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“Chinese Assistance Centers” Grow United Front Work Department Global Presence

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A network of thirteen “Chinese Community and Police Cooperation Centres” (hereafter: “police cooperation centers”) established by PRC expatriates in South Africa recently became the subject of a minor controversy in that nation. Photos of the opening ceremony for the thirteenth center in Port Elizabeth, the largest city in South Africa’s Eastern Cape province, were heavily criticized by some South African social media users. Comments accused the country’s leadership of allowing the PRC to establish police stations on South African soil, and of having “sold our country to the highest bidder [sic]” ([Facebook](#), October 30). These commenters are mistaken, in that the centers are not police stations. But they are less mistaken, in the sense that the centers appear to have a more complicated relationship with the PRC government than they generally acknowledge publicly.

Both the PRC embassy and the centers are open about embassy support for the centers, in the form of money and personnel. Both parties emphasize that the centers exist for the legitimate reason of protecting the lives and property of individuals of Chinese descent in South Africa by facilitating a more productive relationship with South African police. But in their English statements, neither party mentions that the center’s top leader also runs an important United Front Work Department body, one with expressly political aims, and in which capacity he has repeatedly expressed strong public support for CCP General Secretary Xi Jinping’s political agenda. Nor do they address the fact that the police centers are part of a global network of “Overseas Chinese Service Centers” (华助中心) sponsored by the United Front Work Department, with chapters in countries around the world, including the United States and Canada. In South

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Africa, the United States, and Canada, the centers' leaders meet with UFWD-tied officials, host events where speakers repeat CCP political slogans, and socialize with prominent politicians from their host countries.

Origins, Purpose, and Connections of the Police Cooperation Centers

According to the organization's website, the police cooperation centers were founded in 2004 to protect the safety and property of PRC expatriates in South Africa, by facilitating more effective cooperation with local police through services such as translation and language training. The need for such a service is apparent, since South Africa has genuine public safety issues, many PRC expatriates do not speak English well, and PRC workers and storekeepers are frequent targets of violent crime ([China Daily](#), March 25 2013). The centers have for many years received financial and other support from the PRC embassy in South Africa, a fact which neither party has sought to conceal ([CPPCC homepage](#)). In a statement meant to address the social media controversy, the Chinese embassy accurately described the police cooperation centers as "strictly non-profit Chinese associations" with "none law enforcement authority [sic]", that are meant to "participate in the community policing mechanisms led by the South African police, and to cooperate closely with the South African police in preventing and combating criminals [sic] against Chinese community in SA" ([PRC Consulate in Cape Town](#), November 28).

South African government officials have frequently expressed support for the centers. For example, the opening of the Port Elizabeth center featured an address by Lieutenant General Liziwe Ntshinga—the Eastern Cape provincial police commissioner. She lauded the center's work, saying "with the strengthened and deepened relationship between South Africa and China, the South African Police Service has benefited by finding its role in order to further the existing relationship within the police and the Chinese community" ([This Is Africa](#), November 2). But while the centers appear to do work that is welcomed by both South Africans and South Africa's PRC expatriate community, it is unclear whether all supporters of the centers' efforts are aware of the full nature and extent of the centers' ties with the PRC government.

Earlier this year, the chairmanship of the police cooperation centers was passed from Wu Shaokang (吴少康) to Li Xinzhu (李新铸) ([Zhongguo Qiaowang](#), March 24). Both men have established successful business careers in South Africa—among other pursuits, Wu Shaokang helped found the Africa Times (非洲时报), an important local Chinese-language paper—and have acted as the public face of the organization in events and interviews with English-language media. However, no English-language reporting on the police cooperation centers has noted the fact that Wu and Li are also leaders of the Africa chapter of the China Council for the Promotion of the Peaceful Reunification of China (中国和平统一促进会), an important United Front body. Wu Shaokang has served as the Africa chapter's honorary chairman, while Li Xinzhu has been its chairman since 2002 ([Zhongguo Cutonghui](#), August 23 2011; [Zhongguo Cutonghui](#), October 22 2015). Li Xinzhu is also a member in long standing of the organization's global standing committee ([Zhongguo Cutonghui](#), November 11).

The Council for the Promotion of the Peaceful Reunification of China (hereafter: "peaceful reunification councils") was established in 1988 at the behest of former PRC paramount leader Deng Xiaoping. It has chapters in 87 countries, many with numerous sub-chapters ([CCPPR website](#)). Its stated purpose is to "raise high the flag of patriotism, and unite all Chinese compatriots around the world who support a unified China" ([CCPPR bylaws](#)). The organization is directly supervised by the CCP's United Front Department under the direction of Wang Yang, the CCP Politburo Standing Committee's fourth-ranking member ([CCPPR website](#); [China Brief](#), February 13).

In statements to English-speaking interlocutors, peaceful reunification council members typically describe their organization in terms similar to the PRC embassy in South Africa's description of the police centers: "private organizations, sharing commonalities with non-governmental organizations (NGOs) created in other countries to pursue civic-oriented causes such as environmental activism, political mobilization, and humanitarian relief" ([China Brief](#),

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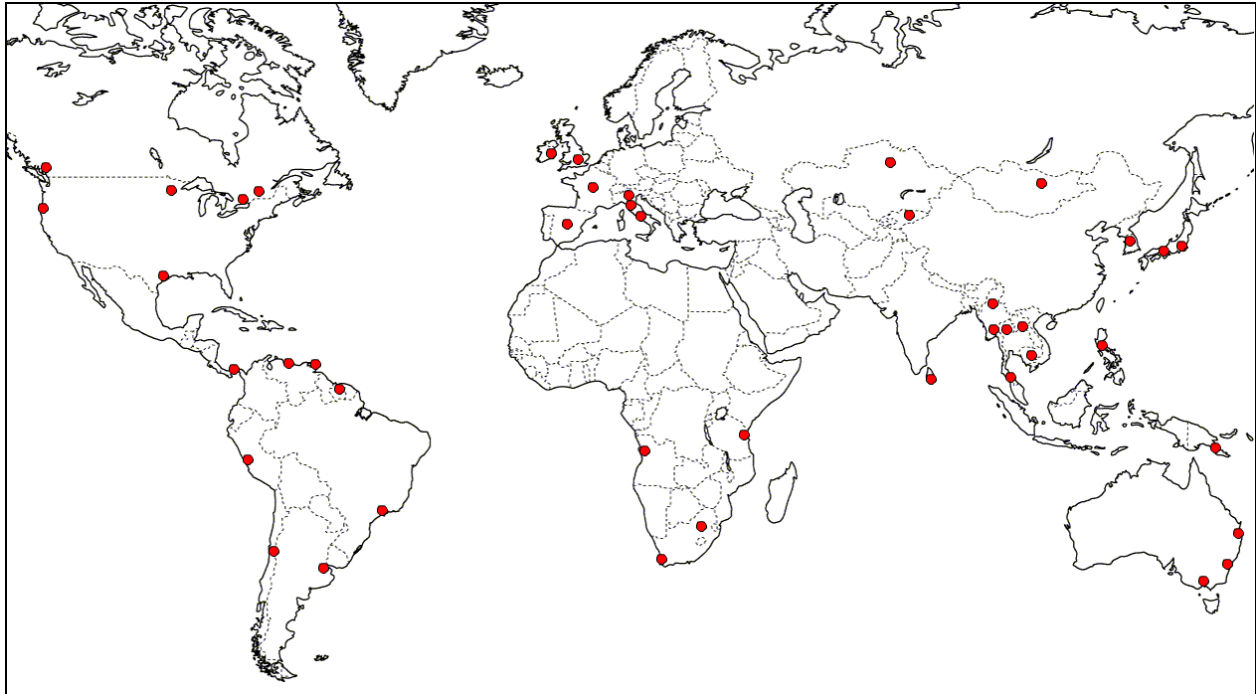
February 13 2017). However, peaceful reunification council officials in chapters around the world have engaged in political activities that appear to coincide with PRC interests. For example, media and government officials in Australia have identified wealthy members of peaceful reunification council members in that country as a major conduit for covert PRC influence ([Sydney Morning Herald](#), July 16 2017). Billionaire Chau Chak Wing, one of the individuals identified, has brought defamation suits against several of the journalists, former officials, and media outlets involved in reporting on his ties with the United Front Work Department and his political activities in Australia ([Stuff.nz](#), October 7 2017).

