the People's Republic of China, its ultimate national objective has been to become an economic super power in 2049. Accordingly, the successive Chinese governments applied respective economic policies to fulfil this strategic objective. In studying Chinese economic policies, the reforms initiated by Deng Xiaoping require to be observed as they still reflect on the policies under the current President Xi Jinping.

Aiming to make China a modern and powerful country by creating a socialist market economy, Deng Xiaoping introduced the Open-Door policy in 1978 in order to receive the foreign investments in the country. In fact, Chinese leaders want to promote China's role in the international arena through its economic power. They deepened reforms, further opened up the economy, and encouraged foreign relations to increase Chinese economic role in the international market. It is noted that policies exercised in the past to reach the rapid economic growth of China were successful. Over the past decades, China has enjoyed rapid growth, transforming its economy from poor to middle-income(Zhang 2017)<sup>473</sup>.

Since President Xi Jinping came to power in late 2012, he has substantially stepped up his direct leadership on economic decision-making. He continued to implement economic reforms of China

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<sup>472</sup>Zhang, Dong Dong. 2017. "Understanding China's Politics, Economic Policy Makers, and Policy Making under Xi Jinping." *Commonwealth of Australia*. Australia. [www.itsanhonour.gov.au](http://www.itsanhonour.gov.au).

<sup>473</sup> Zhang, Dong Dong. 2017. *ibid*

that were started under the Deng Xiaoping era. He launched the Chinese Dream/ Rejuvenation of China, and Belt and Road Initiative (BRI), as the grand strategy of China to expand its economic power. While China is attempting to promote economic cooperation with many countries through BRI, it is undeniable that Myanmar is one of the important partners in implementing the BRI. However, there have been challenges in implementing its economic activities: not limiting to BRI, but including trade and investments.

Academic literatures observe China- Myanmar economic relations from various perspectives and criticisms. Some literature argues that Myanmar is neither a strategic pawn nor an economic pivot of China in the short and immediate term, but the relationship seems to be based on a mutual need. Some depicts Myanmar as a client state of China. Myanmar has long been categorized as bandwagoning with Chinese power for both protection and profit. China also capitalizes on this relationship for its own gain.

Based on these literatures, this study aims to examine the Chinese economic policies and strategies, and to explore ways and means for Myanmar to manage the implications. In line with these objectives, this study will ask such questions as what are the economic policies and objectives of China? what are their activities or strategies in Myanmar to fulfil its economic objectives? and how do their activities impact on Myanmar? In addition, this study will consider the possible ways for Myanmar to manage her impacts.

### **Economic policies and strategies of China**

After Mao's death, the economic reforms under Deng Xiaoping brought dramatic changes to China. In late 1978, Deng Xiaoping began an era of market reform and opening up. His policy objective is to make China a modern, powerful socialist country by creating a socialist market economy that is later endorsed in the Article 5 of the 1982 Chinese Constitution. Deng introduced four modernizations as a sweeping reform of the planning and management systems in industry and agriculture. The modernization areas include agriculture, light and heavy industry, defence, and science and technology ("Deng Xiaoping's Leadership and China under Him " n.d.)<sup>474</sup>. The reform program had four major purposes: instituting a contract responsibility system in agricultural areas; reviving individual businesses in urban areas; decentralising a substantial amount of authority to state enterprises; and reforming the irrational price system.

In 1987, Deng advanced the three steps<sup>475</sup> suitable for China's economic development strategy within seventy years: The first step is to double the 1980 Gross National Product (GNP) and ensure that the people have enough food and clothing. The first objective was attained by the end of the 1980s. The second step is to quadruple the 1980 GNP by the end of the 20th century. This was achieved in 1995. The third step is to increase the per-capita GNP to the level of the medium-developed countries by the mid-21st century. Then, the people will be well-off and modernization will be basically realised ("The Three-Step Development Strategy" n.d.).

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<sup>474</sup> "Deng Xiaoping Steps up His Economic Reforms: SEZs and His Southern Tour." n.d. Facts and Details. Accessed June 13, 2022. <https://factsanddetails.com/china/cat2/sub7/entry-5538.html#chapter-2>.

<sup>475</sup> "The Three-Step Development Strategy." n.d. China Internet Information Center. Accessed June 13, 2022. <http://www.china.org.cn/english/features/38199.htm>.

Subsequently, the government established a number of areas for foreign investment, including the special economic zones (SEZs)<sup>476</sup>, open coastal cities, the economic and technology development zones, the delta open zones, the peninsula open zones, the open border cities, and the high-tech industry development zones. The establishment of these zones provided the trigger for massive inflows of foreign investment, primarily from companies in Hong Kong and Taiwan (Shigeo Kobayashi 1999)<sup>477</sup>. The government modernised the infrastructure, attracted Chinese entrepreneurs with tax exemptions for doing business with foreign companies, and lured foreign investors with tax holidays and a large bonded zone for duty-free imports of raw materials (Bhardwaj 1992)<sup>478</sup>. The changes brought an entrepreneurial boom that resulted in the emergence of huge numbers of entrepreneurs and venture businesses within China. By 1989, nearly 22,000 joint ventures had been launched, and Chrysler and Coca-Cola were among the first American firms to launch joint ventures (“Deng Xiaoping’s Leadership and China under Him” n.d.)<sup>479</sup>.

In addition, agricultural reforms provided the foundation for economic growth. The quiet elimination of the communes, which allowed farmers to lease their land and to sell their products in rural markets, enabled agricultural output to rise rapidly in the early 1980s. Rural households accumulated funds to invest in small-scale industry, and to buy the consumer goods that they produced. Local governments, suddenly able to keep a portion of the taxes that they levied on business (instead of giving it all up to the central government) became interested in investing in, and generally supporting, these new firms. With the political winds changing, people throughout the country started turning their minds away from politics and towards becoming rich (Green 2003)<sup>480</sup>.

Inflows of foreign capital, technology, and management knowhow enabled China to turn its vast labor resources and space to rapid economic growth. The economy stagnated around the time of the Tiananmen Square incident in 1989. However, in the first half of the 1990s, China boasted high growth rates again. Rapid economic growth was accompanied by a rise in per capita Gross Domestic Product (GDP). In 1998, per capita income was about United States Dollars (USD) 770, 14 times higher than in 1980. Therefore, it can be assumed that Deng’s goals, which were to improve the economic status of the people, had been accomplished (Shigeo Kobayashi 1999)<sup>481</sup>.

In fact, subsequent Chinese presidents like Jiang Zemin, Hu Jintao, and Xi Jinping followed Deng’s guiding principles and reforms. The 1993 revision of China’s constitution called for the development of a “socialist market economy” in which the Communist party would retain political

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<sup>476</sup> The heart of Deng’s economic reforms was the establishment of SEZs along China’s southern coastline, and the first special economic zone was established in Shenzhen in 1980 (“Deng Xiaoping Steps up His Economic Reforms: SEZs and His Southern Tour” n.d.).

<sup>477</sup> Shigeo Kobayashi, Jia Baobo and Junya Sano. 1999. “The ‘Three Reforms’ in China: Progress and Outlook.” *Japan Research Institute*. Vol. 45. <https://www.jri.co.jp/english/periodical/rim/1999/RIMe199904threereforms/>.

<sup>478</sup> Bhardwaj, Ram Dev. 1992. “China’s Economic Reform: The Role and Significance of SEZs.” *The Indian Journal of Political Science* 53 (3): 332–73. <https://www.jstor.org/stable/41855617>.

<sup>479</sup> “Deng Xiaoping’s Leadership and China under Him.” n.d. Facts and Details. Accessed June 13, 2022. <https://factsanddetails.com/china/cat2/sub7/item80.html#chapter-9>.

<sup>480</sup> Green, Stephen. 2003. “Reforming China’s Economy a Rough Guide.” London. [www.riia.org](http://www.riia.org).

<sup>481</sup> Shigeo Kobayashi, Jia Baobo and Junya Sano. 1999. Ibid

power while encouraging a free market economy. President Jiang Zemin switched the focal point of China's economic growth from southern China to the Shanghai area and the Yangtze River Valley. During 2001-2004, he increased the speed of market-oriented economy, introduced price control measures. He also declared the doctrine of the "three represents" that the party must represent capitalists, workers and peasants. On 11 December 2001, China formally became a member of the World Trade Organization, representing international recognition of China's growing economic power ("China under Jiang Zemin (1990-2003)" n.d.)<sup>482</sup>.

During 2002-2012, with the philosophy of Scientific Outlook on Development, President Hu Jintao pursued comprehensive, balanced and sustainable development, building a harmonious socialist society. He committed to generate greater economic development in the interior and provide more services to those who do not live in China's coastal areas ("Full Text of Hu Jintao's Report at 18th Party Congress" 2012)<sup>483</sup>. China was firmly committed to further economic reform and opening to the outside world. President Hu identified reform of state industries and the establishment of a social safety net as government priorities. Government strategies for achieving these goals included large-scale privatization of unprofitable state-owned enterprises (SOEs) and development of a pension system for workers. Hu had also downsized the government bureaucracy (Ellicott 2008)<sup>484</sup>. In response to increasing discontent over income disparities, land seizures and other problems, the government increased spending on education and health in rural areas. Some said Hu Jintao paved the way for the creation of credible, sustainable Chinese middle class.

During the 2000s, with the practice of Going Out/ Going Global Strategy, the government encouraged Chinese FDI abroad. It actively participated in multilateral organizations such as the Shanghai Cooperation Organization (SCO), BRICS, and became an important player in world trade and economic arena. To investors and firms, especially following China's accession to the World Trade Organization (WTO) in 2001, China represented a vast market that has yet to be fully tapped and a low-cost base for export-oriented production. China had become a USD 5 trillion industrial colossus, a growing military force, and, navigating out of the global financial crisis and sealing its position as the world's fastest rising power ("China under Hu Jintao (2003-2013)" n.d.)<sup>485</sup>. According to the National Bureau of Statistics, China's GDP expanded by an average annual rate of 10.7 percent during 2003-2011. Its GDP reached 47.2 trillion yuan (USD 7.43 trillion) in 2011, up 150 percent from 2002. The proportion of China's GDP in the world economy rose from 4.4 percent in 2002 to about 10 percent in 2011. Its GDP per capita rose from USD 1,135 in 2002 to USD 5,432 in 2011 ("FACTBOX: China's Economic Development since 2002" 2012)<sup>486</sup>. It is noted that China was far wealthier and more influential in the world economy.

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<sup>482</sup> "China under Jiang Zemin (1990-2003)." n.d. Facts and Details. Accessed June 14, 2022.

<https://factsanddetails.com/china/cat2/sub7/item76.html#chapter-4>.

<sup>483</sup> "Full Text of Hu Jintao's Report at 18th Party Congress." 2012. Embassy of the People's Republic of China in the United States. 2012. [https://www.mfa.gov.cn/ce/ceus/eng/zt/18th\\_CPC\\_National\\_Congress\\_Eng/t992917.htm](https://www.mfa.gov.cn/ce/ceus/eng/zt/18th_CPC_National_Congress_Eng/t992917.htm).

<sup>484</sup> Ellicott, Karen, ed. 2008. *Countries of the World: And Their Leaders Yearbook 2009*. Vol. I. New York: Gale/Cengage Learning. <https://silo.pub/countries-of-the-world-and-their-leaders-yearbook-2009>.

<sup>485</sup> "China under Hu Jintao (2003-2013)." n.d. Facts and Details. Accessed June 14, 2022.

<https://factsanddetails.com/china/cat2/sub7/item75.html#chapter-1>.

<sup>486</sup> "FACTBOX: China's Economic Development since 2002." 2012. Embassy of the People's Republic of China in The Republic of Slovenia. 2012. [http://si.china-embassy.gov.cn/eng/zt/zt/201209/t20120924\\_3369630.htm](http://si.china-embassy.gov.cn/eng/zt/zt/201209/t20120924_3369630.htm).

However, it also produced some challenging costs like heavy pollution, widening income inequality, overcapacity in many industries, an inefficient financial system, rising corporate debt, and numerous imbalances in the economy. Many economists argued that the old economic growth model would be no sustainable. Therefore, new economic reforms are necessary to restructure the economic system of China to avoid stagnant economic growth and living standards, a condition referred to by economists as the “middle-income trap”(MIT) (Morrison 2019)<sup>487</sup>. In particular, since the beginning of the growth slowdown of the economy of China in 2011, there has been rising concern that China is confronted with such a trap although it has experienced rapid growth and reached the status of a middle-income country in a very short period (Glawe 2017)<sup>488</sup>.

As China’s economic importance grows globally, China’s economic policymaking has attracted worldwide attention. In November 2012, Xi Jinping took the position of leadership in China’s administration, and continued to implement economic reforms of China that were started since under the Deng Xiaoping era. The role of the Chinese Communist Party (CCP) in economic policy has arisen under President Xi Jinping. The party’s authority over economic policymaking and controls over economic governance has been increased. It means President Xi has substantially stepped up his direct leadership on economic decision-making (He 2018)<sup>489</sup>.

In 2014, President Xi Jinping adopted four comprehensives as the goals for Chinese reforms: (i) comprehensively build a moderately prosperous society, (ii) comprehensively deepen reform, (iii) comprehensively govern the nation according to law, and (iv) comprehensively strictly govern the CCP (“China’s Xi Jinping Unveils New ‘four Comprehensives’ Slogans” 2015)<sup>490</sup>. The policies set under President Xi Jinping to avoid the MIT mainly include marketization and democratization (Song, Zhou, and Hurst 2019)<sup>491</sup>. Marketization focuses on the privatization of SOEs, reduction of excessive equipment, and financial liberalization. Democratization aims to reduce the income gap, secure the environment, and correcting corruption. China’s political leaders and key policymakers understand that continuing market-based reform helps sustain growth (Zhang 2017)<sup>492</sup>.

Xi’s vision has been the Chinese Dream, which he proposed immediately following his takeover of the leadership. The Chinese Dream was defined as the great rejuvenation of the Chinese nation, with two centenary (Two 100s) goals. The first centenary goal is to make China a moderately prosperous society by 2021 when the CCP has the 100th anniversary. The second is to make China

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<sup>487</sup> Morrison, Wayne M. 2019. “China’s Economic Rise : History , Trends , Challenges , and Implications for the United States.” United States. <https://fas.org/sgp/crs/row/RL33534.pdf>.

<sup>488</sup> Glawe, L. and H. Wagner. 2017. “The People’s Republic of China in the Middle-Income Trap?” 749. ADBI Working Paper. Japan. <https://www.adb.org/publications/prc-middle-income-trap>.

<sup>489</sup> He, Alex. 2018. “The Emerging Model of Economic Policy Making under Xi Jinping China’s Political Structure and Decision-Making Process.” 208. *CIGI Papers*. Canada. [https://www.cigionline.org/static/documents/documents/CIGI Paper No.208.pdf](https://www.cigionline.org/static/documents/documents/CIGI%20Paper%20No.208.pdf).

<sup>490</sup> “China’s Xi Jinping Unveils New ‘four Comprehensives’ Slogans.” 2015. BBC News. 2015. <https://www.bbc.com/news/world-asia-china-31622571>.

<sup>491</sup> Song, Ligang, Yixiao Zhou, and Luke Hurst, eds. 2019. *The Chinese Economic Transformation*. Australian National University Press. Australia: ANU Press. <https://press-files.anu.edu.au/downloads/press/n5564/pdf/book.pdf>.

