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**The State Response to a Mystery Viral Outbreak in Central China**

*By John Dotson*

**Introduction: The December Viral Outbreak in Wuhan**

In December, a mysterious outbreak of infectious disease emerged in the central Chinese city of Wuhan (Hubei Province). The epicenter of the outbreak was the Wuhan Huanan Seafood Market (武汉华南海鲜批发市场, *Wuhan Haixian Pifa Shichang*), which was closed by officials in Wuhan on January 1 pending further investigation of the origin of the disease (see accompanying images). As of January 11, public health officials in Wuhan stated that there were a total of 41 identified cases of infection, among which two persons had been discharged from treatment, seven were seriously ill, and one person had died; 739 other persons were

identified as having contact with those infected, and were to be subject to medical observation ([Wuhan Health Commission](#), January 11).

Chinese researchers have identified the pathogen as a previously-unknown strain of coronavirus. This a large family of viruses—including the common cold, Severe Acute Respiratory Syndrome (SARS), and Middle East Respiratory Syndrome (MERS)—that are zoonotic in origin (i.e., transferred via human-animal contact) and cause respiratory illnesses with widely varying levels of severity ([WHO](#), undated). The viral outbreak in Wuhan inspired inevitable comparisons to the SARS pandemic that originated in southern China and swept through the country (and spread to other countries) in two waves in 2002-2003 and 2003-2004. It also follows on the heels of other recent infectious zoonotic disease incidents in China, such as a minor outbreak of pneumonic and bubonic plague in Inner Mongolia in November 2019 ([AFP](#), November 28).

The Wuhan coronavirus outbreak affords an opportunity to observe and compare the government's handling of this latest public health crisis alongside those that have occurred in recent years. It also illustrates the continued contradictions faced by the Chinese Communist Party (CCP) in attempting to improve its capacity for governance, while also maintaining a monopoly over the public dissemination of information.



*Images: Public health workers inspect storefronts and spray disinfectant in the Huanan Seafood Market in Wuhan City (Hubei Province), the reported origin point for the outbreak of a previously unknown coronavirus (image dates undetermined, early January). (Image left: [Taiwan Television News](#) / Image right: [Zhihu.com](#))*

### **The CCP's Impulse to Cover Up Disease Outbreaks**

The People's Republic of China (PRC) has had a troubled history in dealing with outbreaks of infectious disease, particularly when such outbreaks occur during politically “sensitive” (敏感, *mingan*) periods. During the initial outbreak of SARS that occurred in southern China from roughly November 2002 – April 2003, authorities actively suppressed information about the crisis. Officials under then-Guangdong Party Secretary Zhang Dejiang (张德江) imposed a media ban on news coverage of the disease until nearly mid-February; and even then the number and severity of cases was under-reported, alongside false claims that the outbreak was under control. Such decisions were taken in part due to CCP leadership anxieties about

potential social unrest during the formal leadership ascension of Hu Jintao (which commenced at the November 2002 Sixteenth Party Congress, and continued through the March 2003 meeting of the National People's Congress). This information suppression facilitated spread of the SARS virus and hampered both domestic and international efforts to combat it, contributing to the ultimate deaths of 774 people in 29 different countries or regions by the end of 2003. [1] [2]

The tendency among local and regional CCP authorities to cover up disease outbreaks is linked to a more general trend to suppress negative news. Public officials are often incentivized to cover up news stories that might embarrass political superiors, damage the local economy, or potentially stimulate social unrest. Furthermore, the vague criminal charge of “spreading rumors” (散布谣言, *sanbu yaoyan*) is one regularly leveled at individuals for spreading stories, whether true or false, that displease CCP officials. In a directly related example, on January 1 the Wuhan Public Security Bureau announced that 8 persons engaged in “spreading rumors” online about the virus outbreak were being “investigated and prosecuted according to law” (依法查处, *yifa chachu*) ([Wuhan PSB](#), January 1). Under threat of such charges, common citizens who possess relevant information may choose to keep silent, rather than speak up and risk running afoul of the authorities.

### **The Government Response to the Virus in Wuhan**

In many fundamental respects, PRC authorities in 2020 have been far more forthcoming with information, and far more cooperative with international public health organizations, than was the case in the SARS outbreak of 2002-2003. After closing the Wuhan Huanan Seafood Market on January 1, the Wuhan Municipal Health Commission (武汉市卫生健康委员会, *Wuhan Shi Weisheng Jiankang Weiyuanhui*) followed up with press releases on January 3 and 5 that offered the public several items of salient information, to include a run-down of the number of persons affected, steps to be taken to prevent further infections, and an explanation for the closure of the market ([Wuhan Health Commission](#), January 3; [Wuhan Health Commission](#), January 5). This provides a stark contrast with the response of Guangdong officials in the winter of 2002-2003, who blacked out public coverage of the SARS pandemic for three months while the disease rapidly spread.

Chinese officials have also shared some of the results of their initial scientific investigations with counterparts abroad: for example, Chinese medical researchers have posted the genome of the virus, under the working name “nCoV-2019” (for “novel coronavirus 2019”) in GenBank, an international genetic sequence database maintained by the U.S. Institutes of Health ([CDC](#), January 13). PRC authorities have also cooperated with international health officials on the first reported case outside China: a traveler from Wuhan (later identified as an unnamed 61 year-old woman) who was hospitalized on January 8 in Thailand, with the case publicly reported on January 13 ([WHO](#), January 13).

However, the current case has also indicated possible signs of the old impulse to restrict information in the face of a public crisis. The first official public acknowledgement of a problem was a December 31 notice from the Wuhan Municipal Health Commission about an unidentified "pneumonia outbreak" (肺炎疫情, *feiyan yiqing*) associated with the Wuhan Huanan market area, with indications that authorities had the matter under investigation ([Wuhan Health Commission](#), December 31, 2019). In a subsequent announcement on January 5, the Wuhan Municipal Health Commission indicated that the first cases of infection were identified on December 12 ([Wuhan Health Commission](#), January 5).

Assuming this to be correct, nearly three weeks passed between the first confirmed case of infection and the first official notice made to the public. It is unclear exactly what local health officials in Wuhan understood during this time, and it is entirely possible that local officials did not realize they faced a potential epidemic until the end of the month, after initial examinations were made of the first reported cases of illness. It is also possible, however, that news of the outbreak was deliberately kept quiet through the second half of December while local officials decided on a policy response, or while they waited for direction from national-level authorities. If the latter were to be true, this may have given the virus additional time to spread to other areas: this includes an indeterminate number of possible cases in Hong Kong linked to recent travelers from Wuhan ([SCMP](#), January 9); and the first confirmed case in Japan, of a young man in Kanagawa Prefecture who returned home on January 6 after a trip to Wuhan ([Kyodo News](#), January 16).



*Image: A health security worker at the Hong Kong International Airport monitors an infra-red camera system to screen travelers for signs of fever, January 4, 2020. (Source: [Hong Kong Free Press](#))*

## **Conclusion**

When compared to the secretive and reactive posture exhibited during the SARS epidemic of 17 years ago, the response of PRC officials to the virus outbreak in Wuhan has revealed a significant improvement in response time and transparency. Chinese officials have clearly gleaned valuable lessons from that earlier

experience. However, there was still a significant lag time in the second half of December 2019 between the initial appearance of the virus and notification of the public. The reasons for this cannot be stated with certainty, but there was likely significant wrangling behind the scenes between local, provincial, and national-level officials regarding the proper policy response, and how much to reveal to the public. It is plausible, albeit speculative, that there was a period of policy paralysis in the last two weeks of December as officials at all levels debated the best public response to this unknown illness—one with significant implications for “social stability” in a major population center and important transportation hub.