Speaking in Chinese in his capacity as a peaceful reunification council official—not as the head of the police cooperation centers—Li Xinzhu frequently echoes the language of CCP leaders, expressing support for the political agenda of CCP General Secretary Xi Jinping, and claiming to have encouraged the involvement of like-minded overseas Chinese in South African politics. In interviews with PRC state media, Li describes his “China Dream” as “the earliest possible rejuvenation of the Chinese nation.” In the same story, Li describes his efforts to oppose Taiwanese independence by supporting the punishment of an ethnically Chinese member of a local legislature seat who expressed inappropriate thoughts on the “Taiwan question” ([People’s Daily Overseas Edition](#), March 3 2013) [1]. More recently he spoke of the “South African government’s supportive, encouraging attitude for political participation by Chinese people”, and said that “the past few years . . . more and more Chinese people have become extremely interested in local government” ([Ta Kung Pao](#), August 30). This description of his political activities came less than a year after he helped organize and lead an anti-Japanese protest in Johannesburg ([Zhongguo Cutonghui](#), September 18 2012).

On another occasion, at a recent forum in Beijing held by the All-Chinese Federation of Returned Overseas Chinese—another important United Front Body—Li Xinzhu spoke effusively of the Belt and Road Initiative, Xi Jinping’s signature foreign policy initiative, saying, “Everything the motherland does benefits our brothers in Africa! Over the course of our long relationship, they’ve taken to heart our sincere help. They absolutely support the Belt and Road!” ([People’s Daily](#), August 30) [2]. This was just one of a number of occasions Li has spoken out on behalf of Belt and Road. He may be well positioned to benefit from an expansion of Belt and Road projects in South Africa: A PRC reporter interviewing him in 2013 wrote that his home was a 2,000 square-meter villa in a gated community, where he spoke of his business interests in malls and mining, and his success in winning South African government construction tenders ([Newssc.org](#), September 19 2013).

The CCPCC and Overseas Chinese Service Centers

The police community centers also share another link with the CCP. As explained in Chinese on their website homepage, they are part of a global network of “Overseas Chinese Service Centers” (OCSC) established in 2014 by the PRC State Council Overseas Chinese Affairs Office ([CPPCC homepage](#)). (The Overseas Chinese Affairs office was merged into the CCP’s United Front Work Department earlier this year.) In 2014, Qiu Yuanping (裘援平), the then-head of the Overseas Chinese Affairs Office, announced plans to establish such centers in 60 countries around the world ([Center for China and Globalization](#), March 19 2014). To date, the OCSC website lists 45 centers in 39 different countries ([China Qiaowang](#); see Figure 1).



A map of OCSCs globally (New Zealand excluded). Source: <http://channel.chinaqw.com/cns/c/hzzx-zxji.shtml>

A full review of the entire range of OCSC activities is beyond the scope of this article. Closer examination of several of the OCSCs does, however, show that some share traits in common with the police centers of South Africa. They appear to be, in most cases, pre-existing organizations that were later given an OCSC designation by the State Council. They describe themselves in their English language materials as not-for-profit community services organizations, meant to help newly arrived ethnically Chinese immigrants to integrate into their new societies ([OCSCA Toronto](#)).

However, some of the OCSCs seem to share some of the same issues as the South African police community centers. The Chinese-language self-descriptions of the OCSCs in Houston and Toronto are both straightforward about their connection with the State Council and the PRC government. But their English-language self-descriptions do not mention the OCSC program or their State Council ties ([Houston Chinese Civic Center](#); [Hua Zhu Overseas Chinese Service Center](#)).

Aside from helping new arrivals integrate, top officials from both the Houston and Toronto centers—as well as the police cooperation centers in South Africa—have met with Qiu Yuanping, the head of the State Council Overseas Chinese Office who initiated the OCSC program in 2014 ([Chinese Civic Center](#); [Hua Zhu](#); [China News](#), December 10 2015). The United Front's cultivation of these organizations appears to have paid dividends, if judged by their leaders' willingness to associate themselves with CCP political slogans. The Toronto center issued a Chinese New Year's greeting this year on behalf of PRC Toronto consul general He Wei that listed the CCP's 19th Party Congress as one of the PRC's greatest accomplishments of the past year, and echoed Xi Jinping's declaration that "socialism with Chinese characteristics has entered a new era" ([Hua Zhu](#), February 9). Last year, the center also hosted a welcome banquet for the consul general, where Xingyong Lin, the president of the Confederation of Toronto Chinese Canadian Organizations, said "a powerful motherland is the source of incomparable pride and gratitude for the great masses of overseas Chinese. [We will] give Consul He our strongest support and cooperation to realize the Chinese dream of the great rejuvenation of the Chinese people."

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Meanwhile, each year on October 1st, the PRC's founding date, the Houston center organizes a banquet commemorating the holiday, which frequently hosts and honors prominent politicians from Houston and around Texas. Past guests of honor at the banquet have included former president George H.W. Bush and former House Majority Leader Tom DeLay ([Chinese Civic Center](#); [Chinese Civic Center](#)). At the 2016 banquet, Peng Mei, the current vice-chair of the center's board of directors, commemorated the occasion by saying, "67 years ago today, a New China was founded. Through many difficulties ... it has comprehensively developed its economy and technology, moving step by step towards the great rejuvenation of the Chinese people, realizing the new era of the 'Chinese dream'" ([Chinese Civic Center](#), October 2 2016). At the 2014 banquet, then-Houston PRC consul general Li Qiangmin reviewed for the assembled dignitaries the accomplishments of sixty-five years of the People's Republic, summing them up by saying "We have the confidence to continue along the path of socialism with Chinese characteristics, moving towards the two goals of our struggle [and] the 'two centenary goals' [3]. In the end we will realize the Chinese dream of the great rejuvenation of the Chinese people." ([Chinese Civic Center](#), September 27 2014).

Conclusion

None of the above constitutes proof of unacceptable political interference or influence on the part of anyone associated with the Overseas Chinese Service Centers or the police cooperation centers of South Africa. These organizations appear to have arisen to meet the legitimate needs of a community—overseas Chinese—that is often underserved or overlooked by local authorities, regardless of the country where they live. And democratic countries everywhere should welcome and encourage the participation of new citizens in their local politics.