<sup>492</sup> Zhang, Dong Dong. 2017. *ibid*

a wealthy nation by 2049, the 100th anniversary of the formation of People's Republic of China. Indeed, Chinese dream aims at molding it a strong and richer nation by 2050.

Since 2015, China has approached many more countries and different regions intending to expand its sphere. President Xi's proactive foreign policy focuses on both rich and developed countries and the neighboring and regional countries(Rahman et al. 2018)<sup>493</sup>. Aiming to implement long-term sustainable economic growth, China has set goals for ensuring stability, maintenance of the party legitimacy, anti corruption in governance, and serving people with the standard of "socialism with Chinese characteristics" (Song, Zhou, and Hurst 2019)<sup>494</sup>.

### **Belt and Road Initiative of China**

According to China's Going Out policy, emphasizing to promote investments globally, China's grand strategy like the Belt and Road Initiative (BRI) takes a vital role to expand its economic power. China's BRI, also called "One Belt, One Road" (OBOR), was launched in 2013 to boost economic integration and connectivity such as infrastructure, trade, and investment with its neighbours and various trading partners in Asia, Africa, Europe, and beyond(Morrison 2019)<sup>495</sup>. Its objectives are (i) to construct a unified large market and make full use of both international and domestic markets, through cultural exchange and integration, and (ii) to enhance mutual understanding and trust of member nations, resulting in an innovative pattern of capital inflows, talent pools, and technology databases. In November 2014, Xi announced that China would contribute USD 40 billion to set up a Silk Road Fund to finance Belt and Road projects, and in 2015, it released an action plan on the principles, a framework, and cooperation priorities and mechanisms of the BRI ("Chronology of China's Belt and Road Initiative - People's Daily Online" 2016)<sup>496</sup>.

On the other hand, some critics argued that many aspects of the BRI initiative remain unclear, including which and how many countries will participate, how much China will spend to finance the initiative, and what projects will fall under the BRI. For example, the government's China Belt and Road Portal listed profiles of 70 countries on its website in 2017. However, China's official media in December 2017 stated that 86 countries and international organizations had signed 100 cooperation agreements with China under the BRI. The Economist reports that China put the figure at USD 4 trillion, and the World Economic Forum estimates that China could ultimately spend USD 8 trillion on BRI(Morrison 2019).In order to contribute the projects of the BRI, the Asian Infrastructure Investment Bank (AIIB) was established in 2016 with 57 founding member countries. The following figure illustrates the routes of the China's OBOR/BRI, including the Silk Road Economic Belt (land route) and the 21st Century Maritime Silk Road (maritime route).

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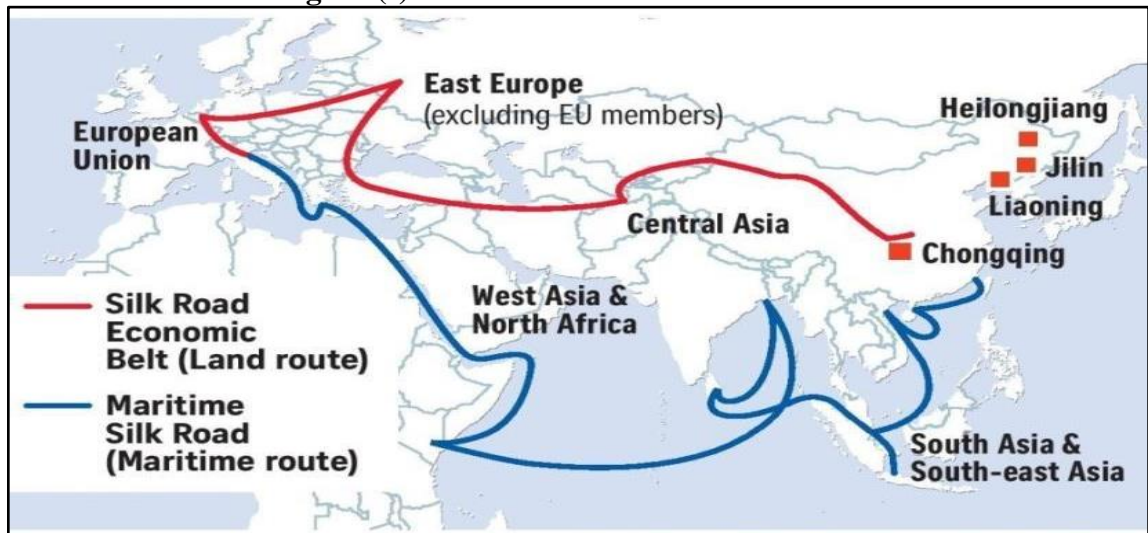
<sup>493</sup> Rahman, Md Ziaur, Nitin Kumar, Jhensanam Anusara, Bouasone Chanthamith, and Humaira Khatoon. 2018. "The Rise of China: Dream of Xi Jinping." *Research in Social Sciences* 1 (2): 53–59. <https://doi.org/10.53935/2641-5305.v1i2.8>.

<sup>494</sup> Song, Ligang, Yixiao Zhou, and Luke Hurst, eds. 2019. *ibid*

<sup>495</sup> Morrison, Wayne M. 2019. *ibid*

<sup>496</sup> "Chronology of China's Belt and Road Initiative - People's Daily Online." 2016. People's Daily Online. 2016. <http://en.people.cn/n3/2016/0624/c90883-9077342.html>.

**Figure (I) Routes of the China's OBOR/ BRI**



Source: [https:// internationalaffairsbd.com](https://internationalaffairsbd.com)

Since its announcement, the BRI is known as Beijing's strategy to increase trade and investment connectivity starting from China through Europe, Central Asia, the Middle East, Africa, and South Asia (Tekdal 2018)<sup>497</sup>. In March 2022, the number of countries that have joined the BRI by signing a Memorandum of Understanding (MoU) with China is 146\_ 43 countries are in Sub-Saharan Africa, 35 countries are in Europe & Central Asia (including 18 countries of the EU that are part of the BRI), 25 are in East Asia & Pacific, 20 in Latin America & Caribbean, 18 in Middle East & North Africa, and 6 in South East Asia (Nedopil 2022)<sup>498</sup>.

According to the official data, under the BRI framework, China has signed 22 agreements on international road transportation facilitation with 19 countries, 70 bilateral and regional shipping agreements with 66 countries and regions, bilateral inter-governmental air transport agreements with 100 countries, and maintaining regular cargo flights with 54 countries. It also signed the regional air transport agreements with Association of Southeast Asian Nations (ASEAN) and the European Union (EU), and cooperation documents on postal services with 22 countries ("Belt and Road Sees Steady Progress in Transport Connectivity" 2021)<sup>499</sup>.

In 2021, China further deepened economic and trade cooperation with the BRI countries and made new contributions to the high-quality development of the BRI. China's trade in goods with the BRI countries totaled 11.6 trillion-yuan, accounting for 29.7 percent of China's total foreign trade. China's direct investment to the BRI countries totaled 138.45-billion-yuan, accounting for 14.8 percent of the total outbound investment. The direct investment from the BRI countries in China reached USD 11.25 billion that exceeded the 10-billion record for the first time. Chinese

<sup>497</sup> Tekdal, Veysel. 2018. "China's Belt and Road Initiative: At the Crossroads of Challenges and Ambitions." *Pacific Review* 31 (3): 373–90. <https://doi.org/10.1080/09512748.2017.1391864>.

<sup>498</sup> Nedopil, Christoph. 2022. "Countries of the Belt and Road Initiative (BRI)." Green Finance & Development Center. Shanghai. 2022.

<sup>499</sup> "Belt and Road Sees Steady Progress in Transport Connectivity." 2021. National Development and Reform Commission (NDRC) People's Republic of China. 2021. [https://en.ndrc.gov.cn/netcoo/achievements/202112/t20211231\\_1311219.html](https://en.ndrc.gov.cn/netcoo/achievements/202112/t20211231_1311219.html).



enterprises of the contracted projects in the BRI countries registered 578.57 billion yuan that accounted for 57.9 percent of the total contracted overseas projects (“China’s Trade Volume of Goods with BRI Countries Reaches Eight-Year High in 2021” 2022)<sup>500</sup>.

According to National Development and Reform Commission, China’s GDP reached 114.4 trillion yuan in 2021, and the rise of the economic aggregate of 13 trillion yuan (USD 3 trillion) in a single year was unprecedented in the history of China and the world. According to the world super powers 2021 index, it is estimated that China is considered to be an emerging superpower or a potential superpower. Some argue that China will pass the United States (US) as a global superpower in the coming decades. China’s GDP is the second-highest in the world. It is also the most populous country, and the second-largest by land mass in the world. Although its defence spending is significantly lower than that of the US at USD 250 billion, it is still the second-highest in the world. Additionally, China makes up for it with its increasing diplomatic pushes, its rise to one of the largest contributors to the global economy, and its technological advances, especially with artificial intelligence.

### **Chinese activities/strategies in Myanmar**

For China, Myanmar is a neighbouring country, sharing 2,204 kilometers of its border. It is always beneficial to have a friendly neighbour, and preferably a dependent one enticed by a web of economic interconnectedness. Myanmar possesses significant deposits of energy and other natural resources, and China needs them to fuel its economic growth. Most importantly, Myanmar is a key country as far as transit to China of energy and natural resources from Africa and the Middle East is concerned, and also, in the long term, in relation to China’s consumer goods’ export to Europe, the Middle East and Africa. In addition, Myanmar locates on tri-junction of Southeast, South, and East Asia, having direct access to the Indian Ocean. Consequently, Myanmar becomes a land bridge to get the access to the Indian Ocean, being the economic, political, and security interests of China (Malik 2018)<sup>501</sup>. In addition, Myanmar is geo-strategically important for the development of China’s Southwestern provinces, a potential bridge across the MIT.

While China is attempting to promote economic cooperation with many countries through BRI, it is undeniable that Myanmar is one of the important partners of China in implementing China’s BRI. Indeed, the objectives of BRI in Myanmar are shaped by China’s ‘Two-Ocean’ Strategy including the Pacific Ocean and the Indian Ocean. According to China Defence White Paper (2015)<sup>502</sup> China’s economic interests in the framework of the BRI are closely related to its military and wider security interests. China’s BRI includes six economic corridors and Myanmar is involved in two economic corridors, namely the China-Indochina Peninsula Economic Corridor

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<sup>500</sup> “China’s Trade Volume of Goods with BRI Countries Reaches Eight-Year High in 2021.” 2022. National Development and Reform Commission. 2022.

[https://en.ndrc.gov.cn/netcoo/achievements/202203/t20220309\\_1318867.html](https://en.ndrc.gov.cn/netcoo/achievements/202203/t20220309_1318867.html).

<sup>501</sup> Malik, Mohan. 2018. “China and India: Maritime Manoeuvres and Geopolitical Shifts in the Indo-Pacific.” *Rising Powers Quarterly* 3 (2): 67–81. <https://risingpowersproject.com/files/wp-content/uploads/2018/10/vol3.2-malik.pdf>.

<sup>502</sup> Tanaka, Osamu. 2015. “Economic Reform and Economic Policy of the Xi Jinping Leadership.” *Public Policy Review* 11 (1): 44.

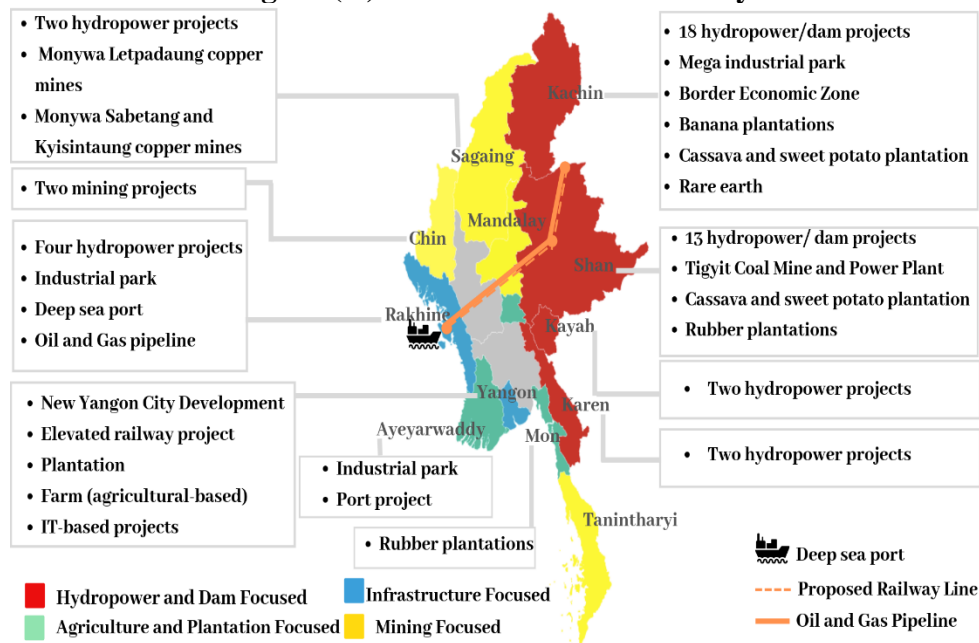
[https://warp.da.ndl.go.jp/info:ndljp/pid/11217434/www.mof.go.jp/english/pri/publication/pp\\_review/ppr027/ppr027a.pdf](https://warp.da.ndl.go.jp/info:ndljp/pid/11217434/www.mof.go.jp/english/pri/publication/pp_review/ppr027/ppr027a.pdf).

and Bangladesh-China-India-Myanmar Economic Corridor. Hence, China is willing to strengthen mutually beneficial cooperation with Myanmar under the framework of BRI, and to accelerate the development of the China-Myanmar Economic Corridor (CMEC).

The mixture of economic and political activities led both countries to tighten their relations. Myanmar and China have a long tradition of bilateral economic relations\_ trade, investment and development assistance. China is biggest trading partner and the biggest investor in Myanmar. China has been the leading source of Myanmar's import, constituting 28 percent of all Myanmar's imports such as bicycles, sewing machines, cheap textiles, radios, medicines and refined petrol. The trade volume between Myanmar and China increased from USD 5 billion in 2011-2012 to USD 11.393 billion in 2018-2019. After signing border trade agreement in 1988, border trade volume increased from USD 2.9 billion in 2011-2012 to USD 5.9 billion in 2018-2019. In fact, Myanmar ranks as the biggest trade partner for Yunnan Province. It is noted that Myanmar suffered trade deficit in regular trade (- USD 7.9 billion), and trade surplus in border trade (+ USD 51 million) (Ministry of Commerce and Statistical Year Book).

Chinese investment projects in Myanmar increased particularly in the 2000s. Their main incentives in Myanmar have been natural resources (raw materials) and also cheap labour for their business firms. During (2010-11) and (2018-19), China invested 373 enterprises with USD 19.5 billion. In 2021, China stood at the second largest investor after Singapore (Directorate of Investment and Company Administration). Figure (II) shows the Chinese investments in Myanmar.

**Figure (II) Chinese investments in Myanmar**



Source: <https://www.irrawaddy.com/>

Myanmar and China signed an economic and technical cooperation agreement in December 1989, and since then, loans and grants started to flow from China. From 2014 to 2019, the two countries concluded six grant agreements, and China provided 4.9 billion Yuan for the infrastructure, agriculture, education and health sectors, rehabilitation of war and natural disaster victims (Myanmar Foreign Economic Relations Department).