The state response, when it did come, kicked into high gear right at the New Year: the December 31 notice by Wuhan public health officials of a disease outbreak; the January 1 market closure; the January 1 announcement of charges against persons accused of “spreading rumors” about the disease; and subsequent announcements by Wuhan public health officials through the first week of January. The timing may be coincidental, but this suggests that in late December a political decision was made to proceed with active efforts to combat spread of the virus, and to make more information available to the public—while keeping control over that flow of information tightly in government hands. On this latter point, not much has changed since 2003.

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**Notes**

[1] For discussion of the Chinese government’s suppression of information about SARS, see: Susan M. Puska, “SARS 2002-2003: A Case Study in Crisis Management,” in *Chinese National Security Decision-Making Under Stress* (Scobell and Wortzel, eds.), U.S. Army War College (Sep. 2005), pp. 85-100. <https://publications.armywarcollege.edu/pubs/1726.pdf>.

[2] For figures on cases of SARS-related illness and death, see: “Summary of Probable SARS Cases with Onset of Illness from 1 November 2002 to 31 July 2003” (data dated Dec. 31, 2003), World Health Organization. [https://www.who.int/csr/sars/country/table2004\\_04\\_21/en/](https://www.who.int/csr/sars/country/table2004_04_21/en/).

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**Beijing Piles More Pressure on Taiwan After a Historic Victory by Tsai Ing-Wen**

*By Willy Lam*

**Introduction**

How will Beijing react to Taiwan President Tsai Ing-wen's resounding re-election victory on January 11, when she garnered a historic 8 million votes, or 57.13 percent of the electorate? So far, Beijing's response to this triumph by the candidate of the theoretically pro-independence Democratic Progressive Party (DPP) has been relatively non-belligerent. The spokesman of the cabinet-level Taiwan Affairs Office said a few hours after the polls that Beijing would "insist on the basic objective of 'peaceful unification and one country, two systems'," even though he also indicated that Beijing would not tolerate "any form of 'Taiwan independence'." Another post-election commentary by the official Xinhua News Agency said that "the mainland firmly holds the initiative in bilateral relations." In an article in the usually hawkish *Global Times*, Editor-in-Chief Hu Xijin said Chinese society was "prepared for war with Taiwan independence," but that it was not yet ready for "immediate warfare" ([Xinhua](#), January 12; [Phoenix TV News](#), January 12; [Global Times](#), January 11; [South China Morning Post](#), January 11).



*Image: Taiwan President Tsai Ing-Wen (蔡英文) and Vice-President Chen Chien-jen (陳建仁) greet supporters at an election night victory celebration, January 11. (Source: Getty Images)*

Observers of Taiwan Strait dynamics have noted that Chinese Communist Party (CCP) General Secretary Xi Jinping, the highest-ranking decision-maker on Taiwan issues, was bitterly unhappy about the margin of Tsai's victory; and that the commander-in-chief will likely order a series of measures to boost "war preparation," squeeze Taiwan's diplomatic space, suppress Taiwan's economy, and nurture the so-called "fifth column" in Taiwan society ([Chinatimes.com](#), January 12; [HK01.com](#), January 11). The fifth column is a

reference to Taiwanese politicians and businesspeople who, while professing to defend their island against Communist aggression, are proposing more communication and even “pro-unification talks” with Beijing as a result of their dependence (financial or otherwise) on the CCP.

### **Potential Forms of Military and Political Coercion Against Taiwan**

The military strategy that the People’s Liberation Army (PLA) might use against Taiwan is relatively simple: the goal is to erect at least a temporary air force and naval blockade so that Taiwan will become isolated from the rest of the world. Coinciding with the election, naval forces of the PLA Eastern War Theatre engaged in a five-day war game involving two state-of-the-art Type 052D-class destroyers ([Apple Daily.com](#), January 13). According to the results of hundreds of computerized simulations of an island invasion, the PLA Navy (PLAN) will need to build at least a few aircraft carrier battle groups in the coming decade or so. Aircraft carriers—together with platforms such as nuclear submarines—are crucial to a successful blockade of the island ([Mil.sina.cn](#), July 29, 2019; [Radio French International Chinese Edition](#), July 29, 2019). There was a tense confrontation last Christmas in the waters off Hainan Island and Taiwan between the aircraft carrier *USS Abraham Lincoln* and the PLAN’s own carrier *Shandong* ([Ming Pao](#), January 2). Xi’s advisers seem confident that as the differentials in military strength between both sides narrow, the U.S. Pentagon will think twice about taking on increasingly sophisticated Chinese naval vessels.

A traditional beach-landing on the Taiwan coastline—which might result in thousands upon thousands of casualties, and lead to worldwide condemnation of the CCP—seems unlikely. More probable scenarios would include decapitation of the DPP leadership, followed by pro-Chinese appeasement tactics by a fifth column painstakingly nurtured by the CCP for years ([Apple Daily](#), January 13; [Tv.cntv.cn](#), January 8; [Mil.ifeng.com](#), April 3, 2019). According to one version of a computerized war game, the PLA will use its missile force to decapitate the entire upper echelon of the DPP. The result would be immediate chaos and widespread panic, as there would not be any legal leaders left. At this stage, representatives of the fifth column (who may include Taiwan businesspeople and politicians—some might say characters similar to the defeated Kuomintang presidential candidate Han Kuo-yu) will attempt to take over the political arena. They will try to reassure the public by claiming that Xi Jinping will not invade Taiwan and that the mainland will prop up Taiwan’s economy on condition that Taiwanese jettison the DPP and immediately begin “open and fair” reunification talks with the CCP. [1] This and similar tactics are behind the billion dollars’ worth of preferential economic policies that Beijing showered on Taiwan before the DPP’s Tsai came to power in 2016.

### **Taiwan’s Resilience and Will to Resist**

According to an old dictum of Chairman Mao, the people’s will is the determinant of any major battle. The question for Taiwan is, do Taiwanese have the will to withstand the threats and blandishments from Beijing? Is the fifth column nurtured by Beijing, which consists of powerful politicians (especially from the KMT) and parts of the business elite, already very strong on the island? According to Yan Jian-fa, Vice-President of the

Taiwan Foundation for Democracy, “Taiwan has already become the playground for the fifth column” ([Tw.appledaily.com](http://Tw.appledaily.com), February 19, 2019). For Tung Li-wen, a Professor of Public Security at the Central Police University, the fifth column has become a formidable actor in Taiwan politics. “Sometimes, one requires courage to expose and criticize the CCP,” he said. One example is that the CCP Propaganda Department already controls several influential newspapers and TV stations on the island ([ltn.com.tw](http://ltn.com.tw), January 18, 2019).

For many Taiwan academics and commentators, the massive support that various sectors of Taiwan have shown toward Hong Kong’s recent anti-CCP political campaign demonstrates that Taiwan people have an iron will to counter Beijing’s united front tactics. However, one must not forget the fact that among the tens of thousands of big and small Taiwanese investors in the mainland, their future depends on Beijing’s largesse. Late last month, Tsai passed an “Anti-Infiltration Law” (反滲透法, *fan shentou fa*) to stop Taiwan businesspeople, commentators and the media from openly praising the CCP and advocating “peaceful talks” with the Communists ([Central News Agency](http://Central News Agency), January 1; [RTHK.hk](http://RTHK.hk), January 1; [South China Morning Post](http://South China Morning Post), December 31, 2019).



*Image: Opposition Kuomintang (KMT) members of Taiwan’s Legislative Yuan hold a protest against a new “Anti-Infiltration Law,” which criminalizes certain political activities funded or otherwise backed by “hostile external forces” such as the Chinese Communist Party (December 31, 2019). (Source: [AP](http://AP))*

It remains to be seen whether the people’s livelihood issues—particularly improving the living standards of average Taiwanese—will enable Beijing to continue to win hearts and minds in Taiwan. After all, KMT candidate Han, who has been criticized for being pro-Beijing, won more than 5 million votes in the presidential polls. And Han apparently had only one strong point: his ability to appease the CCP and to



persuade Beijing to grant preferential business policies to Taiwanese investors, merchants, and traders, as well as farmers and fishermen ([BBC Chinese Service](#), December 31, 2019; [Cn.nytimes.com](#), June 10, 2019). The appeal of suspected fifth columnists like Han must be taken seriously.