However, as the case of Australia has shown, the CCP can and does seek to use overseas Chinese communities—and ambitious individuals within those communities—as mouthpieces and advocates for its preferred policies, particularly where those countries' policy towards the PRC is concerned. As the PRC's wealth and power grow, so too do the inducements it can offer to overseas Chinese who seek to remain connected to the "motherland". In this vein, the activities of the above organizations and their leaders appear to reflect political concerns above and beyond the scope of the non-governmental, non-profit missions they espouse, and may bear closer scrutiny in the future.

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Notes

[1] Li Xinzhu's predecessor Wu Shaokang has also spoken publicly about his "China Dream", which has included organizing efforts by ethnically Chinese individuals throughout Africa to oppose Taiwanese independence ([Nanfei8](#), December 9, 2014).

[2] The forum in question was extremely high profile. Its opening ceremony was attended by the entire Politburo Standing Committee, including PRC paramount leader Xi Jinping ([PRC Government](#), August 29).

[3] The 'two centenary goals' are Xi Jinping's two overarching policy goals, first articulated after he took office in 2012. They are that by 2021, the hundredth anniversary of the founding of the CCP, the PRC will have "built a moderately prosperous society in all respects", and that by 2049—the hundredth anniversary of the founding of the PRC—the country will have become "a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious" ([Xinhua](#), October 17 2017).

Who are Xi Jinping's Enemies?

By Willy Lam

Something unexpected took place during a recent four-day “southern tour” by CCP General Secretary Xi Jinping in Guangdong Province, the province where Deng Xiaoping, the chief architect of reform, launched his drive to “reform and open up” (改革开放) in 1978. As Party and government departments in Beijing prepare to celebrate the 40th anniversary of reform and opening up, Xi’s late October trip was widely thought to be an acknowledgement of his debts to Deng’s pro-market policies. Yet some observers were left stunned by Xi’s failure to utter the name “Deng Xiaoping” even once.

Xi noted that “experience has shown that the path of reform and the open door is correct, and that we must unswervingly uphold [the policy] and tirelessly persevere with it.” However, the paramount leader seemed to have drawn a distinction between “reform and the open door policy in the new era” and Deng’s original “reform and open door policy.” For example, Xi used the phrase *ziligengsheng* (自力更生) or “self-reliance” twice, saying that autarky was “the point of departure of the struggles of the Chinese people.” *Ziligengsheng* was one of Mao Zedong’s favorite aphorisms, and the antithesis of Deng’s policy of opening China’s door to foreign investment ([People’s Daily](#), October 26; [Xinhua](#), October 25).

While Xi’s status as “core of the party,” the highest commander, and “pathfinder for the people” does not seem to have been seriously challenged by the multi-pronged attacks launched by US President Donald Trump, there is little doubt that his enemies in the party and government have multiplied. So who are Xi’s political foes? Foremost among them are cadres and even ordinary folks who are the beneficiaries of Deng’s visionary policy, represented by Xi’s fellow princelings who are the offspring of party elders closely tied to Deng Xiaoping’s reforms.

Take, for instance, the children of Deng Xiaoping, who have closely guarded their father’s legacy of reform. They fear that Deng’s position at the peak of the CCP pantheon, second only to Mao, could be jeopardized by Xi’s move to dismantle the liberal patriarch’s key policy planks. At a recent meeting of the China’s Disabled Persons’ Federation, Deng’s eldest son Deng Pufang gave strong hints that there were cadres who wanted to go back to the *ancient regime*. “Only if we insist upon reform and open door can we continue to survive and continue to develop,” he said. “The pace of the progress of history won’t stop.” Deng went on to admonish CCP members to “clench our teeth and never regress so that [the reform policy] will not be shaken in a hundred years” ([Dwnews.com](#), October 23; [Chinaelections.net](#), October 11).

Similarly, Hu Deping and Hu Dehua, the two sons of late party general secretary Hu Yaobang—a liberal icon within the Party—seem frustrated by President Xi’s anti-reform proclivities. In the run-up to Xi’s ascent to power in late 2012, Hu Deping briefed Xi on the importance of intra-party reforms and policies that favored the market economy. When ignored Hu’s suggestions, the latter felt duty-bound to defend the interests of private enterprises. A former party secretary of the All-China Federation of Industry and Commerce, Hu warned against the tendency of *gongsihaying* (公私合营), or “co-management by state-owned enterprises [SOEs] and private firms.” *Gongsihaying*, which in most cases means SOEs taking over private companies, “has re-appeared under a new format so as to squeeze private enterprises,” he said. “If this were to become a trend, and nobody offers critical views, the end result will be terrible” ([Radio Free Asia](#), September 28; [Hong Kong Economic Journal](#), September 28). Taking the cue from Hu, the nation’s private entrepreneurs have expressed dissatisfaction with more powerful state-owned enterprises, which enjoy Xi’s patronage ([Asia Times](#), October 9).

It is perhaps with the goal of pacifying major party clans who still favor Deng-style reform that Xi convened a grandiose late-November meeting in Beijing to commemorate the 120th birthday of the late state president Liu Shaoqi ([RFA](#), November 26, 2018). While Liu perished in 1968 due to Mao Zedong’s persecution, he and Deng were close

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comrades-in-arms in pushing forward market-oriented liberalization. In Xi's eulogy of close to 7,000 characters, the Liu-Deng connection was not mentioned. Nor did Xi highlight Liu's struggles with Mao regarding whether the CCP should introduce a fully state-dominated economy in the 1950s and early 1960s. Xi instead dwelled mainly on Liu's moral qualities as a Communist Party member, including his view that all party members should unquestioningly follow instructions from the *zhongyang* (中央) or top party leadership ([Wenweipo.com \[Hong Kong\]](#), November 24; [People's Daily](#), November 23). It is instructive to compare Xi's address with that of ex-president Hu Jintao at the celebration of Liu's 110th birthday in 2008. In his speech, Hu noted that the "major contradiction" in society is not ideological conflict but "people's demand for the speedy development of the economy and culture." Hu cited Liu as urging that the state must "fully make use of the free market and to use the law of prices to regulate production" ([People's Daily](#), November 12, 2008). It is therefore doubtful whether Xi's celebration of Liu's contributions could win him the support of Deng's followers.

Xi is also facing opposition from regional administrators who fear the trade war's potential to exacerbate unemployment. Serious employment problems could translate into street protests, which would adversely affect local-level cadres' chances for promotion. Some analysts believe that Xi's unpopularity among regional officials could be one reason why he has decided not to convene the Fourth Plenum of the Central Committee this year ([Apple Daily](#), November 5). A November plenum to discuss the Sino-US trade war has been widely anticipated, but a good proportion of the Central Committee's 204 full members and 176 alternate members are senior cadres from the provinces and cities ([Hong Kong Economic Times](#), October 22; [HK01.com](#), October 16).

And while in the run-up to the 19th Party Congress, Xi devoted his attention to securing slots for his protégés and allies in the more exclusive Politburo and its Standing Committee, the Central Committee still contains a number of members of the Communist Youth League Faction founded by ex-party secretary Hu Jintao ([BBC Chinese](#), October 15, 2017). If a plenum were called, Xi could face questions from Committee members about his ability to fight the new Cold War now brewing between China and the US. It is also significant that several sycophantic regional leaders who owed their promotion to Xi—for example, the party secretaries of Tianjin, Beijing and Shanghai (Li Hongzhong, Cai Qi and Li Qiang, respectively)—have been strangely reticent to heap praise on Xi's recent handling of domestic and foreign policy. In fact, Li Hongzhong has virtually disappeared from official media since the National People's Congress last March, while Li Qiang has not appeared in national party media since last July ([Xinhua](#), July 22; [Xinhua](#), March 15).