In accordance with the five principles of peaceful coexistence, Myanmar and China maintained the special relations of “Pauk Phaw”. In 2011, bilateral relations was elevated to comprehensive strategic partnership and expanded exchanges and cooperation at all levels for strengthening mutual strategic support, deepening pragmatic cooperation, and maintaining border stability(Bolesta 2018)<sup>503</sup>.

China always stands on the side of Myanmar in front of international arena against the resolutions of United Nations Security Council (UNSC) by vetoing as a permanent member. When Rakhine Muslim minority issue has been described as possible acts of genocide by the United Nations’ Human Rights chief in 2017, it prevented the UN from submitting a resolution to Myanmar addressing records of human rights abuses. Besides, its engagement between Myanmar and Bangladesh has taken China a stronger role to play in Myanmar and the region(Strangio 2020)<sup>504</sup>.

A few months later, the Myanmar government intentionally created a Steering Committee for implementation of BRI to review Chinese megaprojects (including the suspended Myitsone dam

<sup>503</sup> Bolesta, Andrzej. 2018. “Myanmar-China Peculiar Relationship: Trade, Investment and the Model of Development.” *Journal of International Studies* 11 (2): 23–36. <https://doi.org/10.14254/2071-8330.2018/11-2/2>.

<sup>504</sup> Strangio, Sebastian. 2020. “China’s Top Diplomat Checks in on Myanmar Projects.” *The Diplomat*. <https://thediplomat.com/2020/09/chinas-top-diplomat-checks-in-on-myanmar-projects/>.

project) and ensure that they serve Myanmar's interests. Both sides signed an MoU on cooperation within BRI in May 2017. In March 2018, an MOU was signed to conduct feasibility studies for the construction of the Mandalay-Muse expressway project and the Kyaukpyu-Naypyidaw highway project. On 25 April 2019, the governments signed two MOUs and an agreement letter for deepening cooperation on building CMEC. They signed 33 agreements, MOUs, protocols, and letters of exchange relating to accelerate the development of the Kyaukpyu SEZ, the Border Economic Cooperation Zone along the Kunlong-Chinshwehaw border area, the New Yangon City applying state-of-art smart city technologies and sustainable urban design concepts, and comprehensive road, rail, and energy transboundary interconnectivity. Moreover, China provides full backing of the State Administration Council (SAC) in April 2022. That engagement ushered in a new phase of economic cooperation, moving ahead with the CMEC. Figure (III) shows the SEZs and China-Myanmar Economic Corridor (CMEC) under the China's BRI.

**Figure (III) SEZs and China-Myanmar Economic Corridor (CMEC) in Myanmar**



Source: [http://bearecon.com/portfolio-data/National\\_Report\\_Myanmar\\_EN](http://bearecon.com/portfolio-data/National_Report_Myanmar_EN)

Furthermore, China also takes a moderating role in Myanmar's peace process. It encouraged ethnic armed groups (Northern Alliance from Shan and Kachin states) to participate in a formal peace dialogue, and gave political and financial support to the Myanmar government. A senior Shan analyst observed that China's priority is "to stabilize the borderlands, and create an enabling environment for a border trade boom to deliver economic growth for their poorest provinces in their northwest, led by Yunnan." Some critics are worried about using it as a card in its relations with Myanmar.

China's COVID-19 vaccine diplomacy in Myanmar has been a relative successful. It has transferred to Myanmar the technology to produce a Chinese COVID-19 vaccine under the brand

name Myancopharm. As a result, it opens the way for newly established Chinese pharmaceutical companies to invest in Myanmar's generic drugs market, which is still dominated by imports from India. Both sides also agreed to establish renminbi as the official settlement currency for trade with China to reduce the reliance on the USD in trade (Amara Thiha 2022)<sup>505</sup>.

### **Implications on Myanmar**

From the negative perspectives, it is found that Chinese firms mostly ignore basic legal, environmental and labor standards in their rush to secure resources, leaving a trail of corruption, pollution, and exploitation. This intensified negative sentiments within Myanmar's society towards Chinese businesses. For instance, the construction of Myitsone dam was suspended by president Thein Sein in 2011 citing social and environmental concerns, presented by the society. Hostility, through dissatisfaction, to China at all levels of society and unresolved ethnic tensions in Myanmar have focused popular anger on Chinese investments which are seen as symbols of the continuing power of Myanmar's military and its crony business partners.

In addition, many felt that Chinese companies provide benefits to only a small group of elite officials and do not benefit the local peoples. Chinese firms bring their own labourers and resources, and don't use local peoples, due to lack of skills. The methods and processes applied by Chinese companies lack transparency and trust for the local people (Bolesta 2018). In the border trade, Myanmar traders are manipulated by China by closing the border gates without prior notice. Many worried that the Chinese support or recognition of the military might interrupt Myanmar's democratization process.

From the positive point of view, China has been Myanmar's one of most important neighbours. Chinese trade and investment still have occupied larger part of Myanmar economy. Myanmar has long term visions for national development which require infrastructure for transportation, electricity, telecommunication, and industry. To fulfill these infrastructures, capital and technology are essential and could be mostly provided by China. It is necessary for Myanmar to improve its modernization stimulated by the strategy of riding on the boom of China, including foreign investment, market awareness, cross-border economic cooperation zone and trading network and connectivity link. The increasing Myanmar-China economic cooperation is expected to provide more job opportunities and infrastructure development of Myanmar. The development of CMEC is fundamental in improving Myanmar's own national infrastructure, industry, and development planning. For instance, some residents of Kyaukphyu are optimistic about the SEZ and deep-seaport, voicing hopes that the investment will create job opportunities for young people in the township. The project's developers also said the port and industrial park would add USD10 billion to Myanmar's GDP and create 100,000 jobs in the area.

### **Assessment, recommendations and conclusion**

As a justification of the literatures, according to the interview with a Chinese expert, Myanmar is not an economic pivot of China but the relationship seems to be based on a mutual need. It is undeniable that Myanmar is a client state of China because Myanmar is depending on China, politically and economically, to some extent so that China might take advantage of this relationship

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<sup>505</sup> Amara Thiha. 2022. "Revisiting the China-Myanmar Economic Corridor After the Coup." *The Diplomat*. <https://thediplomat.com/2022/04/revisiting-the-china-myanmar-economic-corridor-after-the-coup/>.

for its own gain. It is noted that accounting for a significant share of Myanmar's international trade and foreign investments, China has been the country of most influence on Myanmar's development. Due to geographic and other reasons, and as a potential global superpower, China's weight on Myanmar will continue to be extensive. Myanmar should take advantages of China's growing economy, high technology and rising food demands while attempting its best to tackle challenges.

As the recommendations for the long term, Myanmar should enhance both software like human resources, skills, intelligence etc. and hardware such as technology, infrastructure, so on. It should further diversify other economic partners. To accelerate the institutional reforms, the harmonious rules and regulations should be implemented. More forward-looking, comprehensive, and strategic planning need to be conducted in order to make advances in all fronts. Importantly, both sides should work together to reduce hostility and distrust, and increase responsible and mutually beneficial investments in Myanmar.

To sum up, the continuing chaos, a variety of international sanctions, anti-China sentiment, and economic devastation are all making Myanmar destabilize and marginalize. For the short run, the government should find ways to maintain political stability. It needs to cooperate with other countries by ensuring mutual benefits and opportunities. For the long run, Myanmar should strive to increase its national power, applying effectively its tangible and intangible resources, not to depend too much on any other country in the future.

# Chinese Economic Networks in South Asia: An alarm for India?

Avipsu Haldar\*

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## **Introduction**

In the globalized era, states compete with each other to acquire markets rather than territories<sup>506</sup>. They understand that even if they do not exercise political control, economic dominance shall enable them to influence the outcome of international politics. Hence, they accord greater priority in developing economic and trading networks across the globe. In the contemporary scenario, the nature of diplomacy has also transformed as firms, financial organizations and MNCs play an equally vital role alongside states in making economic negotiations as well as conducting financial deals. Therefore, in contemporary world politics diplomacy can be – state-firm, intra-firm as well as inter-firm by nature<sup>507</sup>. The essence of these dynamics can be traced in the Belt and Road Initiative (BRI) undertaken by China in September 2013. It intends to connect Asia with Africa and Europe through land and maritime networks in order to provide momentum to the process of regional economic integration of the world. The project hinges on developing an international assistance fund under the aegis of Chinese government.

Taking into consideration the magnitude of the project, the existing literature on the subject have been tempted to regard it as a Chinese version of the Marshall Plan<sup>508</sup>. However, it is different from the U.S Marshall Plan in certain respects. Firstly, BRI does not have any ideological connotation as it encompasses capitalist and non-capitalist economies. Secondly, it challenges the existing norms of the western international financial structure and tries to bring about an alternative one. Thirdly, it cares little about the nature of the political regime – democratic or authoritarian, while providing loans and financial assistance to the recipient states.

This chapter focuses only on the politics of economic networks of BRI in South Asia. In this context, it explores BRI through the theoretical lenses of neo-colonialism by chalking out the flip-side of the modernization theory. Besides, the Chinese MNCs and banks have been investing in various forms of infrastructural projects in South Asia. As a consequence, it has provided a safer option for the weaker economies of this region not only to align with Beijing but also accept its dominance. Despite being aware of the debt trap which they may succumb to, the South Asian states have little option but to invite FDI from Beijing. Such a scenario has contributed to nullifying India's influence over her neighbouring countries. China has surpassed India to become the largest provider of financial assistance in the region. Moreover, China's ever-growing friendship with

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<sup>506</sup> Strange, Susan (2002), "The Declining Authority of States", in David Held and Anthony McGrew (eds.), *The Global Transformations Reader*, Cambridge: Polity. Pp. 149-150.

<sup>507</sup> Strange, Susan (1992), "States, firms and diplomacy", *International Affairs*, 68(1): 1-15

<sup>508</sup> Ling, Jin (2015), "The "New Silk Road", Initiative: China's Marshall Plan?", *Chinese International Studies*, 50: 70-83.

Pakistan remains a matter of utmost concern for New Delhi. Although India has expressed its aversion towards BRI by not becoming a part of the initiative, nevertheless, it remains an uphill task to maintain trade links with her neighbours in the midst of Chinese hegemony.

The chapter is sub-divided into three sections. The first section deals with the theoretical explanations of modernization as well as neo-colonialism and, their applicability in explaining the dynamics of BRI for South Asian economies. The following section depicts the role which Chinese state and its financial institutions play in controlling the developmental pathways of South Asia. The case of Sri Lankan debt trap highlights the link between development and dependence. The third section underlines the challenges which a hegemonic China poses for Indian foreign policy. Indo-Pak bilateral disputes and China-Pakistan Economic Corridor (CPEC) have only made the task stiffer for India as it intertwines the domain of geo-politics and geo-economics.

### **China – the oriental neo-colonizer of South Asia: Conceptualizing the theme**

The significance of Chinese economic and military prowess in world politics since the dawn of the new millennium cannot go unnoticed. Hence, it has greatly influenced the dynamics of South Asian politics. Beijing's policies such as the Belt and Road Initiative (BRI) or One Belt One Road (OBOR) which constitute an integral cog of the New Silk Road Project stands out as a classic illustration. Through these initiatives, China is trying to extend its economic networks on a trans-continental scale thereby further bolstering the process of its integration with the global economy. As this project empowers Beijing to extend its influence both regionally and globally, it serves as a mechanism to fulfil larger objectives of Chinese foreign policy. This section focuses on the nature of Chinese regional hegemonic ambitions –predatory, but in the guise of benevolence. By the same token, although the Chinese economic assistance programme in the South Asian states entices us to visualise them through the theoretical lenses of modernization, the hidden neo-colonialist tendencies are hard to deny. Moreover, Chinese economic interests in the region also provide ample scope to unearth the nature of bilateralism and multilateralism in South Asian politics. The BRI project enunciates that the developmental values which it shall promote for the developing world is not only more effective as compared to the World Bank's model but also distinctive in character. Thus, it is pertinent to explain the ideas of modernization and neo-imperialism and decipher their links with the BRI in order to unravel as to how Beijing visualizes international political economy.

Modernization theory was forwarded by W. W Rostow who believes that a traditional society must undergo certain stages of economic transformation in order to become an industrially advanced society. Therefore, it is necessary for any underdeveloped society to create the necessary grounds so that the forces of modernization can function in a smooth manner. It involves bringing about certain structural changes in the economy pertaining to increasing the rate of investment in the developing society; identifying as well as nurturing certain growth sectors of the economy which would be the key contributors of development in the long-run and; formation and sustenance of a stable political and institutional mechanism which would enable the economy to function in an effective manner<sup>509</sup>. This stage is known as *precondition to take-off*. After this phase, the traditional society sheds-off its 'traditional' attributes and moves towards adopting the features of

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<sup>509</sup>Martinussen, John (1997) *Society, State & Market: A Comprehensive Guide to Competing Theories of Development* London and New York: Zed Books. pp. 63-64.



a modern society. During the take-off stage, all the features of an industrial society acquire greater prominence in a traditional society. In this phase, all the possible hindrances towards industrialization are done away with. Hence, it facilitates the emergence of a business class which plays a vital role in capital formation. In the post-take off stage, consolidation of the modernizing features take place. It is marked by growth of railway networks, development of industrial centres across the society. It involves higher levels of industrialization and technological advancement which eventually culminates into rising levels of productivity. Rostow defines this phase as a *drive towards maturity*. The last stage reveals the culmination of all the preceding phases whereby the society has completely adopted all the features of a modern capitalist economy<sup>510</sup>. From these explanations, it can be argued that the western model of development is both irreversible as well as indispensable for the developing world.

Why has China embraced such a model of development for the South Asian economy? It may be because the domestic economic policies which it pursued from the early part of the 1980s and achieved much success share considerable similarity with the modernization theory. The economic reforms brought about by Deng Xiao-Ping is a case in point as it embarked upon the spirit of market-led model of economic development where industrialization and investment would be the major engines of growth. According to the Chinese political leadership, such a growth model would be beneficial both for rural and urban areas. Importantly, the state apparatus would play a pivotal role in implementing the process of economic transformation. Put differently, the Chinese economic restructuring would be a state-driven market led model of economic growth<sup>511</sup>. It is known as market socialism where the state shall play a deciding role in determining the market prices in order to ensure equilibrium and stability in the economy. Moreover, the Chinese Communist Party (CCP) shall determine the sector in which investments are to be made. Greater emphasis was accorded to the sphere of infrastructure, science and technology. In their quest to boost economic growth, the Chinese government would no longer provide soft loans and allied economic assistance to the non-performing domestic economic enterprise<sup>512</sup>. The prime objective was to bring about a competitive economic environment.

Despite acknowledging the virtues of market-oriented economic policies, it needs to be understood that a strong state apparatus is a necessary prerequisite for its successful implementation. Otherwise, there are chances that it may turn out to be counter-productive. Although in the context of post-1990 international politics, economic liberalization became unavoidable, the developing countries remain at the receiving end of the neoliberal policies of the economically powerful states as well the international financial institutions such as the World Bank (WB) and the World Trade Organization (WTO). It lays the foundation for the emergence of neo-colonialism. This concept argues that although the states of the developing world are politically independent, they remain economically subjugated to their developed counterparts. As the developed states are far more industrially advanced, they exploit the economic weaknesses of the developing states. By the same token, the economic sovereignty of the developing is crippled considerably<sup>513</sup>. The operation of multinational corporations (MNC) of the developed states, aid as well as loans provided by the

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<sup>510</sup> W. W Rostow. 1959. "The Stages of Economic Growth", The Economic History Review, Vol12, No. 1 pp. 1-16.