### **Taiwan's Relations with the United States and Hong Kong**

The historic victory of Tsai will likely exacerbate already tense relations between China and the United States. This is despite the fact that the DPP has apparently embraced the American agenda of maintaining the status quo in the Taiwan Strait instead of actively seeking independence. According to Xinhua, Tsai's triumph was a function of "the control of foreign dark forces" and the "intrusion of Western forces" into the island ([Xinhua](#), January 13). Part of the rationale behind the Tsai administration's defiance of the CCP was President Donald Trump's pledge to sell F-16 aircraft and other sophisticated weapons to the island. Quasi-diplomatic ties between the United States and Taiwan have also been elevated in the past year ([China Brief](#), July 31, 2019).

The morning after the election, Tsai met with William Brent Christensen, the President of the American Institute in Taiwan (Washington's *de facto* embassy on the island). She indicated that the "Taiwan-U.S. partnership has already grown from a bilateral partnership to a global partnership." The two quasi-allies have continued "to expand our cooperation across security, the economy, and our shared values based on the foundation of democracy and freedom," she said ([Taiwan Presidential Office](#), January 12). The subtext of Tsai's message seems to be that Taiwan would help Washington's quasi-Cold War policy of "containing" an anti-democratic China. While Phase One of the U.S.-China trade accord was signed on January 15, Phase Two of the trade talks could touch upon issues including the Chinese party-state's control of the economy, and geopolitical sticking points including Taiwan, Xinjiang and Hong Kong.

The Taiwan elections will also have a sizable impact on relations between Beijing and Hong Kong. Public administration Professor Xiang Cheng-hua of Taiwan's Culture University is among a large number of observers who believe that the anti-Beijing crusade in Hong Kong over the past year has immensely benefited the Tsai campaign. "The Hong Kong experience has made possible the spiritual mobilization of the DPP," he told the Taiwan media. "And almost all young voters have been swayed [by the DPP]" ([United Daily News](#), January 11). It is significant that in her acceptance speech on election night, Tsai thanked her "friends in Hong Kong" for support. For President Xi, however, the Hong Kong "rebellion" that has helped Tsai will likely render him more disposed toward a hardline policy on the special administrative region (SAR). After all, Xi and many of his colleagues are convinced that the unpatriotic and intransigent anti-CCP mentality of Hong Kong residents has threatened the viability of "one country two systems" ([China Brief](#), December 10, 2019). Xi has already mapped out plans to promote nationalism in Hong Kong schools, as well as to give more powers to the Hong Kong police to handle protests against Chinese rule ([Radio French International Chinese Edition](#), January 12; [Deutsche Welle Chinese Edition](#), January 12).

## Conclusion

Overall, the possibility of the Xi administration admitting that the Tsai victory demonstrated imperfections in Beijing's Taiwan policy is not high. This is despite the fact that at a recent year-end forum hosted by the *Global Times*, Wang Zaixi, a former deputy director of the Taiwan Affairs Office, indirectly admitted Beijing's failure to win large numbers of converts on the island. "Winning over the hearts of the people and doing well in work with the masses was always the Communist Party's strong suit, our special skill," Wang said at the forum. "So why has it failed in the face of our Taiwan compatriots? Can you blame them?" Wang noted that Beijing needed to reappraise its "working methods and approach" toward the breakaway island ([New York Times Chinese Edition](#), January 9; [Uzbcn.com](#), December 12, 2019). In early January, Xi fired Wang Zhimin, the Director of Beijing's Central Liaison Office in Hong Kong—whose position is equivalent to acting as party secretary of the SAR—for mishandling the anti-China protests in the former British colony. It is likely that the Taiwan Affairs Office will witness a reshuffle of top personnel soon. The probability, however, that the super-nationalist Xi will abandon his long-standing policy of trying to vanquish Taiwan by force remains low, given Xi's poor understanding of the Taiwanese mentality—and the tradition that a top CCP leader must be seen to be tough to preserve his "core" status in the party.

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## Notes

[1] Author's interview with four sources with the rank of government bureau head or above, who are knowledgeable about the Taiwan Strait crisis.

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**Making Foreign Companies Serve China:  
Outsourcing Propaganda to Local Entities in the Czech Republic**

*By Martin Hála*

**Introduction**

The fast build-up and equally sudden decline of Chinese influence in the Czech Republic offers an interesting case study of vulnerability and resilience in the newly democratic small states targeted by the united front operations of the Chinese Communist Party (CCP). [1] Recent revelations about a powerful Czech financial corporation manipulating public opinion in favor of the People's Republic of China (PRC) demonstrate the complex dynamics between political and economic actors—both Chinese and local—and how private companies are being leveraged to spread pro-PRC propaganda ([Aktuálně](#), December 10, 2019 / [English translation](#)).

The main vector of influence in the Czech Republic has been the PRC's "economic diplomacy," which downplays political differences and emphasizes the economic opportunities offered by closer relationships with China ([Sinopsis](#), March 11, 2019; [China Brief](#), May 9, 2019). In Central and Eastern Europe (CEE), it builds on promises of investments into local economies still lagging behind those in Western Europe. The promised investments may or may not materialize, but the economic enticement alone creates a conducive environment for the cooptation of local political and business elites in a manner similar to more traditional united front tactics ([China Brief](#), May 9, 2019). Apart from the promised investments by Chinese companies, the reverse allure may consist of market access in China for local companies, which may then be manipulated into becoming propaganda echo chambers for the CCP. The Czech Republic offers examples of both of these phenomena.

**Beijing's "Economic Diplomacy" Derailed in the Czech Republic**

A textbook example of elusive investment promises could be offered by the now notorious Chinese company CEFC (华信, *Huaxin*), hailed at one point by the Czech President Miloš Zeman as "the flagship of Chinese investment" in the country. Zeman was so enthralled by CEFC that he named the company's colorful chairman Ye Jianming (叶简明) his honorary advisor in 2015—and has held Ye in that title even after he disappeared in early 2018, presumably to be investigated by CCP disciplinary organs for alleged corruption and other crimes ([Sinopsis](#), February 8, 2018).

CEFC effectively dominated the bilateral relationship on the Chinese side from 2015 through early 2018, and embodied China's economic diplomacy in the Czech Republic. When CEFC collapsed in 2018, its spectacular demise led to the disintegration of the PRC's economic-based diplomacy as a whole: after the top executives of CEFC's business and non-profit wings were arrested and disappeared in rapid succession

in the United States and in China at the turn of 2018, the company was revealed as a giant fraud and quickly disintegrated ([Caixin](#), March 1, 2018, [Southseaconversations](#), March 29, 2018).

The company's collapse shook the entire Czech-China relationship. Questions began to be asked about the wisdom of the post-2014 China policies, including in parts of the political establishment. At the same time, public figures previously engaged by CEFC (or by other means) started a rear-guard damage control campaign, trying to explain the whole issue away ([Idnes](#), March 22, 2018). The public debate on China in the Czech Republic intensified and became closely intertwined with domestic politics.



*Image: Czech President Miloš Zeman speaking during a television interview, January 10, 2019. President Zeman, an advocate of closer economic and political ties with the PRC, used this interview to denounce the Czech security services for their skeptical positions about Huawei. (Source: [TV Barrandov](#))*

### **Home Credit and the Huawei Warning**

Significantly, the damage control effort for China's image after the CEFC fiasco has been performed not only by politicians with close ties to the company—such as President Zeman—but also by a powerful Czech private corporation, the PPF. This is especially true for PPF's consumer-loan division, called "Home Credit," which has substantial business exposure in China. Home Credit had been, in the words of its CEO Jiří Šmejč, the "initiator" of the friendly turn in Czech foreign policy towards the PRC in 2013-2014 ([Demagog.cz](#), undated).