As a student of Mao, Xi is fully conversant with one of the Great Helmsman's most cited dictums: "Power grows out of the barrel of a gun." Xi, who is also Chairman of the Central Military Commission (CMC), has shaken up the PLA's command-and-control apparatus through a thoroughgoing restructuring from December 2015 to January 2016. The commander-in-chief also took advantage of the shake-up to install his own protégés in key positions at the headquarters level, while masterminding extensive purges amongst the followers of two former CMC vice-chairmen, Generals Guo Boxiong and Xu Caihou ([Xilu.com \[Beijing\]](#), August 15). Since last year, the Xi has also tried to sideline associates of two important Hu Jintao appointees, former Chief of the General Staff General Fang Fenghui and Chief Political Commissar General Zhang Yang ([Liberty Times \[Taipei\]](#), October 16). Given the traditional cliquishness among the PLA, he has managed to offend four camarillas in the military forces. It also doesn't help that the bulk of the officers who have received quick promotions under Xi used to serve in the former Nanjing Military Region (NMR), which covered Fujian and Zhejiang, where Xi worked from 1985 to 2007. For example, the current Head of the Political Work Department General Miao Hua, Commander of the Land Forces General Han Weiguo, and the commander and commissar of the People's Armed Police, respectively General Wang Ning and General Zhu Shengling, are all alumni of the former 31st Group Army, which was a NMR unit based in Xiamen, Fujian ([Ming Pao \[Hong Kong\]](#), October 22; [Radio French International Chinese Service](#), October 14, 2017). It is possible that Xi's ruthless purges of powerful cliques in the military, coupled with the favoritism which he has treated former offices from the NMR, could arouse resentment among PLA officers.

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Some of the nation's most prominent intellectuals are also chafing under Xi's ironclad control over their freedom of expression. In July, several bold scholars, including Xu Zhangrun of Tsinghua University, veteran international relations expert Zi Zhongyun and financial commentator He Jiangbing put their careers on the line by laying into the current administration's "comprehensive resuscitation of totalitarian politics" and its tendency to "embrace savagery and forsake civilization" ([China Brief](#), August 1; [Theinitium.org](#), July 24; [Chinesepen.org](#), July 20). Since then, intellectuals' criticism of Xi seems to have been muted, possibly due to pointed warnings from the Xi administration against offending men of letters. In August, the party's Organization Department and Propaganda Department took the rare step of issuing a joint notice entitled "Circular on starting a campaign on propagating 'the spirit of patriotic struggles and seeking accomplishments in the new era' among the broad masses of intellectuals" (关于在广大知识分子中深入开展“弘扬爱国奋斗精神、建功立业新时代”活动的通知”; [Xinhua](#), August 11), a clear shot across the bow of ill-disposed members of the educated classes.

Xi's popularity among China's burgeoning middle class—estimated to be around 400 million people—could also be put at risk by a rising tide of economic warning signs, including declining government investment, feeble consumer spending, and mounting debt among local governments ([Cn.reuters.com](#), October 19; [Marketwatch.com](#), October 18). While the Xi administration is eager to promote consumption as a new pillar of growth, the middle class's spending power has been curtailed by high mortgage payments, with ordinary people's ability to consume financed increasingly by debt. As a result, China's ratio of household debt to GDP hit an all-time high of 49.1 per cent in 2017, marking an increase of close to 20 per cent over the past five years ([Financial Review](#), October 19; [South China Morning Post](#), October 15; [Financial Times](#), September 27). If Beijing fails to buy time to put its economic house in order by negotiating a relatively favorable deal with the US, Xi may very well see his support erode among this, perhaps the most powerful sector of the populace. And despite his desire to serve more than the usual ten years for a CCP Party Secretary, his detractors and enemies could coalesce and deny him his much-desired "long reign and perennial stability."

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Beyond "Debt-Trap Diplomacy": The Dissemination of PRC State Capitalism

By Hong Zhang

The narrative of PRC "debt-trap diplomacy" has gained increasing traction in some parts of the international media and US foreign policy-making communities. While useful in highlighting the adverse consequences of PRC-financed projects in developing countries, this narrative simultaneously overlooks the agency of the borrowing states and the sophistication of PRC corporate actors in implementing the economic strategy of the PRC party-state.

Close examination of the case of Sri Lanka, the most widely cited example in discussion of "debt-trap diplomacy," suggests that the "debt-trap" narrative does not capture the nature of the sweeping change underway. By fixating on the debtor-creditor relationship, the "debt-trap diplomacy" narrative misses the bigger picture -- namely, the penetration of the global economy by PRC "national champion" state-owned enterprises (SOEs), which will serve to entrench and legitimize the PRC development model.

The availability of PRC loans is merely one component in the package of state capitalism, which includes technically competent PRC SOEs that can deliver upon promises in a timely manner (ahead of an election, for example) and

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secure funding from the PRC when no alternative funding is available; as well as a business plan to bring in additional PRC investors, backed by a PRC party-state with enormous power to mobilize investment. This, rather than debts, will have the most profound implications for PRC relations with its supposed “debt-trap” counterparts, as the importance of loans to the PRC’s overall strategy will likely shrink moving forward. The PRC SOEs’ engagement in Sri Lanka, currently underway, provides an excellent case study through which to understand this process.

PRC SOEs’ Long Game

Their access to deep, patient pools of state-backed capital gives PRC central SOEs the ability to build ties with other countries over long time periods, and through projects that other actors might find unprofitable. This sustained engagement allows them to shape the perceptions and incentives of local decision makers in powerful ways that go beyond mere “debt traps”.

China Harbor Engineering Company (中国港湾), the company contracted to build the Hambantota port in 2007, first entered Sri Lanka in 1998 to deliver a foreign aid project provided by the Chinese government. As in many other developing countries, the aid project opened the door for the Chinese company to enter the local market. Despite the ongoing civil war, China Harbor took the long view, building unprofitable roads to build rapport with decision makers. One of the roads, known as A5, is now on Sri Lanka’s 1,000-rupee bill. When a tsunami hit Sri Lanka in 2004, China Harbor volunteered to help rebuild three fishing ports, and invited then-prime minister Mahinda Rajapaksa to cut the ribbon for each of them ([Asia Pacific Daily](#), November 24, 2014; [21st Business Herald](#), September 18, 2015).

After Rajapaksa became president in 2005, he spared no time in pursuing his dream project—turning Hambantota, his home district, into an international shipping hub. After two feasibility studies conducted by Canadian and Danish consultants failed to launch the project, Rajapaksa approached China Harbor, which gladly agreed to move forward. An MOU was signed in October 2006 ([SLPA](#), October 16, 2006; [SLPA](#), November 8, 2010). By contrast, the Indian companies that Rajapaksa had approached earlier declined to invest, unconvinced that a Hambantota port would be a viable business proposition ([The Island](#), May 13, 2014).

With China Harbor’s involvement, Rajapaksa was also able to secure Chinese government’s promise of funding when he visited China in 2007 ([People’s Daily](#), March 4, 2007). Construction commenced promptly in October 2007. When a Chinese Deputy Minister of Transportation visited Hambantota in 2009, he praised China Harbor’s “perseverance and tenacity” (坚忍不拔) in opening up the Lankan market and implementing China’s “Going Out” strategy ([CHEC](#), June 16, 2009) [1]. China Harbor’s “tenacity” was paid off with two contracts totaling \$1.3 billion for the Hambantota Port project, of which about \$1.1 billion was financed by China Exim Bank [2].