<sup>511</sup> Tisdell, Clem. 2009. "Economic Reform and Openness in China: China's Development Policies in the Last 30 Years", Economic Theory, Applications and Issues, Working Paper No 55, PP.1-39.

<sup>512</sup> Ibid.

<sup>513</sup> Nkrumah, Kwame (1965), *Neo-Colonialism: The Last Stage of Imperialism*, New York International Publishers. pp. 19-20, 87, 122.

international financial institutions to the developing world are major mechanisms through which neo-colonialism is carried out. Moreover, the financial assistance is conditional in nature as the third world states shall have to abide by the directives of their respective aid provider.

From the aforementioned analysis, it is evident that market-led modernization policies evoke the debate between Liberalism and Marxism international political economy. In this connection, certain vital questions beckon. Does the Chinese urge to develop the South Asian economies by adopting market friendly policies will lead to a win-win situation? Or, shall it lay the foundation for Chinese economic preponderance in the region? From the point of view of the Chinese political leadership, the trade networks associated with BRI would definitely contribute in making the South Asian states economically stronger. Besides, this Chinese strategy shall be able to combat dominance of the Western countries such as the United States and premier global financial institutions such as the World Bank and Asian Development Bank (ADB). In view of its economic capability, Beijing believes that the ethos of market socialism would be the feasible alternative for the economies of South Asia.

In this endeavour, China has created the Asian Investment and Infrastructure Bank (AIIB) as an antidote to the Bretton Woods financial system. China has appropriately understood that since the developing world lacks adequate infrastructural facilities, it would be judicious to channelize economic aid and assistance on this sector. Hence, AIIB symbolizes the Chinese power of purse which propels them to undertake developmental projects in the developing world. Importantly, China feels that once third world states have achieved a substantial degree of development, they would emerge as more potent trading partner with Beijing's domestic enterprises<sup>514</sup>. This is how AIIB performs the twin task of promoting third world economic development as well as enhancing its national economic interests. Thus, it is worthwhile as to whether the AIIB is indeed projecting a benevolent financial structure or, does its policies resonate similar exploitative trends for the third world as observed in the case of the World Bank? Let us verify the validity of this proposition by exploring the operational dynamics of AIIB.

AIIB has forwarded a set of norms which is different from that of western financial institutions. In this connection, it needs to be mentioned that the practice of weighted voting systems and conditional loans as noted in the case of IMF and the World Bank are not observed in AIIB. As per the scheme of weighted voting system, states who make a greater contribution to the monetary reserves have a greater share of votes. However, according to the revised voting pattern of AIIB, Beijing has a relatively lesser share of votes<sup>515</sup>. Likewise, the World Bank enunciates that it is mandatory for any aid recipient country to follow its directives thereby bring about structural changes in their domestic economy. It implies that the model of development as visualized by the Bank would be the template which the developing states ought to follow<sup>516</sup>. The AIIB on the other hand, does not impose any such conditionality's while granting financial assistance. AIIB mainly seeks to promote Chinese status as a regional power as it helps China to augment its foreign

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<sup>514</sup> Yu, Hong (2017), "Motivation behind China's 'One Belt, One road' Initiatives and Establishment of the Asian Infrastructure Investment Bank", *Journal of Contemporary China*, 26 (105): 353-368.

<sup>515</sup> Etzioni, Amitai (2016), "The Asian Infrastructure Investment Bank: A Case Study of Multifaceted Containment", *Asian Perspective*, 40: 173-196.

<sup>516</sup> Gunter, Tamar (2017), *International Organizations in World Politics*. Thousand Oaks, London and New Delhi: Sage. pp.95-96.

exchange reserves. Importantly, AIIB proclaims that it has greater lending capability as compared to the World Bank and ADB<sup>517</sup>.

Although AIIB is a multilateral financial institution set up in 2016 with the ideal of minimizing the power of the donor countries, disjuncture exists between theory and practice as Beijing happens to be its major sponsor. AIIB can be regarded as a unilateral proposal forwarded by China. Nearly 80 percent of its total capital is generated by China. It implies that even if China does not have explicit veto powers, it can always exercise it in a tactful manner<sup>518</sup>. Besides, China possesses considerable influence in not only making major policy decisions but also setting the agenda for the courses of action to be pursued. It is arguable that this bank has been created to finance the larger objectives of BRI such the construction of the trans-Asian highway and railway network. Interestingly, there are no explicit mention about the measures to be taken by the AIIB to eradicate poverty. Despite envisaging faster and efficient disbursement of loans, it remains silent on the ground of ensuring a level-playing field to its co-members. Moreover, even while receiving loans from the Bank, the respective recipient state has to abide by the terms and conditions set by this financial institution.

Hence, the issue of providing a level-playing field to its co-members remains a myth. For China, by investing in the realm of agricultural and infrastructural domain, the Bank is supposed to generate higher amount of return from Asian states<sup>519</sup>. Despite being multilateral in character, it is not hard to comprehend that it is primarily a Chinese state-owned enterprise seeking to promote its foreign policy goals. Furthermore, as an adjunct to AIIB, Chinese Development Bank and Chinese Export-Import (EXIM) Bank – both state owned entities are providing concessional loans, grants, interest-free loans and investments to the states of the developing world<sup>520</sup>. In its endeavour to bring about an alternative mode of economic governance for the developing world, even the AIIB seems to adopt a stance wherein its benevolence seems self-contradictory. On the contrary, it manifests the hegemonic tendencies of Chinese state apparatus.

Alongside AIIB, the role of Chinese State-Owned Enterprise (SOE) deserves to be mentioned as they have carried out foreign assistance programmes in the region. Through their acts, they have upheld the larger goals of the Chinese government. Such economic assistance not only seeks to create demand in the host country but also ensures capital inflow for the home state. The operation of SOEs in foreign territories are guided by three objectives – market seeking; resource seeking; and efficiency seeking<sup>521</sup>. Moreover, the structural reforms of the SOEs during the 1990s resembles their nexus with the corridors of state-power. It underlines a three-tier hierarchical system of ownership in which the ministries operate as investors of the state assets comprise the upper strata. The SOEs as shareholders belongs to the intermediate level. The last strata belong exclusively to the SOE themselves. Thus, the modernization of the host country can be perceived as a Chinese government orchestrated investment initiative. The Chinese political leadership

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<sup>517</sup> Yang, Hai (2016), “The Asian Infrastructure Investment bank and Status-Seeking: China’s Foray into Global Economic Governance”, *China Political Science Review*, 1(1): 754-778.

<sup>518</sup> Ibid.

<sup>519</sup> Callaghan, Mike and Paul Hubbard. 2016. “The Asian Infrastructure Investment Bank: Multilateralism on the Maritime Silk Road”, *China Economic Journal*, 9(2): 116-139.

<sup>520</sup> See, Yang, Hai (2016).p. 166.

<sup>521</sup> Yan, S., S Chandrasiri and J AKarunaratne (2020), “Globalization of Chinese enterprises through Outbound Direct Investment: Evidence from Sri Lanka”, *Sri Lanka Journal of Economic Research*, 8(1): 01-25.

envisages that since SOEs are aware of the socio-economic diversities of host states, it enables them with added leverage to comprehend the local developmental dynamics. Thus, it eventually helps them in the process making decisions pertaining to development programmes and implement the same<sup>522</sup>. SOE sheds light on the aspect of Outbound Development Investment (ODI). Although the SOEs do not intervene in the political affairs of the host state(s), they are also not bound by their legal regulations. Nevertheless, it is not hard to understand that their policies are barely resisted by the government of the host state<sup>523</sup>.

### **BRI and the South Asian economy: Let the Chinese Dragon Enter!**

Since the post-1990s, the South Asian region have become geo-economically significant for Beijing. As the economies of the region adopted a policy of free trade, it provided China an ideal market for their products. However, both in terms of GDP and economic capability, China seems to be far ahead than her South Asian counterparts. It is obvious that the balance of trade would be certainly tilted in favour of Beijing. Nevertheless, bilateral trade and economic interactions between China and South Asian states have been on the rise as compared to the pre-liberalization era. Alongside trade, China has rightly perceived that the South Asian economies needs to be strengthened so that they can become more able trade partners both among themselves as well with developed countries. Hence, the Chinese government began to undertake substantial investment in states such as Sri Lanka, Pakistan, Bangladesh, Maldives and Nepal. Among them Colombo and Islamabad have assumed significance for Beijing as it visualizes both of them to be the major linchpin of Chinese BRI in Asia. Perhaps the Chinese believe that consolidating bilateral ties with her South Asian neighbours shall certainly enhance the prospects of realizing the larger goals of BRI. Thus, it can be argued that bilateralism can act as building blocks for multilateralism. Also, it shall be explored as to whether an intertwining of geo-economics and geo-politics is taking place in the unfolding of BRI in South Asia.

Let us now shed light on the Chinese politics of aid, investment and trade with South Asia. The economic and political fragility of Pakistan and Afghanistan have been the key stimulating factors which have propelled the Beijing's intervention. Hence, it has undertaken considerable investment in the sphere of infrastructure. The benefit however, is mutually exclusive for both. Alongside being the prime transit passage for energy supply, the Pakistan-Afghanistan corridor is a vital trade corridor and an essential source for mineral resources for China. In view of Beijing's massive industrial programme both in near and far future, tapping the region's economic potential is critical for securing energy supply. This has been the reason why China accords greater importance to Pakistani ports of Karachi and Gwadar. On the other hand, Kabul falls under the sphere of 'Tethyan Magmatic Arc' rich in minerals such as copper, iron, lead and zinc. Leading Chinese enterprises such as Huawei and ZTE Corporation are trying to develop the telecommunication sector in Kabul. These illustrations showcase the keenness which Beijing has in her South Asian neighbours<sup>524</sup>.

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<sup>522</sup> Zhu, Xiao'Ou (2015), "Demystifying the Role of Chinese Commercial Actors in Shaping China's Foreign Assistance: The Case of Post-war Sri Lanka", *International Journal of Security & Development*, 4 (1): 1-18

<sup>523</sup> Ibid.

<sup>524</sup> Siddiqua, Ayesha (2012), "Expansion by Stealth: China's Interests, Infrastructure & Investments in Pakistan and Afghanistan", *CIDOB Policy Research Project*, pp. 1-11.

The China-Pakistan Economic Corridor (CPEC) has certainly underlined the notion of ‘all-weather friendship’ between the two states. The preceding paragraph has provided only a glimpse of this bonhomie. Thus, it is imperative to focus on its details. Firstly, it stresses on the complementary relationship between the resources of the parties involved. In other words, both states focus on their respective comparative advantages. Islamabad have advantages in human as well as natural resources which underlines its economic potential. On the other hand, Beijing possess advantage in the realm of finance, investment, infrastructure and heavy industries. Thus, both states can operate in unison in an interdependent manner. In this connection, CPEC urges to adopt a “1+4” collaboration format which encompasses four priority areas – Gwadar Port, Industrial Collaboration, Industrial Collaboration, Energy and Transport. Secondly, both parties have pledged to adopt a market model of governance where public and private players should act in tandem towards achieving a common goal<sup>525</sup>. Thirdly, greater emphasis has been placed on the aspect of developing connectivity by forming an integrated transport system. As per the CPEC, it has been noted that port development has been accorded greater priority. Kashgar-Islamabad, Peshawar-Islamabad-Karachi, Dera- Ismail Khan Quetta-Sohrab-Gwadar road infrastructure and Sukkur-Gwadar port can be cited as examples. Fourthly, even in the field of gas, oil and thermal power, Sino-Pakistan cooperation has been observed. Finally, China invested special efforts to promote Export-Processing Zone (EPZ) and Industrial Park across all the provinces and regions in Pakistan<sup>526</sup>. In addition, during Wang Yi’s visit to Pakistan in March 2022, both parties agreed to cooperate in the field of higher education through mutual recognition of higher education degrees and certificates as well as initiating collaborative venture on agriculture and earth sciences<sup>527</sup>.

The visions that CPEC looks promising indeed. However, a question remains. Can both Pakistan and China act as equal partners in essaying this collaborative engagement? Or, can it be viewed as a Chinese dominated project where Islamabad is only playing second-fiddle? A close observation of CPEC highlight that Pakistan’s intention is to bandwagon with China as it will ensure its development. However, this tendency to bandwagon often culminates into free-riding on Islamabad’s part. By the same token, it can be posited that the economic development of Pakistan is considerably dependent on Beijing. On the other hand, from Beijing’s point of view, an economically stronger Pakistan shall definitely provide an ideal launching pad to intensify the networks of the New Silk Road. Also, it would enable them to intervene in the controversial domestic political issues of Pakistan such as the disputes with India pertaining to the Pakistan Occupied Kashmir (POK) region. Hence, economic ties between the two states has cemented their bilateral relations.

From the early part of the new millennium, Beijing has also been involved in the economic reconstruction of Sri Lanka. Steps towards greater economic cooperation got underway during the early phase of the 1990s when the dynamics of neo-liberalization was beginning to engulf the world economy. More importantly, the political instability of Sri Lanka may have dented its economic development. As a result, during the post-war phase, economic development became unavoidable. Hence, Colombo became a prime investment destination for China across every

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<sup>525</sup> \*CPEC, Long Term Plan for China-Pakistan Economic Corridor (2017-2030), Original Document, URL: <https://www.cpec.gov.pk> Date of Access: 20.06.2022. pp. 5,11,14,15.

<sup>526</sup> Ibid.

<sup>527</sup> Ranjan , Amit (2022), “China’s Diplomatic Investments in South Asia”, *Institute for South Asian Studies, National Institute of Singapore*. URL: <https://www.isas.nus.edu.sg/papers/chinas-diplomatic-investments-in-southasia>. Date of Access 30.06.2022.

sector of the economy – agriculture, industry, infrastructure and real-estate<sup>528</sup>. The Hambantota port development project deserves a detailed analysis as it has hinged on the political economy of Chinese strategy of development towards her South Asian neighbour. Irrespective of the ruling regime of Colombo, the growing economic dependence on Beijing have been a permanent feature of Sri Lanka's economy from the 1990s, throughout the new millennium and till date.

As an integral part of the BRI project, Sri Lanka have received capital investments from various Chinese sources. After signing the Memorandum of Understanding (MoU) in 2015, China has provided Sri Lanka with US\$ 8 million to intensify the process of urbanization. Development of Colombo Port City, a new financial centre along the Sri Lankan coastline and Matalla Rajapaksa International Airport (MRIA) emerge as shining examples<sup>529</sup>. Additionally, financial institutions such as Bank of China, Chinese Development Bank and Industrial and Commercial Bank of China have invested approximately US\$100 billion between 2016 and 2018, US \$890 billion and US\$ 159 billion for 190 projects respectively<sup>530</sup>. This assistance may have unknowingly increased Colombo's expectation from China as a provider of economic aid. It becomes evident when we observe that in 2016, China provided an additional loan of US\$ 6 billion to Sri Lanka for speeding up the process of their infrastructural development. This was followed by another loan of US\$ 1 billion from China Development Bank. In the same year, the People's Bank of China and Sri Lankan Central Bank underwent a cooperative venture which led to issuing of US\$ 250 million Yuan-denominated bonds. Since 2017, Sri Lanka has been the largest recipient of Chinese FDI<sup>531</sup>. However, even while considering the benign approach adopted by Beijing, the credit worthiness of the host country should have been given due consideration. Moreover, the economic policies of the Sri Lankan government should have been more judicious in view of the loans which it has been receiving from the Chinese financial institutions. From the aforementioned data, it can be argued that the economic development of Sri Lanka is both dependent, dominated if not dictated by China. In view of the budget deficit which the Sri Lankan economy has been experiencing during the recent decade, it seems unlikely that they would be able to repay the loans. Therefore, Sri Lanka would eventually fall into the debt trap. It means that China has succeeded in monopolizing the Sri Lankan economy. The Chinese enterprises acquired the lion's share of stakes (almost 70 percent) of the Hambantota port. The Chinese Harbour Engineering Company and the Chinese EXIM Bank provided the technological and financial support respectively for its development<sup>532</sup>.