Home Credit was rewarded with a national license for their consumer credit business in China, which became a major profit center for the whole PPF conglomerate ([China Brief](#), May 9, 2019). Its massive exposure in China has led to ever more proactive steps to make sure that the Czech-PRC bilateral relationship remains strong and does not derail entirely. That has put the otherwise media-shy company right in the center of the

brewing debate on China in the Czech Republic, following the collapse of the Zeman- and CEFC-led campaign of “economic diplomacy.”

Home Credit’s mother company PPF also owns several mobile network operators in CEE. In November 2018, it signed a memorandum of understanding (MoU) with Huawei on joint development of 5G ([Lupa.cz](#), November 14, 2018). The ink had barely dried on this deal when the Czech cyber security agency NÚKIB issued an advisory warning in December 2018 against the adoption of Huawei equipment in the country’s critical telecommunications infrastructure ([Govcert.cz](#), December 17, 2018).

Apart from the predictable protest by Zhang Jianmin (张建民), the PRC Ambassador in Prague, other assets were mobilized to push back against the warning ([Sinopsis](#), December 28, 2018). On December 6, 2018, and then again on January 10, 2019, President Zeman took advantage of his regular TV talk show (held, incidentally, on one of the CEFC acquisitions, the rather idiosyncratic channel *TV Barrandov*) to defend Huawei—and to denounce not only the NÚKIB advisory, but also the Czech intelligence and security services in general, calling them obscure derogatory names ([TV Barrandov](#), January 10, 2019). At the same time, he announced that the Czech government had already been informed about upcoming Chinese retaliatory measures ([Idnes.cz](#), January 10, 2019).

The Czech government responded that it had no such information. Upon inquiry, it turned out that the only talk of possible Chinese retaliation took place during a meeting between Home Credit representatives and the then-Minister of Trade and Industry Marta Nováková, who was told that the company feared an adverse effect on its business interests in the PRC ([České noviny](#), January 13, 2019). In all likelihood, this was the source of President Zeman’s dark warning on *TV Barrandov*.

### **Political Shifts in the Czech Republic**

The municipal elections held in the Czech Republic in October 2018 voted in a number of politicians critical of the post-2014 pro-China policies. In January 2019, the newly elected municipal government of Prague voted to remove a clause in the sister-city agreement with Beijing that declared support for a “One China” policy—arguing that the agreement should stick to cultural and economic exchanges, rather than contested issues in international politics ([Idnes.cz](#), January 14, 2018).

This move further aggravated mounting tensions in the Czech-PRC relationship, and demonstrated the level of disillusionment and skepticism in parts of the Czech political establishment after the collapse of “economic diplomacy” in the previous year. The heavy-handed response from Beijing, which cancelled several tours of Czech orchestras affiliated with the city of Prague, did nothing to calm the situation ([Seznam](#), September 15, 2019). After Beijing refused to negotiate the clause’s removal, the whole sister-city agreement was scrapped in October 2019. Shortly afterwards, Prague announced it would upgrade its existing partnership with Taipei to a full sister-city status ([Lidovky](#), December 2, 2019). Beijing responded by freezing all contacts between



Prague and Shanghai, Prague's other Chinese sister city (where the agreement didn't include a One-China clause) ([České noviny](#), January 14, 2020).

The fall 2018 elections also voted in one third of the Czech Senate (the upper house of the Parliament). Many of the newly elected senators have taken critical stances on Zeman's China policy. Most active among them has been the Chair of the Committee on Foreign Policy and Security, Senator Pavel Fischer, who initiated throughout 2019 a series of hearings on the PRC's influence in the country. After the NÚKIB advisory, in spring 2019 he invited PPF's attention-averse majority owner, the richest person in the Czech Republic (and in all of CEE), the billionaire Petr Kellner, to explain PPF's MoU with Huawei in front of the Senate's Foreign Committee ([iRozhlas](#), March 2019). Mr. Kellner declined, but later visited the Senate for a closed-door meeting with the upper house's Chair, Mr. Kubera ([České noviny](#), May 27, 2019).



*Image: Senator Pavel Fischer, Chair of the Committee on Foreign Policy and Security in the upper house of the Czech Parliament. In 2019, Fischer supervised a series of hearings on PRC influence in the Czech Republic. This led to Fischer being made subject to “internal monitoring” by a public relations firm conducting a pro-PRC lobbying campaign at the behest of Home Credit, a corporation that maintains significant business interests in China. (Source: [Deník N](#)).*

### **A Czech Company “Rationalizing” the Debate on China**

After a series of setbacks for Chinese interests, PPF and Home Credit realized in early 2019, according to their own later statement, that they had a significant public relations (PR) and political problem on their hands ([iRozhlas](#), December 14, 2019). In April 2019 they hired a PR agency called C&B Reputation Management to “rationalize the debate on China” and “improve the Czech-China relationship.” What exactly that meant in practice became clear half a year later after a major exposé on the Czech news site *Aktuálně*. In December 2019, the website revealed internal C&B documents showing that the PR agency had been surreptitiously placing pro-Beijing content in mainstream Czech media, and even secretly ran its own media project called

*Sinoskop* (see accompanying image) that posed as an “independent” expert initiative ([Aktuálně](#), December 10, 2019 / [English translation](#)).

*Sinoskop* was established in June 2019 ([Sinoskop](#), June 10, 2019), apparently as a direct response to *Project Sinopsis*, a research and media outreach initiative of teachers and students at the Institute of East Asian Studies of Charles University in Prague. [2] Since 2016, *Sinopsis* has been producing both academic and media output generally critical of PRC policies and their impact in Central and Eastern Europe, and beyond. *Sinopsis*' systematic analyses of the Czech-China relationship became a major irritant for Home Credit, which responded in October 2019 by serving the project with a cease-and-desist notice and threats of a lawsuit ([HomeCredit](#), October 30, 2019).



*Image: A screen shot of the homepage for Sinoskop, a website posting positive content about China and the Sino-Czech relationship. The site is nominally a project of the “Institute for Contemporary China” (Institut pro současnou Čínu), but is actually managed by C&B Reputation Management (a public relations firm working on behalf of the corporation Home Credit). This firm has also issued legal threats against [Project Sinopsis](#), an online forum for China-related analysis founded by the author in 2016. (Image source: [Sinoskop](#))*

The Home Credit-supported *Sinoskop* copied some aspects of *Sinopsis* activities (minus the academic research), but with a clear pro-Beijing slant. It presented itself as an independent initiative managed and funded by Vít Vojta, a Chinese language interpreter for Czech President Zeman and many of the business entities close to him ([Aktuálně](#), May 2019). However, the documents revealed by *Aktuálně* showed otherwise. The PR agency hired by Home Credit micro-managed the project down to such details as preparing social media posts for both *Sinoskop* and Vít Vojta himself ([Aktuálně](#), December 10, 2019 / [English translation](#)). The same agency apparently also secretly helped organize at least one “seminar” in the Czech Parliament nominally held by a prominent MP, which appeared to be designed to offset the hearings organized by

Chairman Fischer in the Senate ([Aktuálně](#), December 11, 2019). Mr. Fischer was also made subject to the agency's "internal monitoring," although the meaning of this was unclear ([Deník N](#), December 17, 2019).

Even before the leaked C&B documents revealed Home Credit's covert effort to manipulate public discourse—and specifically to counter *Project Sinopsis* activities—the company got embroiled in another controversy, the full meaning of which only became clear in the wake of later revelations. In October 2019, the company signed a “partnership agreement” with the rector (president) of Charles University in Prague, containing a peculiar clause that both sides “would refrain from damaging each other’s good name” ([Smlouvy.gov.cz](#), September 30, 2019). Immediately, the clause raised concerns that it was meant to silence the company’s university-based critics, mainly *Project Sinopsis* ([Seznam](#), October 8, 2019).