While China Harbor was building the Hambantota Port, the Chinese SOE that would take over the port in 2017, China Merchants Port Holdings Company (招商局港口), also made its first foray into Sri Lanka in 2009, as the country was emerging from civil war [3]. A China Merchants-led consortium won the tender to expand Colombo Port, the country’s main port, and invested over \$500 million to build the Colombo South Container Terminal (CSCT). It was not only Sri Lanka’s largest foreign investment at the time, but also a milestone for China Merchants, marking its very first greenfield investment in overseas ports. The company would go on to invest in dozens of ports in 18 foreign countries ([CMG](#)), backed by its parent company China Merchants Group (CMG), China’s largest SOE by assets ([CMG](#)).

China Merchants’s eventual takeover of Hambantota Port in 2017 was unsurprising, as the company had already been tracking the port’s development for a number of years. Senior CMG leadership visited Hambantota as early as 2011, escorted by the Sri Lankan Air Force ([CMG](#), November 23, 2011). China Merchants understood that once Hambantota Port was completed, it would directly compete with Colombo South Container Terminal in the cargo handling business—at the latter port, CMG enjoyed a 35-year concession. As part of China Merchants’ agreement with the Sri

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Lanka Port Authority (SLPA) concerning the Colombo terminal, the SLPA guaranteed to withhold container handling from Hambantota before Colombo reached a target volume, which contributed to the idleness of Hambantota Port in the first years of its operation ([Daily FT](#), November 16, 2016).

Foreshadowing its final takeover of Hambantota Port in 2017, in 2014 China Merchants contemplated a \$391 million co-investment with China Harbor in Hambantota Phase II, which would give the two PRC companies 35 years of concession for four berths. The signing of the agreement was witnessed by the two countries' presidents, Rajapaksa and Xi Jinping ([CMPort](#), September 18, 2014). This agreement later became invalid due to failure to meet agreed conditions ([Daily News](#), January 28, 2017).

The election to the presidency of Maithripala Sirisena, who defeated Rajapaksa in the 2015, prompted greater scrutiny of the PRC mega-projects. The Sirisena government suspended a real estate complex tied to the Colombo Port in which China Harbor had invested \$1.4 billion, citing the company's failure to obtain relevant approvals. The Chinese government apparently intervened, with Xi Jinping calling for the Sri Lankan side to "protect the legal rights of Chinese enterprises" when meeting with Sirisena in 2015 ([Xinhuanet](#), March 26, 2015). A year later, the suspension was lifted. Having to handle this controversy, the Sri Lankan government was unlikely to have much leeway when it came time to negotiate with the PRC regarding a debt-equity swap for Hambantota Port, whose idleness—partially the result of CMG's agreement with the Sri Lankan Port Authority—had put the project deep into the red.

Sri Lanka finally reached an agreement with China Merchants in 2017, in which the latter was to inject \$1.12 billion (including paying off Sri Lanka's debt to the PRC) in exchange for a 99-year concession ([People's Daily](#), July 26, 2017). Despite all the criticism of Rajapaksa's Hambantota plan, the Sirisena administration had little choice but to continue to work with the PRC; the cost was already sunk, and no other parties were coming to the rescue. But, where the Sri Lankan government was concerned, perhaps even more important than the "push" of its debts to the PRC was the "pull" of the PRC's promise that it could help deliver Sri Lanka a more prosperous future, one based on the PRC's own experience of state-backed capitalism.

The Lure of State Capitalism

China Merchants' vision for Hambantota goes beyond shipping, embracing a "port-park-city" model similar to Shekou Port in Shenzhen, China Merchant's signature project to date. The project plans to pair the port with an industrial park for export processing, to "create" additional traffic to the port, rather than relying on the existing transshipment flows Hambantota had struggled to attract. This industrial development would then drive urbanization in the area. China Merchants appeared to successfully sell this story to Sri Lanka's then-Prime Minister Ranil Wickremesinghe, who was "impressed" when he visited Shenzhen in 2016 ([ChinaMerchants1872](#), August 16, 2016). The two sides are going ahead with the vision: the PRC and Sri Lanka jointly launched a 50-sqkm "Logistics and Industrial Zone" in Hambantota in 2017, which they claim will draw \$5 billion of Chinese investment over the next five years ([Embassy of the People's Republic of China in Sri Lanka](#), November 15, 2018).

The Wickremesinghe government's decision to hand over Hambantota to China Merchants represented more than the imperative to shed debt; it also represented Sri Lanka's buying into a vision of state-led capitalism. From the PRC's perspective, the situation is very much a "win-win": having enabled Hambantota Port's loss-making, it could now offer a solution, one which Sri Lanka's lack of better options left it little choice but to accept.

Establishing Hambantota's place in the global maritime economy will require an enormous infrastructure and industrialization push, one which Sri Lanka alone will not have the capacity to carry out any time soon. The PRC party-state, on the other hand, has the necessary capacity. It can mobilize SOEs to invest in Sri Lanka, direct manufacturers to set up factories in Hambantota's export processing zone, and integrate Hambantota into the networks

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of ports, shipping lines, and railways under the control of its SOEs. Countries like Sri Lanka might find it difficult to resist such a ready-made economic development strategy, particularly one that can quickly deliver the kind of gains that elected politicians like tout to their constituencies: In 2016 and 2017, for example, the China Merchants-managed Colombo International Container Terminals (CICT) saw 28% and 18.5% increases in volumes of containers handled, thanks to the transshipment attracted by China Merchants' global network ([World Maritime News](#), January 17; [JOC](#), January 3, 2017; [SLPA](#)). Port of Colombo was ranked the fastest growing port in the world in the first half of 2018 ([SLPA](#), September 10).

At the center of the state capitalism package is the Chinese SOEs. Less than two decades since the PRC embarked upon its “Going Out” strategy, the country’s state-owned enterprises have come of age as globally important players. China Merchants vowed in 2014 to attain “capabilities of global resource allocation and global management,” and to “occupy a privileged position in the global value chain.” ([China Financial Weekly](#), September 14). It has made good on that promise, buying stakes in a network of 53 ports across six continents, and building numerous industrial and logistic parks ([China Transport News](#), November 2). The “port-park-city” model is being promoted not just in Sri Lanka, but also in Djibouti—another country where PRC control of a port has raised eyebrows—as well as Belarus, Togo, and Tanzania ([Economic Observer](#), October 30).

This push to tie host countries into a global network of PRC-directed state capitalism may make loans a less important tool of PRC foreign policy. PRC SOEs are graduating from the old model of relying on China’s policy bank loans to win infrastructure contracts abroad, as the margin in the contracting sector is thinning. Instead, they are looking to move up the value chain and take on the role of developer and direct investor, in order to have greater influence in project initiation and design. As this evolution continues, the relationships between the PRC and countries like Sri Lanka may become less “creditor-debtor”, and more “originator-host”, opening up new questions of how the PRC will interact with the other countries in the context of protecting its overseas investments.

The “debt-trap diplomacy” narrative therefore fails to capture the critical, changing role played by China’s SOEs, the driving force of China’s global economic expansion. It also underestimates the appeal of China’s state capitalism for political elites in developing countries. The right response to these phenomena, therefore, should move beyond a simplistic understanding of “debt-trap,” and instead address the consequences of state capitalism as a top-down model of development. Policy responses need to go beyond providing alternative sources of infrastructure finance, as the US, Japan, and Australia formed a trilateral partnership to do ([OPIC](#), July 30), and look as well at ways to foster local capacity for enabling home-grown, bottom-up development solutions that promote local ownership.