The Sri Lankan debt trap reminds us of the Latin American case during the 1980s. The World Bank and the American enterprises gave financial assistance to the Latin American states with the belief that they would undertake satisfactory levels of industrialization which would enable them to repay the debt. However, the World Bank's vision was falsified and eventually the Latin American states declared that they would not be able to repay the loan. Hence, it implied a massive bail-out initiative for these states. However, in the Sri Lankan context, the debt crisis has

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<sup>528</sup> See Zhu, pp.7,8.

<sup>529</sup> Ranjan, Amit (2019), "China's Infrastructure Projects in South Asia under BRI: An Appraisal", *Contemporary Chinese Political Economy and Strategic Relations: An International Journal*, 5 (3):1079-1110.

<sup>530</sup> Wibisono, AdheNuansa (2019), "China's "Belt and Road Initiative" in Sri Lanka: Debt Diplomacy in Hambantota Port Investment", *Mandala: Jurnal Hubungan Internasional*, 7(2): 222-245.

<sup>531</sup> De Silva, Shakthi (2018), "Will Sri Lanka Rise manage to perform the balancing act between China and India?", URL :<https://blogs.lse.ac.uk/southasia2018/01/19/will-srilanka-manage-to-perform-the-balancing-act-between-china-and-india/> Date of Access: 29 June 2022.

<sup>532</sup> Ibid. pp. 229-30, 238-39.

been essayed by the policies of Beijing's nationalized financial institutions, its MNCs and the AIIB. Unlike the World Bank's international development programme, BRI has largely been a Chinese unilateral initiative to redefine the trajectories of development across the globe. Interestingly, it has two major implications. Firstly, it enables China to assert its preponderance over the economies of the developing states. Secondly, it puts added burden on the Chinese government, its financial and enterprises to sponsor their third world's development programme. Thus, dominance and development can be viewed as inseparable parts of the same coin.

Likewise, the influence of 'Chinese vision' of development can also be observed in the context of Maldives, Bangladesh and Nepal. Alongside forging greater trade networks with Beijing, all of them began to crave for Chinese assistance for their economy. The development of infrastructure, tourism and trade have been the key arenas of cooperation between Male and China. The deployment of housing projects in Hulhumale and linking it with a roadway network of Hulhule, the modernization of the Velena International Airport and, the zero-tariff bilateral free trade agreement<sup>533</sup> reinstate the ever-increasing presence of China in the economy of Maldives. On the other hand, even Bangladesh has eagerly welcomed Chinese investment in the field of energy, infrastructure and tourism sector. Beijing has agreed to assist Dhaka with US \$ 3.7 and 2.5 billion for constructing a bridge across the River Padma and develop a power plant at Pyara near Dhaka<sup>534</sup>. The 13 kilometre long bridge was inaugurated on 26 June 2022 by Bangladesh's Prime Minister Sheikh Hasina. It acts as a catalyst for point for providing connectivity to the trans-Asian railway<sup>535</sup>. Despite China's advantageous position in terms of the range of export items to Dhaka, nevertheless, trade between them have certainly acquired momentum in the recent past. Dhaka primarily exports primary goods such as jute leather, tea, jute aquatic and garment products. On the other hand, Chinese exports include items related to manufacturing and construction, steel, cement, diesel oil and cotton<sup>536</sup>. Nepal's participation in the BRI not only manifests its growing urge to augment its trading networks but also undertake prudent steps towards strengthening her infrastructural base. Thus, Chinese institutions are trying to construct roadways, trans-Himalayan railway networks and hydropower projects. As the Nepalese economy experienced a major setback due to the 2015 earthquake, Kathmandu inclined toward China in their quest to rebuild their economy. Hence, Nepal government received 'energy emergency' relief fund in order to refurbish its hydropower projects<sup>537</sup>. The Sino-Nepal Protocol on Implementing Agreement Transit and Transport in 2019 by the Nepal Prime Minister K.P Sharma Oli also symbolize their growing partnership. As per this agreement, Nepal could access seven Chinese land ports of Lanzhou, Lhasa and Shigats as well as sea ports of Tianjin, Shenzhen, Lianyungang and Zhanjiang region for third country trade. It implies that Kathmandu can carry out their exports through six dedicated transit

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<sup>533</sup> See Ranjan 2019. Pp. 1088.

<sup>534</sup> "Bangladesh PM Sheikh Hasina signs nine agreements with China", *The Indian Express*, July 2 2019. URL: <https://indianexpress.com/article/world/bangladesh-pm-sheikh-hasina-li-keqiang-rohingya-belt-and-road-myanmar-cpec-5814950>. Date of Access: 28 June 2022.

<sup>535</sup> Bangladesh's Padma Bridge is a Chinese success story claims media, *Hindustan Times* June 26, 2022. URL: <https://www.hindustantimes.com/world-news/bangladeshs-padma-bridge-is-a-chinese-success-story-claims-media-101656242081815.html>. Date of Access: 1 July 2022.

<sup>536</sup> See Ranjan, Rajiv 2019.p. 1086.

<sup>537</sup> Murton, Galen and Austin Lord (2019), "Trans-Himalayan power corridors: Infrastructural politics and China's Belt and Road Initiative in Nepal", *Political Geography* 77 (1): 1-13.

points between China and Nepal<sup>538</sup>. The task of modernization of the Rasuwa-Kyriong economic corridor has been undertaken by the combined efforts of Chinese firms and government<sup>539</sup>.

### **India's South Asian Neighbours: Can it tackle the Chinese hegemony?**

There is an understanding that in the present context, it is difficult for the South Asian states to emancipate themselves from the economic dependence on China. Although India did not join the BRI programme, most of its neighbours other than Bhutan is a part of the project. Therefore, India's neighbourhood policy since 2014 recognises changing political dynamics of the region. There is appreciation of the fact that adopting a pragmatic approach would definitely enable New Delhi to maintain cordial ties with her neighbours through which it can sustain economic and technological linkages in the post BRI scenario. However, persisting internal political instability in many South Asian states as well as geopolitical disputes between them has stood in the way of a successful regional integration programme<sup>540</sup>. Hence, failure of SAARC to achieve robustness in the realm of free trade has provided opportunity for a rising power like China to assert its economic dominance in the region.

In this connection, it is worthwhile to explore the pitfalls of the South Asian Association of Regional Cooperation (SAARC). Dwindling intra-regional trade led India to adopt a unilateral initiative of liberalizing trade with states such as Bangladesh, Bhutan, Nepal and Maldives. However, the fear of 'Indian domination' percolated among the economically weaker co-members of SAARC<sup>541</sup>. Therefore, initiatives such as South Asian Preferential Trade Agreement (SAPTA) and South Asian Free Trade Agreement (SAFTA) have failed to realise its potential. Lack of trade diversification as well as intra-industry trade have dented the prospects of a liberal trading order in South Asia<sup>542</sup>. Realizing the limitation of SAARC as multilateral forum, India has attempted to forge greater bilateral ties with South Asian states as well as initializing sub-regional forums such as Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) in 1997 and, Bangladesh Bhutan, India and Nepal (BBIN) in 2015. However, the rigour of these platforms has been largely neutralized by Chinese economic investments under the BRI. Such a backdrop provokes us to ponder on how India could counter the effects of BRI upon her neighbours?

Unlike her Chinese counterparts, India's approach also reveals the coordination of geo-economic and geopolitical aspects. Let us examine the validity of this argument. While interacting with her neighbours, India has emphasized on economic, infrastructural and economic aspects alongside security issues. With regards to Sri Lanka, despite controversies pertaining to fishing rights in the

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<sup>538</sup> "Nepal's transit deal with China makes no headway even after five years", *The Kathmandu Post*, July 14 2022. URL: <https://kathmandupost.com/national/2021/07/11/nepal-s-transit-deal-with-china-makes-no-headway-even-after-five-years> Date of Access: 14 July 2022.

<sup>539</sup> See Murton and Lord. 2019. p.7.

<sup>540</sup> Nayar, Baldev Raj. 2013. "Economic globalization and state capacity in South Asia", in T. V Paul eds. *South Asia's Weak States: Understanding the Regional Insecurity Predicament*, New Delhi: Oxford University Press. pp. 105-106.

<sup>541</sup> Hussain, Akmal, 2014. "The Politics of Regional Cooperation in South Asia: SAARC and Regional Order, in Bhumitra Chakma eds. *South Asia in Transition: Democracy, Political Economy and Security*, Hampshire: Palgrave Macmillan. pp. 234, 237, 238

<sup>542</sup> Dash, Kishore C. 2008. *Regionalism in South Asia: Negotiating Cooperation, Institutional Structure*. London and New York: Routledge. p.159.



Indian Ocean, the Indian Prime Minister Shri Narendra Modi expressed eagerness to invest in the Mattala Port during his visit to the island country in 2017. Besides, steps have been taken to develop an Economic and Technological Cooperation Agreement (ETCA) as it would brighten the possibilities of having greater access to the Sri Lankan market<sup>543</sup>. Nevertheless, since 2017 China's share of FDI in Sri Lanka has gone up to 628 million US\$ as compared to New Delhi's share of 174 million US\$. Moreover, during 2018 Sri Lanka's import from China and India were almost equal but it is certain that Beijing is likely to overtake India in the near future<sup>544</sup>. During 2020-21, China was Colombo's highest foreign investor. Additionally, Sri Lankan government obtained a Foreign Currency Term Financing Facility (FTFF) of US\$ 1 billion and 5 billion from China Development Bank in 2020 and 2021 respectively. In order to cover up its existing foreign currency deficit, Sri Lanka obtained a 10 billion renminbi (RMB) currency swap facility from Beijing in 2021<sup>545</sup>. Even during the Covid-19 period, China gave Sri Lanka greater assistance as compared to India. Hence, it is evident that New Delhi is finding it increasingly difficult to match the economic prowess of China which is having an impact on its neighbourhood policy.

In the aftermath of the 2015 earthquake in Kathmandu, India provided necessary economic assistance for reconstruction of the affected areas. Amidst suspicion of both New Delhi and Kathmandu due to the blockade by the Madhesi community, India sought to resolve the widening trade gap, revoke the duties imposed by the Indian customs department on the goods exported by Nepal, adopt a more vibrant and proactive stance pertaining to the developmental projects sponsored by India and sort out the issue of demonetized Indian currency notes having denomination of Rs. 500 and 1000 jettisoned in Nepal<sup>546</sup>. However, China have tried to convince Nepal that the Madhesi have received support from India thereby creating grounds for Kathmandu to align with Beijing. A sense of competition can be traced between India and China pertaining to their investments in Nepal. During 2016, 3.33 percent of Nepal's total assistance came from India whereas 3.29 percent came from the Chinese side<sup>547</sup>. However, in 2021 FDI from India to Nepal drastically reduced by 81 percent. On the other hand, China's contribution resembled an upward graph as Beijing contributed to 71 percent of the total FDI in Nepal<sup>548</sup>. Presently, China has made 107 FDI commitments worth Rs 18.45 billion to Nepal whereas India's could assure investments worth value Rs. 3.13 billion<sup>549</sup>.

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<sup>543</sup>Kaura, Vinay and Meera Rani (2020), "India's Neighbourhood Policy During 2014-2019: Political Context and Policy Outcomes", *Indian Journal of Public Administration*, 66(1): 10-27.

<sup>544</sup>Jain, Ishan (2021), "Sino-Sri Lankan relations and their impact on India", *Asian Journal of Comparative Politics*, XX(X): 1-22.

<sup>545</sup>Moramudali, Umesh. "The Economics of the China-Sri Lanka-India Triangle: Sri Lanka's struggle to balance between China and India has a strong economic dimension", *The Diplomat*, May 01, 2021. URL: <https://thediplomat.com/2021/05/the-economics-of-the-china-india-sri-lanka-triangle/>. Date of Access: 11 July 2022.

<sup>546</sup> Ibid. p. 15.

<sup>547</sup>Pattanaik, Smruti S (2019), "India's Policy response to China's Investment and Aid to Nepal, Sri Lanka and Maldives: Challenges and Prospects", *Strategic Analysis*, 43(3): 240-259.

<sup>548</sup> "Indian investment falls, Chinese investments rises, in Nepal", *India Blooms*, 12 April 2021. URL: <https://www.indiablooms.com/world-details/SA/28831/indian-investment-falls-chinese-investment-rises-in-nepal.html>. Date of Access 9 July 2022.

<sup>549</sup>Prasain, Krishana. "Foreign investment pledged fall 12.7 percent as India's commitment slumps", *The Kathmandu Post*, April 11, 2021. URL: <https://kathmandupost.com/money/2021/04/11/foreign-investment-pledge-falls-12-7-percent-as-india-s-commitment-slumps>. Date of Access: 9 July 2022.

Indo-Maldives bilateral economic ties received a setback in 2010 when Maldives's parliament cancelled a contract worth US\$ 511 million with an Indian business enterprise – GMR group, for upgrading its airport. This project happened to be a joint venture between Maldives Airport Holding Berhad KL and GMR Infrastructure Limited<sup>550</sup>. However, in 2015 a revision in the financial regulation was brought about by the Maldives Parliament which enunciated foreigners could invest in land project site, bulk of which (approximately 70 percent) have been reclaimed from sea. It is being perceived that such policies have been adopted as a measure to encourage investments from China<sup>551</sup>. Nevertheless, New Delhi has managed to acquire its lost ground when shortly after foreign Minister S Jaishankar's visit to Maldives in 2021, his counterpart from Maldives declared that they would sign a US \$500 million infrastructure project with AFCONS, a Mumbai based enterprise. Furthermore, out of the total amount, New Delhi has decided to give US\$400 and US\$100 in the form of loan and grant respectively<sup>552</sup>.