Home Credit vehemently denied that this was the intention, and quickly withdrew from the agreement in the face of several student petitions and academic senate resolutions calling for the agreement to be scrapped ([Lidovky](#), October 10, 2019). Combined with the subsequent legal threats against *Sinopsis*, as well as the C&B revelations, the assumption that the partnership agreement was indeed an attempt to hit out at *Sinopsis* appears quite plausible.

These revelations are significant in that they show a powerful Czech financial conglomerate attempting to manipulate local discourse—not so much in its own corporate interest, but rather in the general interest of the PRC. The company seemingly ceased to make a clear distinction between its own and China’s positions, which suggests a very high degree of success for CCP united front cooptation tactics in the business world.

### **Conclusion: Laundering Propaganda by “Borrowing a Local Boat”**

Following the collapse of CEFC-led “economic diplomacy” in 2018, the position of political players previously engaged by the Chinese company has been much weakened. In this changing political atmosphere, the most significant efforts at upholding the fast-deteriorating public image of the PRC have been led not by the coopted political elites, but rather by a powerful local financial conglomerate: PPF and its division Home Credit, with heavy business exposure in the Chinese market.

The company found itself on the PR defensive in early 2019, and responded with proactive measures, including both attacks against critics and efforts to improve the perception of China in domestic public discourse. Amazingly, the media campaign disclosed by *Aktuálně* didn't appear designed to improve the image of the company itself, but rather that of the PRC. The media output sponsored by C&B hardly ever mentioned anything directly related to Home Credit itself; rather, they offered general, and largely positive, treatment of the PRC’s positions and policies ([Aktuálně](#), December 2, 2019 / [English translation](#)).

In promoting the public image of the PRC in the Czech Republic, Home Credit effectively assumed a role more typical of the CCP’s own propaganda apparatus. This outsourcing of positive publicity onto local commercial entities with a business stake in China presents an interesting variation on the generally

understood model of united front tactics. With the PRC's continuing emphasis on "economic diplomacy" abroad, we will likely see many more examples of this innovation.

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**Notes**

[1] For an overview of the concept of "united front work" as it relates to the Chinese Communist Party, see: Anne-Marie Brady, "On the Correct Use of Terms," *China Brief*, May 9, 2019. <https://jamestown.org/program/on-the-correct-use-of-terms-for-understanding-united-front-work/>.

[2] Project [Sinopsis](http://Sinopsis.cz) was founded by the author of this article in 2016.

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## **Pakistan and CPEC Are Drawn Into the U.S.-China Rivalry**

*By Adnan Amir*

### **Introduction**

Leaders in the People's Republic of China (PRC) and the Islamic Republic of Pakistan were stunned in late November when a senior U.S. government official issued a strong verbal attack on the China-Pakistan Economic Corridor (CPEC). On November 21 in Washington, D.C., U.S. Assistant Secretary of State for the Bureau of South and Central Asia Affairs Alice Wells spoke at length about the CPEC at a public event, criticizing multiple elements of the \$62 billion flagship component of China's Belt and Road Initiative (BRI). Ambassador Wells cast doubt upon claims that CPEC will generate sustainable economic development in Pakistan and criticized the project's cost escalations and non-transparent processes of awarding CPEC contracts to Chinese firms. She appealed to Pakistan's citizens to ask tough questions of the PRC regarding the CPEC and China's related projects in Pakistan ([U.S. State Department](#), November 21, 2019).



*Image: Ambassador Alice Wells, U.S. Assistant Secretary of State for South Asia, presented a critical speech about the China-Pakistan Economic Corridor (CPEC) at the Woodrow Wilson Center in Washington, D.C. (Nov. 21, 2019). (Source: [Wilson Center](#))*

In the past, the U.S. government had raised concerns over CPEC and China's "debt-trap diplomacy," but it had never presented such a direct and detailed set of criticisms. Ambassador Wells crossed that line—bringing the notoriously stalled out CPEC back under international scrutiny just after Chinese and Pakistani leaders had brokered a cautiously optimistic set of funding deals to jumpstart progress a month before ([Ministry of Foreign Affairs \(PRC\)](#), October 9, 2019). Chinese representatives were quick to respond to Ambassador Wells's criticisms. The next day, PRC Ambassador to Islamabad Yao Jing(姚敬) said that he had been "shocked and surprised to see the remarks of Alice," and that Ambassador Wells lacked accurate knowledge and had relied on "Western media 'propaganda'" for her accusations. He called on the U.S. to



“show your evidence, give me evidence” of specific cases of corruption related to the CPEC, and questioned whether Wells was taking pot shots at the CPEC to score political points. Ambassador Yao challenged the U.S. to suit its actions to its words: “If there is any sincerity... [the U.S. should] come forward to invest in Pakistan. We [China] welcome U.S. investment in Pakistan.” ([INP \(Pakistan\)](#), November 22, 2019; [VOA](#), November 22, 2019).

In addition to refocusing negative attention on the CPEC, Assistant Secretary of State Wells’ speech drew a reluctant Pakistan further into the tumultuous U.S.-China political rivalry. Pakistan faces a balance of payments crisis and a severely weakened currency, which has led it to grow increasingly dependent on economic ties with China. At the same time, the Pakistani leadership has navigated a complex and multifaceted historic security and political partnership with the U.S.. If, as Ambassador Wells’ statement seems to imply, Pakistan’s engagement with China is seen to come at the expense of its bilateral relationship with the U.S. – or vice-versa – then Pakistan’s delicate power balancing diplomacy will soon become even more tenuous.

### **The Chinese Response**

As mentioned, the sudden attack on the CPEC generated a rapid and strong reaction by the diplomats of the PRC. Ambassador Yao took the opportunity of responding to Ambassador Wells to also issue his own verbal attacks on U.S. foreign policy. Responding to the allegation that CPEC will be a debt trap for Pakistan, Jing said that China will never ask Pakistan to repay its loans if it is having financial difficulties. He alleged that the U.S.-controlled International Monetary Fund (IMF) would not give such a relaxation to Pakistan for its debts. He further stated that U.S. assistance had been unavailable in 2013 for Pakistan’s energy sector, but that China had provided needed investment through CPEC ([Business Recorder](#), November 23).

PRC Foreign Ministry Spokesperson Geng Shuang also responded to Ambassador Wells four days later in his official weekly press briefing. He described her comments as a “repetition of old slanders against China,” and claimed that U.S. officials had “fabricated [the] ‘debt issue’ with the true aim to disrupt CPEC development and sow discord in China-Pakistan relations with malicious calculations.” He said that if the U.S. government is really interested in assisting Pakistan, then it should “honor its commitments instead of always paying lip service and being the spoiler” ([PRC Foreign Ministry](#), November 25).



*Image: PRC Foreign Ministry Spokesman Geng Shuang at a November 25, 2019 press briefing, in which he referred to the comments of Ambassador Wells as a “repetition of old slanders against China.”*

*(Source: [PRC Foreign Ministry](#))*

These comments by a senior U.S. State Department official, and the harsh reaction by PRC officials, have put Pakistan in a tight spot. Since Pakistan is a partner of China in CPEC, it had to deny the claims made by Ambassador Wells. The Planning Commission of Pakistan—the body tasked with managing CPEC—responded to the assertions of Ambassador Wells by labeling them as incorrect assessments based on flawed analysis ([Planning Commission of Pakistan](#), November 24). However, Pakistan’s ministers were careful not to directly criticize the United States on this matter. Asad Umer, Pakistan’s Minister in charge of CPEC, said that cooperation between Pakistan and China [in CPEC] is not directed against the United States. In the same press conference, he welcomed U.S. firms to invest in Pakistan, just as Chinese firms are making investments ([Express Tribune](#), November 23). This measured statement by Umer reflects Pakistan’s policy of attempting, as far as is possible, to stay out of the China-U.S. rivalry.