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Notes

[1] China Harbor also allegedly funneled money into Rajapaksa’s campaign in the 2015 presidential election ([New York Times](#), June 25)

[2] The cost of Hambantota Phase I was \$508 million, up from \$361 million as in the original contract ([Daily News](#), January 28, 2017). Phase II cost \$808 million. China Exim Bank financed 85 percent of Hambantota Phase I and the entirety of Phase II ([21st Business Herald](#), September 18, 2015). Phase I was a commercial loan with 6.3-percent interest rate, 15 years in duration including a four-year grace period. Phase II was preferential loan with interest rate of 2 percent ([Xinhuanet](#), June 4, 2015; [China Focus](#), July 30).

[3] According to Fu Yuning, a former chairman of CMG, the company had originally sought to invest in India but then discovered Sri Lanka as a promising location to support international trade in South Asia. Initially hesitant to invest in Sri Lanka due to the civil war, CMG decided to go forward with the investment when Rajapaksa assured him that the war would end within three months ([CMG](#), April 2014).

The PRC Bets on Climate Diplomacy in the Caribbean

By Jared Ward

Climate change has become a central battleground in the PRC's bid to brand itself as a leading partner and spokesman for the developing world. Beijing has earmarked billions to fund initiatives aimed at reducing carbon, supporting green energy, and promoting climate change resilience across the globe in places like Sri Lanka, Ghana, and Egypt. The investments add substance to Xi Jinping's pledge at the 19th Chinese Communist Party (CCP) Congress in 2018 that China was "taking a driving seat in international cooperation to respond to climate change" and become "an important participant, contributor, and torchbearer in the global endeavor for an ecological civilization" ([Xinhua](#), November 11 2017).

The PRC's push for green diplomacy has spread along its Maritime Silk Road to its partners in the Caribbean, where the effects of climate change are not predictions but concrete realities — dying coral reefs, depleted fish populations, and intensifying tropical storms have hit the region hard. Small island developing states (SIDS) like Jamaica, Dominica, Barbuda & Antigua, and the Bahamas are considered the most vulnerable to climate change effects due to limited government fiscal flexibility, low income levels, and substantial industries and populations below sea-level.

The PRC has stepped up its efforts in the region, becoming an unlikely environmental advocate, using the issue to challenge American hegemony along its "Third Border." China has tailored its aid to meet the growing chorus of Caribbean leaders who are castigating international powers for inaction. Roosevelt Skeritt, the Prime Minister of hurricane ravaged Dominica, implored world leaders at the 2017 UN General Assembly that the time for inaction had passed, saying "Eden is broken," and that the region's future is gloomy ([Dominica News Online](#), September 23 2017). Is Beijing simply "delighted to support rebuilding paradise," as China's ambassador to Antigua & Barbuda recently said ([China Dialogue](#), April 16), or is China's green diplomacy something more?

Showing Up Where the US Doesn't

High level government meetings have become spaces for the PRC to show it takes seriously the concerns of Caribbean leaders. At this year's China-CELAC Forum, a space for PRC leaders to engage directly with leaders across Latin America and the Caribbean, Foreign Minister Wang Yi met with Foreign Ministers of Barbados, Guyana, Jamaica and Trinidad and pledged to help Caribbean nations meet the joint problems of climate change ([PRC Foreign Ministry](#), January 22). The PRC also agreed to open a China-LAC Joint Laboratory of Clean Energy and Climate Change, and China Joint Research Center of Agricultural Science and Technology aimed at promoting renewable energy technology, ecosystem management and better coordinate disaster relief responses ([Ministry of Foreign Affairs](#), April 2016). In September, 2017 Foreign Minister Wang similarly assured CARICOM leaders the importance China attaches to the region's "concerns and legitimate needs regarding climate change" and would push developed nations to meet their environmental commitments of the Paris Agreement ([Xinhua](#), August 23).

Regional Caribbean leaders have said they see PRC engagement as needed in the wake of US withdrawal from the region. Gaston Browne, the Prime Minister of Antigua & Barbuda, said that PRC aid filled a void left by Washington,

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“[The people in Washington] treat us with benign neglect. I guarantee the US did not give us \$100,000 after Irma.” ([reliefweb](#), June 28). Key organizations in the region that have depended heavily on US funding are facing down budget cuts. For example, the Caribbean Community Climate Change Centre, a leading regional organization for research on climate change, was promised \$25 million in the final year of the Obama administration. The first year's disbursement was made, but according to the organization, the Trump administration withdrew the funding for subsequent years. According to one representative of the organization, the change had been expected after the US pulled out of the Paris Agreement on June 1, 2017 ([Breaking Belize News](#), July 9).

Consistent with PRC aid elsewhere across the world, its green initiatives in the Caribbean take the form of funding, technical aid and complete projects, in both international and bilateral fora. In 2014, the PRC announced a \$3.1 billion donation to the UNDP to help fight climate change in the name of South-to-South cooperation. A South-to-South Cooperation Fund has been working on the ground with the UNDP and local organizations to find suitable projects ([UN Development Programme](#), November 15 2017) [1].

In Dominica, the PRC recently agreed to build a multi-million dollar hospital that would be “climate resilient with concrete roofs and storm proof windows,” after the island’s only major hospital was rendered non-operational during the worst of Irma ([St. Lucia News](#), October 19). In the Bahamas, the PRC signed an agreement in May 2018 to provide the small island with badly needed housing that is “resistant to climate change, improves energy efficiencies of building through solar energy, and decreases the greenhouse gas emissions” ([The Bahamas Weekly](#), May 15). In Barbuda & Antigua, the Antigua and Barbuda China-Aid Post Disaster-Roof Restoration Project rebuilt roofs and houses for those lost during Hurricane Maria. Even the PRC’s new embassies in the region, such as one recently opened in Trinidad, embrace green technologies to maximize efficiency ([Stabrock News](#), November 2). These projects—both completed and proposed—are consistent with the PRC’s emphasis on small manageable programs that can have an immediate positive effect.

Technical training is also a centerpiece. In Jamaica, the PRC recently agreed to train 140 young Jamaicans to install and repair solar panels, donated by the PRC in 2016, aimed to harness the island’s ample sunshine as a green approach to overcome expensive energy costs. A group of Jamaican scientists and media members were recently invited to a conference funded and hosted by Nanjing University, that included training seminars ([Panos Caribbean](#), May 12 2017). The PRC embassy in Kingston emphasized that the gestures flowed from a desire “to support its friends in coping with climate change, especially friends like Jamaica, who are very sensitive to climate change” ([The Gleaner](#), April 12). However, the PRC’s track record on climate change has given mixed signals on the sincerity of this commitment and whether it is ready, or able, to push global change.

Climate Diplomacy: A Drop in a Rising Ocean?

PRC climate change-centered aid in the Caribbean is pragmatic and takes into consideration the concerns of the host countries. As Caribbean leaders have spoke out more vociferously in favor of international action, the PRC has tried to project the image of a “responsible power” (负责人大国), a leader of the Third World that takes the concerns of small nations seriously. It also shows the ability for SIDS to have influence in otherwise asymmetrical relationships. Green energy and climate resilient housing may help SIDS withstand some of the most immediate dangers, but without further change, is only a band-aid without the global cooperation of the biggest carbon producers like the PRC and the US.