The acceptance of the instrument of ratification of the land boundary agreement (LBA) in 2015 signalled positive breakthroughs in the context of Indo-Bangladesh bilateral relations. Also, Dhaka and New Delhi are co-members of sub-regional organizations such as BBIN and BIMSTEC. Hence, both countries have attempted to boost trade and economic ties with one another. In this endeavour, during Sheikh Hasina's India visit in 2017, India decided to give a loan of US\$ 4.5 billion as well as an additional US\$500 million to Bangladesh for purchasing defence related hardware equipment<sup>553</sup>. Bangladesh seems to hold geo-economic and geopolitical significance for both New Delhi and Beijing. By virtue of sharing common borders with several north-eastern Indian states, it is imperative for India and Bangladesh to maintain cordial ties in order to combat issues of illegal migration, drug trafficking, terrorism and insurgencies<sup>554</sup>. Moreover, Dhaka is critical for India's Act East Policy as it acts as a 'bridge' between South and Southeast Asia. Thus, alongside assisting Dhaka in constructing ports, nuclear and thermal power plants, India has provided them with grants and financial assistance for developing medium and small sized projects<sup>555</sup>. In 2020, Bangladeshi Prime Minister Sheikh Hasina envisaged that both countries can develop a global supply chain by citing Dhaka as a prominent exporter of garments and India's potential to become the supplier of textile machinery<sup>556</sup>. However, the economic clout of China has been a cause of anxiety for India. Viewed from Beijing's perspective, Dhaka is an integral part of the BRI project thereby enabling them to strengthen their foothold in South Asia. Thus, China

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<sup>550</sup> Robinson J.J. "Maldives cancel GMR's \$511 million airport project", Reuters, November 28, 2012. URL: <https://www.reuters.com/article/maldives-india-gmr-idINDEE8AR01Z20121128>. Date of Access: 4 July 2022.

<sup>551</sup> See Pattanaik. 2019. p. 249.

<sup>552</sup> Banka, Neha. "Explained: What the signing of \$500m India-Maldives mega-infra project means", *The Indian Express*, September 2 2021. URL: <https://indianexpress.com/article/explained/india-maldives-mega-infra-project-signing-explained-7472592/>. Date of Access: 10 July 2022.

<sup>553</sup> Kashyap, Samudra Gupta. "India and Bangladesh kick off joint military drill with focus on counter-terrorism operations", *The Indian Express*, November 6 2017. URL: <https://indianexpress.com/article/india/india-and-bangladesh-kick-off-joint-military-drill-with-focus-on-counter-terrorism-operations-4925346/>. Date of Access: 3 July 2022.

<sup>554</sup> Patgiri, Rubul and Obja Borah Hazarkia (2016), "Locating Northeast in India's Neighbourhood Policy: Transnational Solutions to the Problems of a Periphery", *India Quarterly*, 72(3): 235-249.

<sup>555</sup> Chakma, Bhumitra (2019), "The BRI and Sino-Indian Geo-Economic Competition in Bangladesh: Coping Strategy of a Small State", *Strategic Analysis*, 43 (3): 227-239.

<sup>556</sup> "Indian investments in Bangladesh to reach US\$9 Billion in the Future: Bangladesh's Industries Minister", 24 January 2022, *FDI India*. URL: <https://www.fdi.finance/news/indian-investment-in-bangladesh-to-reach-9-billion-in-the-future-bangladesh-industries-minister#:~:text=Banglade>. Date of Access: 11 July 2022.

has not only emerged as Bangladesh's largest trading partner since 2016 but also holds 25 percent stake the Dhaka Stock Exchange<sup>557</sup>.

Finally, Pakistan has always been a perennial thorn in India's neighbourhood policy. Political conflicts have always inhibited the growth of trade links between them. The Uri and the Pulwama incidents which took place in 2016 and 2019 respectively have only contributed in the worsening of political and economic relations between India and Pakistan. The status of Jammu and Kashmir (J&K) has been an issue of long-standing controversy for both sides. The spirit of suspicion that has punctuated Indo-Pak ties since the Cold war era continues to persist in recent times. Moreover, the act of revocation of Article 370 by the Indian government in 2019 has added further complexities. Hence, the Pakistani Ministry of Commerce (MoC) did not express any intentions whatsoever to resume trade ties with India. It implies that the prospects of allowing its private sector to import 0.5 million tonnes of white sugar and cotton from India have been halted. It was only during the Covid-19 pandemic phase that Islamabad allowed import of only pharmaceutical products from India<sup>558</sup>. The Sino-Pakistan axis has always kept New Delhi on its toe. The CPEC – a part of China sponsored BRI, which runs through POK would certainly violate India's territorial integrity. Expressing concerns over the routes of BRI, India has emphasized that J&K and Ladakh is an integral part of India's territory which has been illegally occupied by Pakistan<sup>559</sup>. Hence, despite not being a part of BRI and opposing the same, India has to bear its negative implications. The CPEC seems to have boosted Pakistan's confidence vis-à-vis India. Hence, it has made India's neighbourhood policy more challenging in the coming years.

### **Summing Up**

The chapter has portrayed the political economy of the BRI and its ramifications for the South Asian economies. Firstly, it manifests how China has tried to glorify the virtues of its market-friendly economic model to the south Asian countries. However, more than the urge to develop these economies, China visualizes them as an export market thereby extending its economic dominance over the region. Hence, market-socialism can be viewed as a disguised form of neo-mercantilism propagated and practiced by Beijing. In addition, BRI has helped China to establish its monopoly. Secondly, the chapter has carved out the missing links between economic modernization and neo-colonialism by analysing the operational dynamics of the AIIB, Chinese state-owned enterprises and their financial institutions in the developing states of South Asia. Although the AIIB seeks to project an alternative way of functioning than the World Bank, the Chinese dominance in deciding the courses of action cannot be overlooked. Thirdly, the concerted efforts of the AIIB and Chinese MNCs have contributed to creating a vicious circle of debt in South Asia. The Sri Lankan case and the growing economic dependence of Islamabad, Maldives, Nepal and Dhaka on Beijing eloquently extrapolates this proposition. Fourthly, for the Indian neighbourhood policy, BRI has both geo-economic and geo-political implications. How? Since the CPEC route passes through POK, it has ignited protests from New Delhi regarding the violation of India's territorial sovereignty. On the other hand, in view of Chinese economic capability and

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<sup>557</sup>See Chakma, 2019. p. 232.

<sup>558</sup> Khan, Mubarak Zeb. "Pakistan rules out trade with India", *Dawn*, May 12, 2022. URL: <https://www.dawn.com/news/1689236>. Date of Access: 14 July 2022.

<sup>559</sup>Laskar, Rezaul H. "India rejects references to Kashmir, CPEC in China-Pakistan Joint Statement", *HindustanTimes* February 09 2022. URL: <https://www.hindustantimes.com/india-news/india-rejects-references-to-kashmir-cpec-in-china-pakistan-joint-statement-101644>. Date of Access: 12 July 2022.

their influence over the South Asian economies have considerably restricted India's bargaining power. It needs to be acknowledged that India does not have the necessary arsenal to balance Beijing. The only feasible option for New Delhi is to maintain its bilateral economic ties with her South Asian neighbours so that the sub-regional economic forums which are presently in operation do not become completely redundant.

# **Indian Policy Options**

# **China in India's Eastern Neighbourhood : Emerging Dynamics and Policy Options**

Subir Bhaumik\*

After the Taliban takeover in Afghanistan, the continued hostility of Pakistan and the violent border showdown with the Chinese in Ladakh, India's option for meaningful diplomacy in the West appears limited and its efforts seem focussed on damage control. But despite a largely friendly government in Dhaka, India needs to worry about developments in its eastern neighbourhood, where Delhi has been endowed with more positive options in the last decade. Growing Chinese influence in Myanmar, Bangladesh and the Himalayan countries of Nepal and Bhutan is cause for worry and the emerging dynamics in the region need to be carefully monitored and balanced with appropriate counter action. This paper will focus on recent developments in India's eastern neighbourhood and suggest a way forward for Delhi to handle the emerging dynamics.

## **Historical Perspective**

If Pakistan's attempt to take over Kashmir by force after Partition posed the first direct challenge to the territorial integrity of the nascent Indian Republic, the Naga rebellion in the fifties was the first ethnic insurrection to threaten the country's ambitious post-colonial nation-building process. The Mizos and then the Manipuri Meiteis followed the footsteps of the Naga rebellion to start armed insurgency. Finally, the prairie fires spread to Assam, Tripura and Meghalaya with varying intensity in the 1980s. The Darjeeling hills and North Bengal foothills also experienced similar armed movements for secession and separate statehood, threatening the vulnerable "Chicken Neck" or the Siliguri Corridor that physically links the Indian mainland to the remote Northeastern states.

Apart from counterinsurgency operations, India's first major initiative to address the security challenges in the East was when it militarily intervened in 1971 to put an end to the civil war in Pakistan's eastern wing that led to the emergence of an independent Bangladesh. As a friendly secular Bengali nation state, Bangladesh did help India address its security concerns. The Naga, Mizo and Manipuri rebels lost their bases and source of patronage and initiated negotiations that led to the 1975 Shillong Accord with the Naga National Council and the 1986 Mizo Accord with the Mizo National Front. While Mizoram has experienced calm ever since, Nagaland and neighbouring Manipur has faced a new spell of Naga insurgency led by the China trained leaders of the National Socialist Council of Nagaland (NSCN).

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The 1975 military coup in Bangladesh led to the assassination of Sheikh Mujibur Rahman with much of his family and brought back Pakistan style military rule. Democracy returned to Bangladesh in the 1990s but it is only after Mujibur Rahman's daughter Sheikh Hasina led the Awami League back to power , first in 1996 and then again in Jan 2009, that India has finally

reaped the fruits of its investments in 1971. Hasina has addressed all of India's security and connectivity concerns, cracking down hard against the Northeast Indian rebel groups and signing agreements that permits transit through Bangladesh and use of its ports to ship cargo to Northeast from the Indian mainland.

Myanmar experienced a long spell of military rule from 1962 to 2010 when electoral democracy was reintroduced. But only in 2015 did a comprehensive fair election brought to power Aung Saan Suu Kyi's National League for Democracy (NLD). The February 2021 military coup has put the clock back in Myanmar and unleashed a huge turmoil that threatens civil order and the peace process with the ethnic rebel armies that Suu Kyi's government has initiated. The Burmese army has cooperated in a limited way with the Indian army to attack bases of northeast Indian rebels , but Myanmar's Sagaing region remains the last major transborder base area for these rebel groups.

Nepal has experienced many ups and downs and considerable political instability since the end of monarchy . The return to power of Nepali Congress, a traditional pro Indian party like the Awami League in Bangladesh, under the leadership of Prime Minister Sher Bahadur Deuba must have eased frayed nerves in Delhi but the stability of the Deuba government is still open to question.

Bhutan has been more stable since the introduction of democracy under a constitutional monarchy but it has a border dispute with China (like India has) which Beijing is trying to leverage to pressurise the tiny nation to break out of the Indian embrace.

## **Emerging Dynamics**

### ***Myanmar***

China's grip on Myanmar has become near total since the Feb 2021 military coup in the Pagoda Nation. The Burmese military junta was opposed to China in the first two decades of power. Beijing supported the Burmese Communist Party ( now defunct but once the country's largest armed insurgent group) in the 1950-70s with weapons, bases and training. On the other hand, the Ne Win government tried to address India's security concerns by attacking columns of Naga and Mizo rebels who were going to China for training and weapons. The encounters between the Burmese army Tatmadaw and the China bound Naga rebels have been detailed by Naga author Kaka Iralu in his "Naga Saga" . But after China stopped assistance and support to the Burmese Communist Party and decided to develop state to state relations with the military junta after the 1988 countrywide uprising, the situation has changed. China has become the strongest backer of the Burmese military even after democracy was restored . Beijing used its UN Security Council veto to block resolutions critical of the Burmese military's "ethnic cleansing" against the Muslim Rohingyas in Rakhine province. Now it has blocked adverse resolutions against the military junta after its Feb 2021 coup.

In turn, the military-run State Administrative Council has cleared several Chinese infrastructure projects<sup>560</sup>. Even the downscaling of the scope of the China-funded Kyaukphyu Deep Sea port and SEZ initiated by the NLD government to avoid a Sri Lanka type Chinese debt trap seems to have been reversed.<sup>561</sup> There are suggestions that even the controversial Myitsone hydel power project, which was put on hold by the Thein Sein government in 2010, may be revived on China's persistent pressure.

Interestingly, the Chinese have also retained their influence over the strongest ethnic rebel armies fighting the Burmese military. The United Wa State Army, that grew out of the splintered Burmese Communist Party, is openly backed by China that sells it even anti-aircraft weapons<sup>562</sup>. So, the UWSA did not come out in opposition to the Feb 2021 coup.<sup>563</sup>

China has also backed the Arakan Army in Rakhine and now seems to have brokered a ceasefire between it and the military junta<sup>564</sup>. China's smart "double end" game in Myanmar has left it with an undeniably strong presence.

On the other hand, India responded positively to the Burmese military request to initiate operations against the Arakan Army. But the "Operation Sunshine" of Indian Army only upset the Arakan Army which has disrupted India's "Kaladan Multi Modal Transport Project" that seeks to connect Northeast by a sea-river-land route through the port of Sittwe, then up the Kaladan river and finally by road to Zorinpui in Mizoram state. The disruptions caused by the Arakan Army has delayed the project<sup>565</sup>. This is in sharp contrast to the Arakan Army's silent support for the Chinese Kyaukphyu port and SEZ project which is key to the China Myanmar Economic Corridor as Gwadar is to the China Pakistan Economic Corridor. These two corridors are crucial to China's Belt and Road Initiative as it seeks to give China's landlocked regions access to the sea through countries ruled by friendly regimes.

Though the Burmese army Tatmadaw did conduct some operations against Northeast Indian rebel bases in the Taiga mountains of Sagaing as a quid pro quo to "Operation Sunshine", there are reports that such operations are no longer happening. Some media outlets, quoting Indian intelligence sources, have said that the Burmese military are using the Northeast Indian rebel groups to subdue its own resistance groups that have emerged to fight the military junta in frontier

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<sup>560</sup><https://www.reuters.com/world/china-fund-myanmar-projects-agreement-with-junta-2021-08-11/>

<sup>561</sup><https://www.irrawaddy.com/news/burma/myanmar-junta-pushing-ahead-with-china-backed-kyaukphyu-sez-and-port.html>

<sup>562</sup> [https://www.usip.org/sites/default/files/2019-07/pw\\_147](https://www.usip.org/sites/default/files/2019-07/pw_147)

<sup>563</sup><https://www.irrawaddy.com/opinion/guest-column/silence-on-coup-makes-strategic-sense-for-myanmars-wa.html>

<sup>564</sup> <https://spotlight.licas.news/china-s-diplo-terrorism-in-myanmar/index.html>

<sup>565</sup><https://www.wionews.com/south-asia/arakan-army-targets-india-myanmar-kaladan-project-with-chinese-weapons-338856>



provinces like Chin state and Sagaing Region<sup>566</sup>. So, it seems India has lost both the mango and the sack, to quote a Bengali proverb.

The National Unity Government (NUG) of Myanmar, the parallel government opposing the military junta, has called for a greater Indian role in mediating a return to democracy in the Pagoda Nation. Burmese political parties look up to India as a "role model for democracy" but apart from a recent visit to Myanmar by Indian foreign secretary Harshvardhan Shringla, there has hardly been any major attempt by New Delhi to play a meaningful role. Despite its complete grip on the military junta, China lacks any influence on the democratic parties and emerging popular resistance groups like the People's Democratic Front (PDF) have attacked Chinese factories and even an offtake station at Mandalay on the Rakhine Yunnan oil and gas pipeline in an apparent threat message to Beijing<sup>567</sup>. The northeast Indian states of Manipur and Mizoram have witnessed a rush of refugees from Myanmar, with some estimates suggesting they now number more than 20,000. That a challenge India has to negotiate. Mr Shringla did raise the refugee issue and called for an early return to democracy but the military junta refused him a meeting with deposed leader Aung San Suu Kyi in what many see as a stern message emphasizing non-interference beyond bilateral issues.