### **CPEC: The Next Battleground for U.S.-China Rivalry?**

CPEC has become engulfed in the U.S-China rivalry, and the comments of Ambassador Wells were the first shots fired. The United States has been generally critical of the BRI project of President Xi Jinping, but until recently CPEC was not directly criticized. Now, the equation seems to have changed. U.S. officials may have selected the current time to make this call because people in Pakistan are suffering economically: four years since its inception, CPEC has not proved to be the economic savior for Pakistan that some had expected, and many people in Pakistan have been disappointed. Hence, the time was opportune to highlight certain shady practices in CPEC so that it gets further attention among the Pakistani public. There is a group of people in Pakistan who have been warning the government against over-reliance on China, and the claims of Ambassador Wells provided further support for their arguments. [1]

Another way of analyzing the critique of Ambassador Wells is to interpret it as an attack on the debt-driven development model of BRI. Ever since the inception of BRI in 2013, the U.S. government has expressed concerns regarding the development model of BRI: it has been criticized as a non-sustainable debt-driven model, which helps China build influence in the host countries ([China Brief](#), January 5, 2019). The U.S. government fears that through this model China will increase its strategic influence in Asia and Africa, and might replace the United States as the leading power in those regions. Therefore, Washington is repeatedly calling for a sustainable economic development strategy that can contribute to the development of under-developed countries—and allow them to maintain their sovereignty at the same time. Since CPEC is the flagship project of BRI, it has become the main target of U.S. criticism. [2]

Pakistan still needs CPEC for its economic development. Even now, CPEC is the largest source of foreign development funding to Pakistan—notwithstanding the debate whether the funding represents beneficial foreign direct investment, or predatory loans. Pakistan's government expects CPEC to build a large railway artery connecting Karachi in the south to Peshawar in the north. It also hopes to develop the port of Gwadar into a major commercial hub in the near future ([China Brief](#), July 31, 2015; [China Brief](#), February 15, 2019; [China Brief](#), December 10, 2019). In addition, Pakistan is also relying on CPEC to generate jobs for its ailing economy. Therefore, CPEC continues to be a dominating factor in the economic paradigm of Pakistan—and many political and business leaders support it, irrespective of any criticism launched against it by the United States.

Pakistan also needs the support of the United States. There have been strains in the relations of both countries in the last few years, but things changed after Prime Minister Imran Khan paid a visit to the White House in July 2019. The U.S. government has indicated that it would give Pakistan greater help in the Afghan peace process. More recently, the U.S. approved the participation of Pakistan in the International Military Education and Training Program ([Dawn](#), December 20). This indicates that the U.S. has mended fences with Islamabad for the sake of its interests in Afghanistan. At a time when Pakistan has succeeded in rapprochement with the United States, the last thing it wants is to alienate Washington over the CPEC.

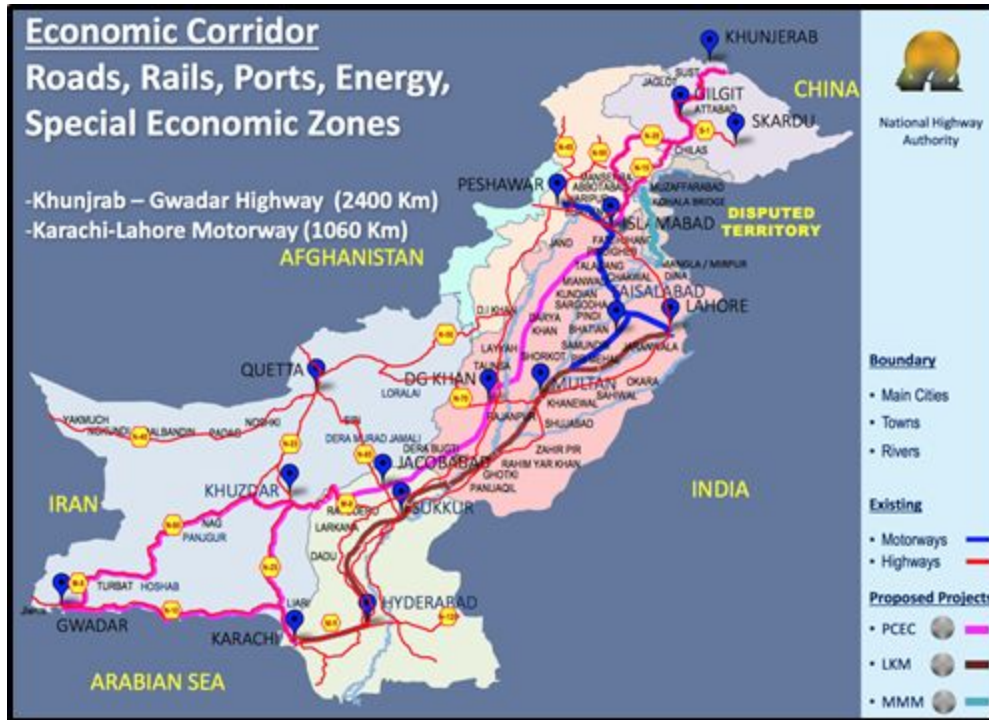


Image: A map of the proposed “China-Pakistan Economic Corridor” of transportation infrastructure projects.

(Source: [Pakistan National Highway Authority](#))

### The Implications for Pakistan

The first implication for Pakistan is that it risks drawing the ire of Beijing on this matter. Pakistan responded to the comments on Ambassador Wells—but it was a muted response, similar to the way that Pakistan responds to similar criticism from India. Beijing will likely feel that Pakistan is trying to appease both China and the United States, while China is the only one pumping money into Pakistan. Therefore, Pakistan will be pressed by China to take sides—at least on the issue of CPEC—and to clearly denounce the U.S. government on this matter. Pakistan will find this difficult to do given its recent restoration of good relations with Washington. China could take steps of its own to pressure Pakistan, such as not extending non-CPEC loans if Pakistan needs them in the near future.

These provocative comments from Ambassador Wells have also increased the internal pressure on the government of Pakistan vis-à-vis CPEC. Ambassador Wells asked Pakistanis to ask tough questions on CPEC—a process that had already started. Her criticisms are being used as a proof of flaws in CPEC by internal critics in Pakistan, who have increased their demands to make CPEC agreements public and to make the decision-making processes surrounding these mega projects more transparent. Therefore, it will be a challenge for Islamabad to control the internal criticism on CPEC, because China reportedly does not want CPEC agreements and the discussions surrounding them to be made public.

If Pakistan and China want to prove Ambassador Wells wrong, they will have to show successful results for CPEC. This will be hard to achieve, because so far the performance of CPEC has been less than satisfactory. Therefore, it is unlikely that CPEC can deliver any miracle in the recent future: it is not going to control inflation, fix unemployment, or resolve the foreign currency exchange crisis in Pakistan anytime soon. In such a case, the criticism of CPEC becomes more credible and harder for Pakistan and China to defend. Therefore, both Islamabad and Beijing want CPEC to succeed—and this will put immense pressure on those in charge of CPEC projects to deliver tangible benefits.

Ambassador Wells's meticulous attack on the CPEC has come at a bad time for Pakistan, which can't afford to be further entangled in the wider U.S.-China rivalry. Pakistan would prefer to maintain a cautious approach in order to appease both powers. However, this is not going to work: China expects Pakistan's unequivocal support on CPEC, while U.S. criticism on CPEC will not end until all of the program's shortcomings have been addressed. This leaves the Pakistani leadership in the uncomfortable position of being caught between a rock and an increasingly hard place.

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#### **Notes**

[1] Author's interview with Malik Siraj Akbar, a South Asia Analyst.

[2] Author's interview with Michael Kugelman, Deputy Director for the Asia Program at the Wilson Center.