Domestically, Xi Jinping has declared a war on pollution, and from 2013-2016, the PRC consistently managed to cut its total coal consumption. However, in 2017, the number began to climb again, increasing by 3.5% ([Brookings](#), January 22). Some observers have accused Beijing of propping up companies hurt by a downturn in fossil fuel use at home by sending them abroad, exporting pollution along its BRI. The PRC continues to invest heavily in fossil fuel industries abroad, building 240 coal power plants across 25 nations by the end of 2016 ([Global Environmental Institute](#), May

2017). Similarly, although Beijing is the largest global investor in renewable energy in the world, it also consumes the most fossil fuels.

However, fossil fuels remain the cheapest form of electric generation, making it an attractive option for cash-strapped developing nations. A consistent principle of PRC foreign aid since the Mao Zedong-era (1949-1976) has been to build projects based on the host country's views of its concrete circumstances, including a willingness to base projects on local requests. But if the PRC hopes to head off what seems like an increasingly inevitable fate for its Caribbean partners, it will need to begin taking more seriously the impacts of its global carbon footprint.

Conclusion

Xi Jinping's latest words at a meeting of emerging economies and developing nations that the Paris Agreement is having difficulties due to the fact that, "some countries have become inward-looking" was a less than subtle jab at the US, who withdrew from the agreement on June 1, 2017. However, China's willingness to maintain the agreement from Paris is less a challenge to America's international leadership than a tacit recognition that the current system can be beneficial to its continued rise. It's more consistent with China's behavior as a superpower that acts selectively to promote its national interests— not a desire to remake the world in its image.

Washington's growing rigidity in denying the need for action on climate change— rhetorically and financially — threatens America's ability to wage influence and keep rival powers from strategic spaces so geographically near. The Caribbean continues to house key shipping and military installments for America, and a unique space as a buffer between America and hostile powers. China's green diplomacy is happening in concert with larger projects across the region — infrastructure in Panama, the Bahamas, and Jamaica that will continue to give Chinese companies a bigger stake in the economy of the Western Hemisphere. While Washington officials finger wag that China's money comes with strings attached, without viable alternatives that take seriously local concerns, China's influence will continue to grow.

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Notes

[1] In 2010 China signed an agreement with the UNDP to work together for "South-to-South Cooperation." ([UN Development Programme](#)). The South-South Cooperation Assistance Fund is implemented by the UNDP on the ground and the resident PRC ambassador is usually at all of the projects "ribbon-cutting," etc. ([UN Development Programme](#), January 26). But the funding comes from Chinese donation — China donated 3.1 billion USD in 2014 to the South-South Climate Change Fund through 2030.

The Belt and Road Initiative Still Afloat in South Asia

By Sudha Ramachandran

On November 23, three militants of the Balochistan Liberation Army attacked the PRC consulate in Karachi, the latest in a series of assaults by Baloch militants on PRC projects and personnel in Pakistan ([Global Times](#), November 24). Baloch opposition to the China-Pakistan Economic Corridor (CPEC) is a primary motivating factor for these attacks,

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with many Balochis alleging that CPEC, a flagship component of China's Belt and Road Initiative (BRI), exploits Baloch resources while only benefiting the Chinese and non-Baloch Pakistanis ([Express Tribune](#), December 17, 2015).

South Asian governments are becoming increasingly discontent with BRI projects. In August, Pakistan's new government expressed interest in reviewing the CPEC contracts that they perceive to be over-priced, unnecessary, or excessively in the favor of PRC companies ([Dawn](#), September 11). Similar sentiments have been expressed by the new Maldivian government, which is reviewing BRI contracts signed during the rule of former President Abdulla Yameen ([Economic Times](#), November 26). Such actions raise questions as to whether South Asian states might scale down or even cancel BRI projects.

A Game-Changer for Pakistan

When PRC President Xi Jinping unveiled plans for BRI in 2013, it evoked great interest in many South Asian countries. As former Ambassador in the Sri Lanka Ministry of Foreign Affairs Dr. John Gooneratne stated in an interview with the author, BRI "holds out the prospect of helping to bridge the significant infrastructure financing gap, increase connectivity, link local markets to regional and global value chains, and thereby increase trade and investment in the participating countries" [1]. Moreover, unlike Western governments and financial institutions, whose loans require developing countries to meet conditions for good governance, democracy and human rights, Beijing was willing to extend significant loans for infrastructure development without these conditions ([The Island](#), August 11, 2017). Attracted by the potential benefits of BRI, Pakistan, Bangladesh, Sri Lanka, the Maldives and Nepal joined the ambitious PRC-led initiative.

During Xi's visit to Islamabad in April 2015, the PRC and Pakistan signed agreements to establish CPEC. The deal was especially appealing to Pakistan, as its poor security situation made attracting foreign investment difficult. Beijing pledged funds to CPEC to the tune of \$46 billion—which was subsequently increased to \$62 billion—over a 15-year-period, dwarfing the \$7.5 billion in aid the United States had extended over a five-year period to Pakistan in 2009 ([Dawn](#), April 22, 2015).

CPEC envisioned linking the Gwadar port in Pakistan's Balochistan province with Kashgar in China's Xinjiang Province through a network of highways, railways, oil and gas pipelines, and fiber optic cables, with special economic zones and energy projects to be established along the way. The projects were expected to create jobs and business opportunities for locals, attract foreign investment, enhance energy production and boost the Pakistani economy ([Pakistan Observer](#), August 16, 2017). It was widely hailed in Pakistan as a 'game-changer' ([Daily Times](#), August 30, 2016).

Loans for Infrastructure in Bangladesh, Sri Lanka and Maldives

Much like CPEC, Bangladesh, Sri Lanka and Maldives also sought financial support for their respective infrastructure projects. In the case of Bangladesh, the PRC was willing to finance infrastructure projects that appealed to the priorities of the Bangladeshi government, thereby filling a void left by reluctant Western financiers. BNP Paribas and the Norwegian government's sovereign wealth fund, for instance, had refused to finance the Rampal coal-fired power plant at Khulna for environmental reasons ([Daily Star](#), June 26, 2015). The World Bank cancelled a \$1.2 billion credit for the Padma Multipurpose Bridge project, citing high-level corruption ([World Bank](#), June 29, 2012). In contrast, according to Humayun Kabir, former Ambassador and Secretary in Bangladesh's Ministry of Foreign Affairs, "China's focus on and assistance to infrastructure development in Bangladesh aligned well" with the latter's "needs and priorities." This attracted Bangladesh to join BRI in order to "benefit from its economic potential" [2].

Similarly, post-war Sri Lanka required significant funding for infrastructure building. However, as Dr. Gooneratne explains, Sri Lanka's "usual Western donors were reluctant to extend support," given the Mahinda Rajapaksa

government's "reluctance to carry out an examination into how the war was fought, and possible human rights violations" [3]. This was not the case with the PRC, which not only shielded the Rajapaksa regime from scrutiny at international human rights forums but also extended loans without conditions. Under BRI, the PRC provided loans and built a deep-sea port at Hambantota, an international airport at Mattala, and a 900-megawatt coal-fired power plant at Norocholai, the Colombo Port City project, among others.