## ***Bangladesh***

The Awami League government, into its third consecutive term in power since 2009, has delivered on India's outstanding security and connectivity concerns. Only in the last decade has India secured the desired results after years of backing a friendly party, with which Delhi shares a strong historical bond. That bond came alive in the two celebrations in Bangladesh in 2020-21: the centenary celebrations of founder Sheikh Mujibur Rahman and the Golden Jubilee of Bangladesh independence. Indian and Bangladesh diplomatic missions jointly celebrated the Golden Jubilee in several foreign countries.

But despite the "Shonali Adhyay" (Golden Phase) of India-Bangladesh relations, all is not well on the bilateral front. India's NRC exercise in Assam and decision to implement the Citizenship Amendment Act (CAA) has not gone down well in Bangladesh. The situation was further aggravated when Indian home minister Amit Shah described illegal migrants from Bangladesh as "termites". The Awami League government, under intense pressure from the country's radical Islamist ecosystem, resents the BJP's playing up the "infiltration issue" in states bordering Bangladesh.

The Hasina government is under intense pressure from the US. The Biden administration did not invite Bangladesh to the Democracy Summit in December 2021 and then imposed sanctions

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<sup>566</sup> <https://asiatimes.com/2021/12/myanmar-military-joining-hands-with-indian-rebels/>

<sup>567</sup> <https://www.daijiworld.com/news/newsDisplay?newsID=831386>

against seven top security officials, including the country's police chief Benazir Ahmed. In the past, whenever US has piled pressure on Hasina government, she has counted on Indian support to ward it off. But now with India in a close strategic embrace with the US, there are doubts as to what extent India will go to defend the Awami League government<sup>568</sup>. If India fails to extend the kind of support it did after the 2014 parliament polls when the US appeared determined to force Hasina to step down, she will doubtlessly turn towards China. China has already become Bangladesh's leading lender for infrastructure projects and its leading trading partner. While India has failed to operationalise beneficial duty free tariffs on Bangladesh manufactured goods, China has done the same on most products it imports from the country<sup>569</sup>. China is also proposing to finance a project on the Teesta river, capitalising on India's failure to strike a water sharing deal on the Teesta due to opposition by the West Bengal government.

Though China and Bangladesh shared an adversarial relationship during the latter's independence movement and immediately after that, the relationship has undergone a tremendous transformation to the extent that China is now considered by many in Bangladesh as an 'all-weather friend'. They established diplomatic ties in 1976; it was defence ties that was an important area of their relationship, which led to further expansion of ties.

Bilateral trade between China and Bangladesh is heavily tilted towards China. The trade deficit between them stood at US \$16.27 billion in 2019, which has increased 16-fold in the last two decades. China forms the largest share in Bangladesh's imports at 31.1 percent in 2019, more than double the imports from the next largest partner. Imports from China include a variety of items from textiles, machines, refined petroleum while exports to China consist mainly of textiles which form 70 percent of the total share.

Development cooperation forms an integral part of the partnership. It was only in recent years that the Chinese investment into Bangladesh has grown exponentially. Total Foreign Direct Investment (FDI) stock has increased at a rate of 10.9 times between the end of 2011 and the end of 2019. Bangladesh received a net FDI of US \$1.159 billion in FY19 from China, making it one of the largest recipients in South Asia.

The energy sector, critical to Bangladesh's rapid industrialisation, has been the largest recipient of Chinese investment in recent years. China has implemented a number of projects in the power sector, consisting mostly of coal-based power plants. It has also built the single largest power plant in Bangladesh in a joint venture with Bangladesh, which will bear 30 percent of the total cost. At least 12 dual-fuel power plants are being planned, but so far only three 1,320 megawatt plants are near completion costing around US \$ 4.5 billion. China is also investing in the green energy sector with several projects already in the works, including a proposal for a 310 megawatt solar power

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<sup>568</sup><https://www.hindustantimes.com/opinion/renewed-us-hostility-towards-sheikh-hasina-should-worry-india-101639916426356.html>

<sup>569</sup><https://www.china-briefing.com/news/opportunities-for-bangladesh-exporters-as-china-reduces-tariffs-to-zero-on-97-of-all-products/>

plant. Bangladesh has also set up a US \$400 million joint venture with a Chinese company to build renewable energy projects of a total of 500 megawatts by 2023.

Another important strategic area in the power sector where China is working is the power grid. China is working on a Power Grid Network Strengthening project at an investment of US \$1.32 billion and also an expansion and strengthening of the power system network, which is supposed to help in the intelligent operation of the power grid in Bangladesh with an investment of US \$ 2.04 billion. Since India declined to be a part of the Belt and Road Initiative (BRI), the Chinese plans for building an oil pipeline from Bangladesh have not materialized. Despite this, China has a significant strategic presence in Bangladesh. In a deal in 2017, Chinese companies bought three natural gas fields in Bangladesh, which account for more than half of the total gas output of Bangladesh from Chevron. China is also partially financing and helping Bangladesh to build a 220 kilometre pipeline and a single mooring point, which will facilitate direct offloading of imported oil at the Chittagong refinery. It is from this point that the Chinese plan to carry oil to the storage plants in mainland China.<sup>570</sup>

Rising Hindutva pitch in India emboldens Islamist radicals in Bangladesh and adds to Hasina and Awami league's ideological discomfort. In the recent years, there has been a rise in the number of senior politicians within Awami League who want to play the 'Muslim card' to offset the radicals. More leaders from the business class have also paid their way to party nominations and many of them run companies that trade with China. Awami League old-timers, mostly from the Bengali nationalist middle class, worry over the rising power of the Islamists and the pro-China business class within the party. This is a development India can ignore only at its own peril.

Hasina maintains her foreign policy of "friends with all, enemy with none" but she has hit out at US and indicated she will not be cowed down by Washington's critique of her human rights record<sup>571</sup>. This is an issue India needs to handle deftly. With its own strategic partnership with US and dependence on its support for handling the Himalayan faceoff with China, India cannot afford US destabilise the Hasina regime or force it towards China, as US scholar Michael Kugelman fears<sup>572</sup>. India also needs to cultivate and strengthen its traditional Bengali nationalist constituency in the Awami League and its continuation in power is key to India's national interest. The BJP, for reasons of domestic politics, should be careful in not carrying its Hindutva pitch too far while dealing with Bangladesh.

### ***Nepal and Bhutan***

Like in Myanmar, the rise in Chinese influence in Nepal is deep. China's growing influence in

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<sup>570</sup> <https://www.orfonline.org/expert-speak/china-bangladesh-strategic-linkages/>

<sup>571</sup> <https://bdnews24.com/bangladesh/2021/12/28/hasina-hits-back-at-us-don-t-lecture-us-about-democracy-while-harbours-murderers>

<sup>572</sup> <https://foreignpolicy.com/2021/12/01/us-bangladesh-relations-dhaka-india-china-bri/>

Nepal and across the Himalayan region more broadly is closely tied to its wider economic, security, and foreign policy priorities (China Brief, November 12, 2020). For Nepal, the unprecedented deepening of the bilateral relationship has raised serious concerns about its ability to maintain political and economic autonomy.

The Sino-Nepalese relationship has been predicated upon foreign direct investment deals, capacity-building measures and diplomatic support in international forums. A 2019 report by AidData highlighted “financial diplomacy,” including infrastructure financing, budget support, debt relief, and humanitarian assistance as being a key element of China’s public diplomacy toolkit in the South and Central Asian region.[1] China has led FDI pledges to Nepal for the last five years. In October 2019, a top U.S. diplomat warned, “As Chinese influence has grown in Nepal, so has the government of Nepal’s restrictions on the Tibetan community,” signaling growing international concerns over the China-Nepal relationship (Kathmandu Post, October 23, 2019). Just as border tensions between China and India turned violent last June, Nepal rekindled a longstanding cartographic dispute with India that some on the Indian side saw as a signal of its growing closeness with China. The Nepalese government passed a new political map that marked the Indian territories of Kalapani, Lipulekh and Limpiyadhura as Nepalese territory. One Indian government official described the act as drawing “red lines on the map to serve [Nepal’s] domestic and foreign interests<sup>573</sup>”

China and Nepal signed their first bilateral agreement on economic aid in 1956, and the Nepalese Foreign Ministry has said that Chinese financial and technical aid to Nepal dates back to the mid-1980s<sup>574</sup>. The Kathmandu-based political analyst Chandra Dev Bhatta has argued that China began scaling up its influence efforts in a notable way after 2008, when Nepal transitioned from a monarchy to a federal democratic republic. “Reality is such that after the political change...China has strongly positioned itself in Nepal and scaled up its engagement in more than one way. In the past, one could notice China’s involvement in the development of infrastructure but not in soft areas. Of late, China has been penetrating in[sic] Nepali politics as well as in society,” Bhatta said<sup>575</sup>.

China overtook India as Nepal’s largest FDI partner in 2014. Chinese state media reported that Chinese investors pledged more than \$220 million worth of FDI to Nepal during the fiscal year 2019-2020, which more than doubled the previous year’s figures (\$116 million) even during the Covid-19 pandemic. Chinese FDI accounted for two-thirds of Nepal’s total committed FDI during the reporting period<sup>576</sup>. Part of this growth was due to the passing of a 2019 Foreign Investment and Technology Transfer Act designed to streamline the process for approving foreign investments in key sectors such as hydropower, construction, telecommunications, agriculture and mining. Foreign analysts have observed that although Chinese state investments have generally targeted

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<sup>573</sup> (Hindustan Times, June 10, 2020).

<sup>574</sup> (Nepal Ministry of Foreign Affairs, February 2019)

<sup>575</sup> (The Diplomat, May 22, 2020).

<sup>576</sup> (China Daily, September 9, 2020).

hydropower and transportation, investments from the private sector have mostly targeted micro-enterprises—with a couple of notable exceptions in the cement industry<sup>577</sup>.

Following Nepal's official joining of China's 'Belt and Road Initiative' (BRI) in 2017, the BRI has also emerged as a new instrument for deepening bilateral ties between Beijing and Kathmandu. Initial agreements for a Trans-Himalayan Multi-Dimensional Connectivity Network—to encompass both infrastructure projects and cultural exchanges—were signed. (Nepal Ministry of Foreign Affairs, June 21, 2018). In 2019, Xi Jinping paid a state visit to Nepal, marking the first time that a Chinese president visited the country in 23 years. During Xi's visit, the two countries elevated their relationship to a "strategic partnership," creating the impetus to prepare work on projects such as a cross-border railway linking the Tibet Autonomous Region (TAR) with Kathmandu and a China-Nepal Friendship Industrial Park in Jhapa, eastern Nepal.<sup>578</sup>

Expanding railway ties between China and Nepal would promote trade and increase Nepal's economic capacity (see image below). China has promised to allow Nepal access to six dedicated border transit points—Rasuwagadhi, Kodari, Yari, Kimathanka, Olangchungola and Nechung—and access to sea ports in Tianjin, Shenzhen, Lianyungang and Zhanjiang and land ports in Lanzhou, Lhasa and Shigatse, which could help to balance landlocked Nepal's economic reliance on India<sup>579</sup>. In 2015, the Nepalese blamed trade disruptions that impacted food and energy supplies on an Indian "blockade," which had later influenced the leadership's shift towards China<sup>580</sup>. Local analysts have also observed that, alongside the China-Pakistan Economic Corridor (CPEC), such investments could also aid in either increasing access to or circumventing the massive Indian economy, depending on how bilateral China-India relations develop<sup>581</sup>.

Nepal and China have also increased security cooperation, with China opening up a training academy for the Armed Police Force (APF) that guards border districts with Tibet in 2014 and holding counterterrorism drills between the Nepal Army and the Chinese People's Liberation Army (PLA) in for the first time in 2016 (Reuters, December 26, 2014; My República, December 29, 2016). Nepal's power elites see China as an effective way of balancing Indian influence. India's covert backing of the Madhesi movement and its economic blockades of the landlocked neighbour has not gone down well.

Bhutan does not have diplomatic relations with China but the Chinese now seems to be in a border dispute with Bhutan to closely engage the tiny Himalayan kingdom , causing some worries in Delhi.

In Oct 2021 , Bhutan and China signed an agreement on a three-Step roadmap to help speed up talks, at a meeting of Foreign Ministers of both countries held via videoconference . New Delhi said it has "taken note" of the development, but the MEA did not respond to a questions about whether India was informed about the details of the MoU in advance, and whether a possible

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<sup>577</sup> (Stimson Center, November 12, 2020).

<sup>578</sup> (China Daily, December 24, 2020).

<sup>579</sup> (My República, March 7)

<sup>580</sup> (The Diplomat, February 1, 2017)

<sup>581</sup> (Kathmandu Post, August 6, 2020)

“exchange” of disputed territories involving the Doklam trijunction area was a particular concern for India.

The roadmap "for Expediting the Bhutan-China Boundary Negotiations", is expected to kickstart progress on the boundary talks process that has been delayed for five years, first due to the Doklam standoff<sup>582</sup> in 2017, and then by the Covid Pandemic. The timing of the agreement is particularly significant for New Delhi, given India-China border talks on their 17-month old standoff at the Line of Actual Control appear to have hit a roadblock.

“The [Bhutan-China] Memorandum of Understanding on the Three-Step Roadmap will provide a fresh impetus to the Boundary Talks. It is expected that the implementation of this Roadmap in a spirit of goodwill, understanding and accommodation will bring the boundary negotiations to a successful conclusion that is acceptable to both sides,” said a press release issued by Bhutan’s Ministry of Foreign Affairs<sup>583</sup>. The Bhutanese Embassy in Delhi declined to comment on the details of the three steps outlined in the MoU, and sources said that information on the process of negotiations are “sensitive” and could not be shared at this stage. According to the MFA statement, the three-step roadmap had been finalised during the 10th Expert Group meeting in Kunming in April 2021, and presented for approval to their government in Thimphu and Beijing respectively.

Bhutanese Foreign Ministry sources called the three-step Roadmap a “positive development” that will enable the two sides to have “more focused and systematic discussions” on the boundary dispute over which they have held 24 rounds of talks and 10 Expert group meetings in the past 37 years.

Since 1984, talks between Bhutan and China have largely focused on two separate areas of dispute, including Doklam and other areas in Bhutan’s West, near the India-China-Bhutan trijunction measuring 269 sq. kms, and the Jakarlung and Pasamlung valleys located near Tibet to Bhutan’s North, which measure 495 sq. kms. More recently, China has also laid claims to Bhutan’s Eastern Sakteng region. “We have noted the signing of the memorandum between Bhutan and China, we are aware of it. You would be aware that Bhutan and China have been holding boundary negotiations since 1984. India has similarly been holding boundary negotiations with China,” said MEA spokesperson Arindam Bagchi during his weekly interaction with journalists.