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**The Strategic Implications of Chinese-Russian-Iranian  
Naval Drills in the Indian Ocean: A Preliminary Assessment**

*By Syed Fazl-e Haider*

**Introduction**

In early December, Major General Shao Yuanming (邵元明), the Deputy Chief of the Joint Staff Department of the Central Military Commission of the People's Republic of China (PRC), traveled to the Islamic Republic of Iran for rare high-level military meetings. These meetings were held for the purpose of organizing a series of unprecedented joint naval drills between China, Iran, and Russia, which were held in the Indian Ocean and the Sea of Oman from December 27–29. The drills took place just as escalating tensions between the United States and Iran reached a crisis point at the end of 2019. The exercise also signified a deepening relationship between Iran and the PRC in economics, diplomacy, and security affairs.



*Image: Major General Shao Yuanming (邵元明), Deputy Chief of the Joint Staff Department of the CCP Central Military Commission, traveled to Tehran in early December 2019 in preparation for multinational naval drills held later that month. Here, Major General Shao shakes hands at a December 3 photo-op with Iranian Navy Rear Admiral Hossein Khanzadi. (Source: [Tasnim News Agency](#))*

China and Russia have both increased military and economic cooperation with Iran in the year and a half since the U.S. government pulled out of the Joint Comprehensive Plan of Action (JCPOA). However, while Iran's government has repeatedly touted its deepening relations with China and Russia as a show of diplomatic strength, its allies have been less public about the growing relationship. In December, Iranian officials lauded the trilateral exercises—titled “Marine Security Belt”—as proof that Iran can outlast crippling sanctions with aid from its non-Western allies, and declared that the drills signaled a new triple alliance in the Middle East ([Tasnim News](#), December 29, 2019). [1] By contrast, officials from Russia and the PRC were more restrained, framing the joint exercises as part of routine anti-piracy operations, highlighting their

peacekeeping priorities and seeking to depoliticize the drills ([South China Morning Post](#), September 23, 2019; [Ministry of Foreign Affairs \(Russia\)](#), October 2, 2019).

### Participating Vessels and Exercise Activities

The major naval units participating in the exercise were:

- China: Type-052D (Luyang III)-class guided missile destroyer *Xining* (DDG-117).
- Russia: Neustrashimy-class frigate *Yaroslav Mudry* (FF-777) was the lead Russian unit. It was accompanied by two smaller auxiliary vessels—the tanker *Elnya* and the tugboat *Viktor Konetsky*—from Russia’s Baltic Fleet ([TASS](#), December 26, 2019).
- Iran: Islamic Republic of Iran Navy (IRIN) frigate *Alborz* (FF-72) was the most prominent Iranian surface unit involved in the exercise. Secondary roles were played by the frigate *Sahand*; the corvette *Bayandor*; the hovercraft *Tondar*; and the Iranian Revolutionary Guard Corps Navy (IRGCN) vessels *Shahid Naserinejad* and the catamaran *Shahid Nazeri* ([Mehtar News](#), Dec 29, 2019).

Video and photos of the exercise indicated a series of relatively simple tactical operations, including: live fire drills; an anti-piracy exercise involving Iranian commandos fast-roping onto a surface vessel; a drill to extinguish flames on a burning ship; and a pass-in review of participating naval vessels on the final day ([Moscow Times](#), December 27; [Mehr News](#), December 29; [Tasnim News](#), December 30).



Image: The PLA Navy guided missile destroyer *Xining* (DDG-117) (foreground), the Iranian Navy frigate *Alborz* (FF-72) (middle), and the Russian Navy frigate *Yaroslav Mudry* (FF-777) (background) underway during combined naval drills held in the vicinity of Chabahar, Dec. 27-30, 2019. (Source: [AFP / Global Times](#))

**Iran and China Report Mixed Messages on the Trilateral Exercises:  
A “Golden Triangle” vs. “Routine Exercises”**

The Iranian Armed Forces (IAF) flotilla commander in charge of the exercises, Rear Admiral Gholamreza Tahani, said after the drills that “the message of this exercise is peace, friendship and lasting security through cooperation and unity...[and] to show that Iran cannot be isolated” ([Mehr News](#), January 2). An Iranian state television report heralded the drills as signaling a “new triangle of sea power” in the region, and quoted IAF Rear Admiral Hossein Khanzadi’s bold declaration: “Today, the era of American free action in the region is over, and [U.S. forces] must leave the region gradually” ([Tasnim News](#), December 29, 2019). [2]

Notably, Rear Admiral Tahani also discussed collective naval security arrangements, asserting that countries that share security, economic, and political interests should cooperate to restore collective security in the region. He described this as particularly important for what he termed the Indian Ocean’s “Golden Triangle” of strategic straits (the Strait of Hormuz, the Strait of Malacca, and the Bab al-Mandeb), saying: “[N]o single country can guarantee the security of the oceans. For this purpose, a collective effort is needed. To secure the ocean, countries are seeking synergy and convergence while holding joint naval exercises in oceanic waters” ([Iran Press Agency](#), December 27, 2019).



*Image: In the course of the “Marine Security Belt” exercise held from December 27-30, Iranian Navy Commander Rear Admiral Hossein Khanzadi holds a press conference pierside at Chabahar, next to the gangplank for PLA Navy DDG-117 Xi Ning. (Source: Tasnim News Agency)*

This language contrasted with the more muted tone offered by PRC officials: when PRC Ministry of Defense spokesperson Wu Qian spoke just ahead of the drills, he said that “The joint exercise is a normal military exchange arrangement of the three countries. It is in line with related international laws and practices and has no connection with [the] regional situation” ([Xinhua](#), December 26, 2019). PRC officials also did not explicitly endorse the “Golden Triangle” concept, but they did endorse the idea of new alignments for collective

maritime security (*see further discussion below*). In the same press conference, Spokesperson Wu said, “The naval drills aim to deepen exchange and cooperation among the navies of the three countries, and display their strong will and capability to jointly maintain world peace and maritime security, while actively building a maritime community with a shared future” ([CGTN/YouTube](#), December 27, 2019).

### **The Deepening Strategic Relationship Between China and Iran**

The trilateral drills could be viewed as a step towards deepening Iran’s strategic relationship with China, which until now has been predicated primarily on economic ties. After China’s secondary sanctions waiver expired in May 2019, it continued to buy Iranian oil in defiance of the United States. [3] In July, the United States sanctioned the Chinese oil processing company Zhuhai Zhenrong and its chief executive Youmin Li, and imposed sanctions in late September on other Chinese nationals and entities accused of flouting secondary sanctions on Iran—including two subsidiaries of the Chinese giant COSCO Shipping Corporation ([SCMP](#), July 23, 2019; [SCMP](#), September 26, 2019).

China faced a difficult challenge in balancing its Iranian trade alongside contentious economic relations with the United States, and some Chinese companies decreased their business with Iran after sanctions were reimposed rather than risk blowback (total Chinese exports to Iran declined by close to 40 percent at the end of 2019) ([Radio Farda](#), December 1, 2019). [4] However, the activities of some of China’s largest state-owned enterprises indicated Beijing’s intent to continue purchasing Iranian oil. [5]

Vocal criticisms from the U.S. State Department and unconvincing secondary sanctions have largely failed to deter the PRC, which made promises in the second half of 2019 to dramatically step up its Iranian investments ([China Brief](#), November 1, 2019). Iran’s Foreign Minister Mohammad Zarif and his PRC counterpart Wang Li reportedly signed memoranda this past August that could hallmark major new investments in the Iranian economy ([Al-Monitor](#), September 17, 2019). [6] Iran also granted the state-owned China National Petroleum Company (CNPC) advantageous contracts to develop controlling stakes in some of its largest oil reserves (to include the North and South Azadegan oil fields and the supergiant South Pars gas field), and Chinese dealmakers were able to lock in promises for cheap crude oil and liquid natural gas (LNG) for years to come ([OilPrice](#), December 10, 2019).