As with Sri Lanka, former Maldives president Abdulla Yameen also turned to Beijing for financial support. Beijing's support of Yameen's authoritarian rule in the face of strong criticism from India and the West encouraged Yameen to embrace BRI. Prior to 2011, Sino-Maldivian relations were negligible; Beijing did not even have an embassy in Male. However, during Yameen's presidency, Maldives joined BRI and entered into a Free Trade Agreement that was overwhelmingly in Beijing's favor. Under BRI, the PRC extended loans and expertise to Maldives for several infrastructure projects, including the Sinamale Bridge linking Male to Hulhule Island, and a massive housing project on Hulhumale.

Counter-Balancing India

For landlocked Nepal, BRI was an opportunity to improve infrastructure and connectivity with world markets -- and more importantly, reduce its dependence on India. Nepal's need to become less dependent on India was underscored in 2015-16, when it was believed that India gave tacit consent to impose an economic blockade that paralyzed Nepal, causing enormous hardship to its people. This became one of the driving motivations for Nepal to reach out to the PRC and sign on to BRI in May 2017. Under BRI, the PRC is building energy and transport infrastructure; foremost among these is a railway line linking Kerung in the Tibet Autonomous Region with Kathmandu and the tourist towns of Pokhara and Lumbini in Nepal. This is expected to boost Nepal's trade and tourism industries ([The Wire](#), November 22).

The Outliers

Three South Asian countries—India, Bhutan and Afghanistan—are not participants in BRI. India's opposition to BRI stems primarily from the fact that CPEC runs through Gilgit-Baltistan—disputed territory that is under Pakistan's control, but to which India lays claim. India says that it cannot be involved in an initiative that violates India's sovereignty and territorial integrity ([Ministry of External Affairs, India](#), April 5). Additionally, India is concerned that BRI has dramatically expanded the PRC's presence in the region. It maintains that BRI has strategic motivations and that the PRC is driving South Asian countries into deep debt to increase its own leverage ([Indian Express](#), May 15, 2017). India has had limited success in persuading its neighbors to avoid involvement in BRI; only Bhutan and Afghanistan have maintained their distance from the initiative.

Geopolitical rivalries have kept Bhutan and Afghanistan out of BRI. Under pressure from India, Bhutan does not have official diplomatic or economic relations with the PRC and has yet to get involved with BRI. However, the PRC is assiduously wooing Bhutan, and businessmen and youth in Bhutan are increasingly supportive of establishing official ties with Beijing and joining BRI. Connectivity with global markets that BRI promises makes it an attractive initiative for remote and landlocked Bhutan ([China Brief](#), April 20, 2017).

Like Bhutan, land-locked Afghanistan could benefit from BRI's connectivity with distant markets. Indeed, Pakistan and the PRC are keen to include Afghanistan in CPEC, as this would contribute to the corridor's profitability. However, Kabul has repeatedly declared that as long as Pakistan denies it overland access to India, it will not allow Pakistan similar access to Central Asian countries. Although Afghanistan has signed a memorandum of understanding on BRI with China, it has yet to become a full participant in the initiative ([Outlook Afghanistan](#), August 16).

Increasing Caution about BRI Involvement

South Asian countries are becoming increasingly cautious about involvement in BRI and its implications for the region. Many governments are calling for renegotiation of BRI contracts. Sri Lanka's experience with debt has become the primary cautionary example in this regard. By 2015, Sri Lanka reportedly owed \$8 billion to the PRC. With the Hambantota Port failing to attract business and Colombo unable to repay its loans, Sri Lanka ended up handing over this port and 15,000 acres of land around it to the PRC on a 99-year lease. In addition to over-commitment of governments to BRI, a lack of transparency in the deals has deepened public skepticism of the benefits of involvement in BRI for South Asian countries. In the case of Sri Lanka, it was "the secretive manner" in which deals were negotiated that drew public ire. There were stories of "underhand money dealings" that "dampened the enthusiasm of the public" [4].

Even Pakistan, the PRC's closest ally and South Asia's biggest proponent of BRI, is pushing back on the initiative. In 2017, when the PRC introduced more restrictive conditions for funding of the \$14 billion Diamer-Bhasha dam, Pakistan pulled the project from CPEC's ambit as it felt that the conditions "were not doable" and against Pakistan's interests ([Express Tribune](#), November 15, 2017). More recently, Pakistan's new government announced that it is cutting down on loans from the PRC under CPEC and has reduced \$2 billion in loans for rail projects ([Dawn](#), October 2).

In contrast to other BRI participants, Bangladesh has been cautious from the start. "Always a conservative borrower," Bangladesh's "loans have remained within its capacity" to pay back. It has drawn lessons from Sri Lanka's experience and has been "more conscious about the risks that could emerge from over-commitment to BRI projects" [5]. Moreover, Dhaka is not overly dependent on the PRC for support as it has managed to attract investment from India, Japan and others. As demonstrated by the Payra port project, this has enabled Bangladesh to deal with the PRC from a position of relative strength. In 2016, Dhaka turned down China's offer to develop a deep-sea port at Sonadia in favor of Japan's proposal for a deep-sea port just 25 km away at Matarbari, which was considered to be more beneficial to Bangladesh ([China Brief](#), June 21, 2016).

Looking Ahead

Sri Lanka, Pakistan and Maldives may not be as overburdened by debt as they are today had they followed Bangladesh's example of cautious borrowing, selective involvement in projects, and rejection of economically or strategically unviable initiatives. Unfortunately, they accepted the PRC's vision as their own and embraced BRI without questioning whether it was in their own long-term interests.

The defeat of BRI-friendly South Asian leaders in elections has been widely described as setback for the PRC. Such interpretations gained momentum when their successors in Sri Lanka, Pakistan and the Maldives promised to review contracts with the PRC.

However, subsequent events indicate that while concern over debt burdens is rising in the region, the future of BRI projects in South Asia has not dimmed. In Sri Lanka, contracts on Hambantota Port and Colombo Port City that were renegotiated and signed by the pro-West Ranil Wickremesinghe government ended up being more favorable to the PRC than the contracts originally signed by the pro-PRC Rajapaksa ([The Citizen](#), November 25). In fact, the government went on to sign even more agreements for BRI projects. Pakistan's Prime Minister Imran Khan said he would request that Beijing realign CPEC's goals to his government's agenda, but PRC authorities reportedly brushed aside his proposals to re-negotiate CPEC deals ([IPP Review](#), November 29).

Burdened by crippling debt, BRI's South Asian member-states are too weak to re-negotiate or cancel project terms; there are high costs for withdrawing from these projects. In addition, although the governments of India and some

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Western nations are highly critical of BRI, they lack the deep pockets that the PRC has to fund these projects. Moreover, the PRC's BRI partners in South Asia are aware that economic development could suffer without the infrastructure improvements promised by BRI.

However, while South Asian countries are less optimistic about BRI than they were a few years ago and continue to raise concerns over the debt burden and contract terms, this cannot be interpreted yet as a major setback for the PRC's ambitions. So far, we have seen little concrete change come from pushback on BRI initiatives. In South Asia, at least, the PRC seems on course to realize its global ambitions through BRI.

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Notes

[1] Author's Interview, Dr John Gooneratne, former Ambassador in the Sri Lanka Ministry of Foreign Affairs, Colombo, November 29.

[2] Author's Interview, Humayun Kabir, former Ambassador and Secretary in Bangladesh's Ministry of Foreign Affairs. Dhaka, December 1.

[3] Gooneratne, n.1.

[4] Ibid.

[5] Kabir, n.2.