India has serious strategic worries over the Doklam stretch because the Siliguri corridor connecting seven Northeastern states to Indian mainland is barely 70 kms away and a determined Chinese armored thrust downhill in the event of war can threaten this key link zone. Such is the worry that plans by Chinese companies to buy tea gardens in the area raised red flags in Delhi and the West Bengal government finally had to cancel the sale<sup>584</sup>. India maintains military formations inside Bhutan under the aegis of IMTRAT (Indian Military Training Team) and the Treaty of Peace and Friendship, updated in 2007, does provide India enough leverage on Bhutanese policy. But Beijing’s determination to engage Thimphu actively does raise red flags in Delhi. Similar worries had led late PM Indira Gandhi to mount an major operation that led to Sikkim’s “peaceful and

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<sup>582</sup> <https://www.thehindu.com/news/national/what-is-the-doklam-issue-all-about/article22536937.ece>

<sup>583</sup> (<https://www.thehindu.com/news/international/bhutan-and-china-sign-mou-for-3-step-roadmap-to-expedite-boundary-talks/article36999596.ece>)

<sup>584</sup> <https://thefederal.com/states/east/west-bengal/darjeeling-tea-gardens-sell-off-deal-breeds-fear-of-chinese-takeover/&https://theeasternlink.com/mamata-govt-blocks-tea-garden-sale-on-china-fears/>

voluntary accession” into the Indian Union. A veteran of the operation , G B S Sidhu of India’s external intelligence R&AW, has detailed the operation in his recent book “Sikkim Dawn of Democracy”<sup>585</sup>.

## **Conclusion**

India’s strategic community have often worried about a Chinese encirclement of India by a ‘string of pearls’ or port bases in neighbouring countries like Pakistan, Bangladesh, Myanmar , Sri Lanka and Maldives. The continuous military pressure on the Himalayan borders by the Chinese has gone hand in hand with a determined diplomatic and military thrust in the Indian Ocean<sup>586</sup>. That has left India with no options but to develop strategic partnership with the US and other Western powers, even as it seeks to rework its traditional close ties with Russia. In the entire chessboard of increasing competition and conflict that India finds itself with China, the eastern neighborhood is the most crucial . The strategic vulnerabilities of India’s Northeast and its tenuous physical connection to the mainland makes it incumbent on Delhi to handle its the eastern neighborhood with care. Any loss of influence in the neighboring countries will be cause for worry . India’s vaccine diplomacy is a case in point. Bangladesh rejected Chinese offers for the Covid vaccine after India promised to meet the country’s entire requirements. But when the “second wave “ hit India hard in 2021, it faced a severe shortage of vaccines to handle a massive domestic health crisis and the promised exports to Bangladesh did not materialize. That forced Dhaka to renegotiate deals for purchase of Chinese vaccines, emphasising on the India friendly Hasina government the importance of China.<sup>587</sup>

To retain influence in its neighbourhood , specially the eastern neighbourhood India has to (a) boost economic , military and technological capability to always provide an option to China (b) it needs to avoid highhandedness with smaller neighbours that may make them turn to China to balance India (c) rope in the neighbours in firm diplomatic embrace with favourable terms of trade.(d) pursue effective military diplomacy to build rapport between militaries (d) allow smaller neighbours access to Indian markets so that they grow with India together .

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<sup>585</sup><https://www.scmp.com/week-asia/geopolitics/article/2179904/how-indian-secret-agents-removed-god-king-sikkim-and-claimed>

<sup>586</sup><https://foreignpolicy.com/2022/01/04/india-china-ocean-geopolitics-sri-lanka-maldives-comoros/>

<sup>587</sup><https://economictimes.indiatimes.com/news/india/china-vows-to-step-in-as-india-curbs-vaccine-supply-to-neighbours/articleshow/82285196.cms?from=mdr>

# **The ethnic dynamics in China Myanmar strategic interests: Implications for the Region**

Soma Ghosal\*

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The ethnic dynamics between China and Myanmar belong to the classic genre of shared borders and histories that have characterized the several states of South and southeast Asia. Alike India, China and Burma have a long border inhabited by ethnic groups having strong cross border kinship ties. It was not without a strategic forethought that the leadership of Burma and China embarked upon a shared relationship of friendship, termed as the *paukphaw* or fraternal relationship. The premise of such a shared friendship was laid down during U Nu's visit to China in 1954 and an ensuing joint communiqué of the leaders of the two states. The premise was sought to be further consolidated during the agreement on peaceful co-existence in the Afro-Asian Conference in Bandung in 1955. *Paukphaw* or fraternal friendship was reiterated once again by Chinese State Councillor and Foreign Minister Wang Yi, on an official state visit in 2019, on the eve of the 70th anniversary of the establishment of Sino Myanmar diplomatic relations China and Myanmar, further, pledged to strengthen communication and high-level exchanges, according to a meeting held between Myanmar's State Counsellor and Foreign Minister Aung San Suu Kyi and Wang Yi.<sup>588</sup> Wang had called for a comprehensive push forward to cooperation in areas including economy, trade, people-to-people and cultural exchanges. This statement perhaps makes explicit China's strategic overtures in Myanmar. A real politik interpretation of *paukphaw* could be to deepen the comprehensive strategic cooperative partnership between the two states and jointly build a community of shared future, as Wang's statement emphasized. China was willing to promote the China-Myanmar Economic Corridor from concept and plan into substantial implementation and build it into a flagship program of joint construction of the Belt and Road between the two countries. If Wang's statement is considered a benchmark in China's foreign policy framework, the ethnic configuration along China's borders assumes a significant proportion in its strategic paradigm. A strategic cooperative partnership aimed at joint community benefits certainly envisages a peaceful and cooperative borderline.

## **China and Myanmar in the new configuration**

Today, as the world witnesses' violent repressions against pro-democracy protesters in Myanmar by the military junta under the name of the State Administration Council, opposition political leaders, civil rights activists and ordinary citizens protest holding placards displaying 'The Military

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<sup>588</sup> Myanmar's State Counsellor and Foreign Minister Aung San Suu Kyi (R) meets with visiting Chinese State Councilor and Foreign Minister Wang Yi in *Nay Pyi Taw* December 7, 2019.



Coup. Made in China'.<sup>589</sup> It is important to note that China had been initially reluctant to back the military regime and its leader Senior General Min Aung Hlaing. But attacks on Chinese companies and investment, including factories in Yangon's industrial zone, marked a major turning point for China, raising concerns about instability in the country. Protests outside China's Yangon embassy and a rise in anti-China sentiment in the wake of the military takeover only increased their concerns. However, it cannot be denied that China considers Myanmar a key player in its strategic planning. Myanmar's significance for China holds out as ---

1. Myanmar is a crucial partner in China's access to the Bay of Bengal, especially for its land locked South Western provinces;
2. A key factor in the development of these regions, plentiful in ethnic minorities, that had been facing disparity with the coastal areas.
3. A much-needed natural resource base and energy provider to China.
4. A vital link in China's military strategy providing access to the Indian Ocean

China shares a 2170 km border with Myanmar that hosts several cross-border tribes. Some of the tribes found on either side of the border are the Lisu, Lahu, Wa and the Akha, Shan and Kachin tribes corresponding respectively with the Hani, Dai and Jingpo tribes on the Chinese side of the border. Han Chinese can be encountered on the Myanmar side as also there are the Kokangs, a Han clan, who had settled in Myanmar in the 17th century. Shared language and identity facilitate the cross-border exchanges. The Kachins in Myanmar and the Jinhos in China are of the same ethnic stock. Similarly, the Wa are found on both sides of the border, while the Kokang are ethnic Han Chinese and speak Mandarin. If China is concerned with the ethnic resistance spillovers from Myanmar affecting its greater economic interests, Myanmar also has its own concerns of inadvertent Chinese interference with the armed ethnic groups along the border. Myanmar's friendship with China has not always followed a linear trajectory; there have been several moments of doubts on the closeness of ties even during the junta regime given China's history of active support to the Communist Party of Burma. Several ethnic armed resistance groups in Burma are said to be the offshoots of the BCP defying any allegiance to the government at the centre in Burma. However, as the political turmoil in Myanmar beleaguered it in the international forum, China was astute enough to seize the opportunity to further its economic interests in Myanmar. A closed economy worsened by international sanctions probably found a reprieve in its neighbour's fast-growing economy and a ready helping hand.

### **China's strategic interests in Myanmar and the EAOs**

Till the mid 1990s Kachin and Shan states were active battlegrounds with the Myanmar army. In recent times again the northern region has seen intense fighting between the military and ethnic armed organisations.<sup>590</sup> But, what actually has emerged as the single most deciding factor is the border trade with China that accounts for 87% of the border trade of Myanmar with neighbouring countries, according to the Myanmar Ministry of Commerce, as reported in the Myanmar Times of September 2015. China's key areas of commercial interest are-

1. Hydropower

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<sup>589</sup> *Frontier Burma*, January, 2021

<sup>590</sup> China Is Playing Peacemaker in Myanmar, but with an Ulterior Motive, April 18, 2017

2. Fossil fuels
3. Mining
4. Timber

Interestingly, official agreements, notwithstanding, each of these sectors require the “active cooperation” of the ethnic organisations controlling the connectivity networks. If one looks up the enclaves of the civil and the corresponding armed organisations of the major ethnic groups on the map, one cannot overlook their overlap with the border economic cooperation zones.

In the case of Hydropower, for example, the Myitsone Dam across the Irrawaddy river, is in a direct clash of interest with the Kachin Independence Organisation. China’s commercial interests in the oil and gas sectors, where the China National Petroleum Corporation (CNPC) has crucial interests in developing the Kyaukphyu port and SEZ in southwestern Rakhine state, the site for two parallel gas and oil pipelines. This is the stronghold of the Arakan Army. China’s timber trade and mining enterprises are both concentrated in the Kachin state.

Myanmar has a unique hybrid civil-military power-sharing system in which the Senior General calls the shots. The clash of two power centres complicates decision-making. The National Defence and Security Council (NDSC) is the apex body controlling the three services and police. The constitution provides for 25 per cent of the seats in the central, state and regional legislatures reserved for the military. Making a constitutional change which requires a two-thirds majority in both houses is very difficult, if not impossible. Internal, defence and border affairs ministries are reserved for the junta. De facto, the military controls politics, security, economy, wealth and the Buddhist clergy.<sup>591 592</sup>

Myanmar, had, since a few years after independence oscillated between one military government after another interspersed with demands for and attempts at having a democratic government in place. In these several years of domestic instability, the failure of successive governments in arriving at a permanent solution to the ethnic unrest in the state did not make things any easier. It was in this void of distrust that China sought to emerge as the chief negotiator between the government of Myanmar and the ethnic insurgent groups. Though in the initial phases of China’s relationship with Myanmar, the leadership on either side took sincere steps to lead the friendship further, later phases, especially, since the military coup in 1962, saw China’s attempts at skilful maneuvering in its relations with the government in power. The key components of this maneuvering ranged from a two-pronged or dual track strategy to a rapprochement with attempts at strengthening not only state to state relationships but also party to party relations. China’s negotiations with the ethnic insurgency movements in Myanmar while attempting to consolidate its economic interests can be said to have been influenced by these factors. When China seeks to protect its interests in Kyaukphyu, it covertly arms the Arakan Army while overtly providing military support to the junta to deal with the Arakan Army.

Similarly, China’s attempts to renew the construction of the Myitsone Dam, involves a shift from strong armed strategy with the aid of the military to more vigorous public outreach programmes where leaders of the Kachin Independence Organisation are sought to be educated and convinced

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<sup>591</sup> Chinese hold on Myanmar a concern for India, Maj Gen Ashok K Mehta (retd), The Tribune, December 14, 2020, e-edition.

<sup>592</sup>

with visits to dams in China regarding the benefits of dam construction. Further, donations were made to schools and civic organisations and peace suddenly became a priority.

The timber trade between China and Myanmar presented another classic case of China's maneuvering tactics. This is again a sector where definite data is hard to come by. In 2005 Myanmar and Chinese authorities had cut down on the illegal Timber trade and imposed strict rules on logging and Timber export activities leading to a sizable decrease in Myanmar products being imported overland between 2005 and 2008. However, illegal logging and export of timber notably carried out by small scale companies through bribery and corruption of local authorities or the bypassing of official check points continued. These were the KIO areas from where trucks loaded with teak logs passed through a purposely built road bypassing the official Chinese border crossing. Loggers have built an extensive network of roads and bridges to penetrate further into the deep forests of Northern Kachin State. Initially when the ban was implemented in Yunnan in 1998, big companies had started to operate in Myanmar especially in the Kachin State with the connivance of the local Tatmadaw units and ceasefire groups. Local authorities both in China and Myanmar have been somewhat reluctant to thoroughly implement restrictive measures taken at the Central level especially as alternative sources of income were not available. Such arrangements had enabled China to extract massive quantities of timber, gold, jade, and other resources from Kachin State. As Myanmar officials had reported in The Myanmar Times that the largest losses to the state came from timber, gems and minerals exports. According to a recent media report, Myanmar is emerging as a key source of rare earth minerals for domestic use as well as exports by China to the developed world. Illegal earth mining has surged in Myanmar's Kachin state since last year's coup in areas along the border with China controlled by a militia backed by the Myanmar military. Myanmar is China's largest source of rare earth minerals, accounting for more than half of its supplies. Exports of rare earth minerals, which are used in smartphones, electric cars and other high-tech products, have steadily increased. Myanmar exported more than 140,000 tonnes of rare earth deposits, worth more than \$1 billion, between May 2017 and October 2021, said an official Chinese statement.

China's influence on some of the powerful rebel groups like the United Wa State Army, head of the Northern Alliance, cannot be overlooked. China may pressure EAOs to stop supporting pro-democracy forces and recognize the junta. But this will prove problematic. First, this turns a blind eye to the key driver of the current crisis — decades of military oppression and attacks on the population, the most recent iteration of which has displaced more than 600,000 people since February 2021. Second, EAO constituencies have unequivocally rejected military rule, and turning to support the military will ultimately undermine their legitimacy. In the end, China is likely to find that increased support for the junta will simply amplify anti-China sentiment, putting its hundreds of billions of dollars of strategic investment at greater risk. By propping up an illegitimate regime, China further sets the stage for protracted conflict.

One can identify three major factors comprising China's dealings with the ethnic armed organisations or EAOs.

1. Strong armed tactics with the active help of the military government.
2. Outreach programmes with the overtures of a peaceful settlement
3. Use of Money Power in the form of donations

One of the key factors influencing China's strategy in its peacekeeping role is to prevent any western funded peace process in its borders. China wants to be the dominant outside partner in any new ceasefire arrangement keeping international monitors and NGOs, especially from the West

outside its south western border. China's strategic interests are coupled with new economic schemes aimed at securely tying Myanmar's economy to China's hinterland. China has defended its stance by arguing that it is playing the role of a responsible great power that the West has asked it to assume. China has also simultaneously used money power to engage the Rebel groups in peace talks. Peace is a necessity for the smooth and steady border trade. As the 2015 fighting in the Kokang region showed that declaration of martial law and subsequent closure of many vital border crossings led to a decrease of trade through Muse.

Early reticence notwithstanding, the junta in contemporary times has been eager to court Beijing's favours. But though the junta is eager to break ground on the several infrastructure projects, it is equally important to recognize the challenges inherent to any form of large-scale infrastructure development in Myanmar given the intensity of the civil war. While the military faces a complex web of armed ethnic groups in most of the zones of economic cooperation, rival EAOs in many of these regions, especially, the northern and southern parts of Shan are also battling for control and influence, particularly over key logistics corridors. Though China's conditionality for cooperation is said to have overt minimal conditions as compared to the West, prioritizing its One China political agenda and active support for the BRI on the economic front, it will be interesting to note the strategy China adopts in dealing with the EAOs while maintaining the power balance with the government in Myanmar.