China has also long sought to increase its arms sales to the Middle East, and the current situation provides many opportunities to do so. While it is nowhere close to supplanting the United States or Russia (the region’s first and second-largest arms providers, respectively), China has increasingly become an alternative to U.S. arms for many states in the Middle East ([China Military Online](#), September 23, 2019.) During a mid-September visit to Beijing last year, IAF Chief of Staff Major General Mohammad Baqeri said that “Iran attaches great significance to its relations with the People’s Republic of China in all areas. We have long-standing ties in the military sector as well, and hope this visit can be a turning point in the development and reinforcement of [our] relations” ([Tehran Times](#), September 13, 2019). [7]



## **Trilateral Drills Reveal the Possibility of Competing Collective Security Pacts**

A continuing program of Chinese-Iranian-Russian collective maritime security cooperation could pose a challenge to existing U.S.-led initiatives in the Gulf Region. In November 2019, the U.S.-led International Maritime Security Construct (IMSC) began stability and peacekeeping operations in the Arabian Gulf, Strait of Hormuz, the Strait of Bab el-Mandeb, and the Gulf of Oman. [8] IMSC was formed in the wake of a series of suspected Iranian attacks (or seizures) directed against oil tankers—as well as two September 2019 attacks on Saudi oil refineries, which the United States and Saudi Arabia blamed on Iran ([Al Jazeera](#), September 14, 2019). The IMSC will operate out of Bahrain under the leadership of the U.S. Naval Forces Central Command, with members to include Australia, Bahrain, Saudi Arabia, the United Arab Emirates, the United Kingdom, and Albania.

Russia had introduced a separate concept for collective security for the Persian Gulf just months before the formation of the IMSC, proposing an international conference that would lead to the creation of a cooperative security organization in the region. Moscow's proposal included establishing military hotlines for communication, and rejecting the permanent deployment of military forces from states outside the region. Beijing endorsed Moscow's vision two days after it was presented, stating that such a proposal would benefit "peace and stability in the Persian Gulf region [which] are of utmost importance to ensure safety and development of the region and the world as a whole" ([TASS](#), July 25). If the joint military drills by Iran, Russia, and China signal a nascent maritime cooperative entity in the making, it could create another vector for naval competition between the United States and China in the Indian Ocean.

## **Conclusion**

Under the pressure of sanctions since 2018, Iran has refused to back down in the face of rapidly escalating tensions with the United States, its confidence bolstered in large part by continued economic support from China and Russia. In early December, President Rouhani announced Iran's 2020 "budget of resistance," which was predicated on a \$5 billion loan from Russia and Chinese promises to massively increase the total oil output of Iran's energy reserves ([OilPrice](#), December 9, 2019). Iran has repeatedly and overtly framed its deepening relations with China and Russia as the beginnings of a non-Western alliance system that could challenge the U.S.-led international order.

From the Chinese perspective, the relationship is more complex and less ambitious. Chinese diplomats have balanced their continuing engagement with Iran alongside the need to negotiate a complex (and also contentious) Sino-American relationship. While China needs Iranian oil to enable Beijing's key political priorities of economic growth and domestic stability, the bilateral dynamic is asymmetric: China supplies nearly a quarter of Iran's foreign trade, while Iranian trade represents only one percent of Chinese imports (Trading Economics, [China](#), [Iran](#), undated). In other words, China does not need Iran in the same way that Iran needs China. China has taken advantage of recent opportunities to invest heavily in strategic projects within Iran, but it has also hedged its bets by engaging with other regional powers. [9]



In light of tensions in the Gulf Region, the December naval drills provided a symbolic military and political show of support from Russia and China for Iran—and also reflected a strategic alignment in the making between the three countries, with an aim to protect their shared strategic interests in the Indian Ocean. Such a powerful trio would be able to exercise greater influence in the Middle East, and would present a challenge to the U.S.-led IMSC maritime coalition force. A growing naval competition in the troubled waters of the Indian Ocean between the United States and China could be seen in the near future.

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*Elizabeth Chen, the Program Assistant for the Jamestown Foundation's China Brief, contributed additional research and analysis to this article.*

### **Notes**

[1] The name of the joint exercises recalls China's Belt and Road Initiative (BRI), an overarching foreign policy program that aims to "construct a unified large market" that connects overland rail and road transport links, or "belts," with maritime "roads," including the "21<sup>st</sup> Century Maritime Silk Road." (See: "Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road," *Xinhua*, 2015, [http://www.xinhuanet.com/english/2017-06/20/c\\_136380414.htm](http://www.xinhuanet.com/english/2017-06/20/c_136380414.htm).) In light of widely reported setbacks plaguing the China-Pakistan Economic Corridor (CPEC), some analysts have speculated that China may be turning to Iran as an alternative partner in the Indian Ocean ([China Brief](#), November 1, 2019).

[2] The first day of the "Marine Security Belt" exercises took place just as the U.S.-Iran conflict in Iraq began to escalate rapidly: an American contractor and two Iraqi security officers were killed in an attack on the K1 military base in Kirkuk. The U.S. military attributed the strike to Iranian-backed militias ([Rudaw](#), December 28, 2019). Iran has denied responsibility for the attack. On January 2, a U.S. drone strike killed Qasem Soleimani, leader of the Islamic Revolutionary Guards Quds Force. This action ratcheted tensions between the U.S. and Iran to an unprecedented level. At the time of publication, the U.S.-Iran Crisis is still ongoing, with China and Russia watching carefully. See: ([Moscow Times](#), January 3; [SCMP](#), January 3).

[3] The PRC was the largest importer of Iranian crude oil in 2019; the U.S. has estimated that it receives between 50-70 percent of Iran's oil exports ([Reuters](#), August 8, 2019).

[4] Beijing asked Washington to lift sanctions on COSCO, which is the PRC's largest shipping company, during trade talks in October. ([Bloomberg](#), October 10, 2019.)

[5] See Note [3].

[6] See also Foreign Minister Zarif's op-ed in the *Global Times*, published just ahead of his August visit to Beijing: "Shared Vision binds Iran-China relations," Mohammad Javad Zarif, August 26, 2019, *Global Times*,

<http://www.globaltimes.cn/content/1162671.shtml>. Foreign Minister Zarif visited Beijing a total of four times in 2019, with his last trip to Beijing taking place after the successful conclusion of Operation Marine Security Belt. Foreign Minister Zarif also visited Moscow before ending the year in Beijing, where he reportedly discussed the trilateral drills and briefed PRC Foreign Minister Wang Yi on Iran's nuclear situation ([Atlantic Council](#), January 6).

[7] China's arms sales strategy in the Middle East is guided by its 2016 Arab Policy Paper, which lays out "a new type of international relations" that promotes "win-win cooperation and win-win strategy" ([State Council](#), January 13, 2016). This language has been interpreted as a general focus on defense-oriented sales based on economic motives, not political ones. As one analyst notes: "dealing with China may be an attractive alternative [to the U.S.] that is perhaps less likely to involve political strings, complications, or potential repercussions that typically accompany arms deals with the U.S." ([SIPA](#), December 3, 2018.)

[8] The operation's mandate is to "deter malign activity, promote maritime security and stability, and ensure freedom of navigation and free flow of commerce" in the Arabian Gulf, Strait of Hormuz, the Strait of Bab el-Mandeb, and the Gulf of Oman. ([US Central Command](#), July 19, 2019.)

[9] Chinese oil imports from Saudi Arabia (with which it also has a "comprehensive strategic relationship" dating back to 2016) have increased in the last two years ([EIA](#), July 24, 2019). Almost a month before the trilateral naval exercises between China, Iran, and Russia began, the PLA Marine Corps began three weeks of joint exercises in Jeddah with the Special Forces of the Saudi Arabia Royal Saudi Naval Forces (RSNF) ([China Military Online](#), November 20, 2019). The publicly stated missions of Operation Marine Security Belt and Blue Sword 2019 are almost interchangeable: the director of Blue Sword 2019 was quoted saying the joint exercise "targets building mutual trust, enhancing cooperation between the Saudi Royal Navy and the Chinese PLA Navy, exchanging experiences, developing the capacity of participants to combat maritime terrorism and piracy, and improving training and combat readiness" ([Arab News](#), November 17, 2019).

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