Double-Edged Aid: China’s Strategy to Gain Influence through Regional Assistance

DR. LISELOTTE ODGAARD
SENIOR FELLOW, HUDSON INSTITUTE
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Liselotte Odgaard is a senior fellow at Hudson Institute. Her work focuses on maritime security, China’s foreign and security policy, U.S.-China-Europe relations, and the international politics of the Arctic.

Dr. Odgaard has been a visiting scholar at institutions such as Harvard University, the Woodrow Wilson International Center for Scholars, and the Norwegian Nobel Institute. She is the author of numerous monographs, edited books, peer-reviewed articles, and research papers on Chinese and Asia-Pacific security, and she is a frequent commentator on these issues in the media. She regularly participates in policy dialogues such as the Arctic Circle Assembly in Iceland and the Xiangshan Forum in Beijing. She received her bachelor’s, master’s, and doctoral degrees in political science from Aarhus University in Denmark, as well as a master’s degree in international studies from the University of Warwick in the UK.

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TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>6</td>
</tr>
<tr>
<td>China’s Regional Development Approach</td>
<td>9</td>
</tr>
<tr>
<td>Central Asia: Accommodating Russian Interests</td>
<td>12</td>
</tr>
<tr>
<td>Southeast Asia: China’s Charm Offensive</td>
<td>16</td>
</tr>
<tr>
<td>East Africa: Interlocking Chinese Economic and Security Concerns</td>
<td>21</td>
</tr>
<tr>
<td>The Arctic: Testing the Waters</td>
<td>25</td>
</tr>
<tr>
<td>Conclusion</td>
<td>30</td>
</tr>
</tbody>
</table>
INTRODUCTION

Throughout most regions of the world, China’s regional development strategy recalls Janus, the ancient Roman god who was often portrayed with two faces. Like Janus, as China seeks to expand its global influence, its regional aid policies are driven by dual motivations – to help under assisted regions but also to serve Beijing’s political, economic, and environmental interests while undermining those of competing global powers. This Janus-headed approach looks for opportunities that developing countries often believe have been neglected by traditional aid institutions and Western countries including the United States.

China pursues its global interests by creating situations in which other states feel that conceding to Beijing’s interests is prudent, given China’s financial and diplomatic clout. Its development policy is rooted in the Belt and Road Initiative, a global strategy that links the world’s regions through hard and soft infrastructure. Asia, Africa, and Europe are targets for China’s development strategy and, in turn, key to understanding the consequences of China’s emergence as a global development provider. China addresses key regional concerns, thereby promoting a benevolent self-image. China nurtures recipient country-identified needs previously neglected by Western

Photo Caption: Officials visit a construction site for the China-backed East Coast Rail Link project in Dungun, Malaysia on July 25, 2019. (Rushdi Samsudin/AFP via Getty Images)
poverty, and to mediate local civil wars. This has helped China establish an economic and strategic foothold at the intersection of the Indian Ocean and the Middle East, projecting power far from its shores. In the Arctic, China has established research stations that function as both environmental research laboratories and military surveillance stations.

Chinese development aid has become an increasingly important source of finance in East Africa, Central Asia, and Southeast Asia since 2000 when China’s development aid contributions were negligible, as figure 1 illustrates. The Arctic is not listed as a recipient of Chinese development assistance because the region’s states are listed as developed countries. Nevertheless, China contributes financial assistance to areas such as environmental concerns that can be seen as forms of development assistance. This report argues that China’s approach to developmental aid is driven by projects that allow China to address region-wide concerns while advancing long-term Chinese objectives.

This report addresses China’s approach to development in Central Asia, Southeast Asia, East Africa, and the Arctic. China has worked through the Shanghai Cooperation Organization to meet Russian demands for continued regional primacy in Central Asia, helping Beijing foster economic and social dominance, access strategic energy resources, and treat the Uyghur minorities as a problem of terrorism rather than a development issue. In Southeast Asia, China has worked through the Association of South-East Asian Nations (ASEAN) to meet regional demands for soft and hard infrastructure to legitimize China’s growing strategic presence. China is therefore able to undermine the regional economic and security foothold of the US alliance system and challenge the interpretations of the Law of the Sea that legitimizes the military presence and activities of extra regional powers. In East Africa, China has cooperated with the African Union (AU) and the East African Intergovernmental Authority on Development (IGAD) to address regional demands for hard and soft infrastructure without political conditions, to link antipiracy problems to problems of piracy, and to mediate local civil wars. This has helped China establish an economic and strategic foothold at the intersection of the Indian Ocean and the Middle East, projecting power far from its shores. In the Arctic, China has established research stations that function as both environmental research laboratories and military surveillance stations.

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By taking gradual steps, China is able to transition from what initially appears to be a limited and benevolent presence into a strategic presence that serves its own economic and security interests. To counter this Janus-headed approach, recipient countries need to establish mechanisms that prevent China from gaining unwanted political leverage through developmental aid. To be effective, such mechanisms require region-wide and global approaches that put small-scale Chinese engagement into a larger strategic context. While focusing on the needs of their own immediate region, even smaller powers should think globally about how to assist in countering Chinese initiatives that undermine the liberal world order.

This report first looks at the origins, means, and objectives of China’s institutional approach to regional development. Second, it investigates how China has applied its development approach in the four regions of Central Asia, Southeast Asia, East Africa and the Arctic. Third, it discusses the policy implications of China’s institutional approach to regional development.
CHINA’S REGIONAL DEVELOPMENT APPROACH

Distinguishing Chinese development assistance from its trade and investment practices is difficult. The blurred lines between these sectors indicate that Chinese interests are always an integral part of China’s overseas engagement, even if the interests emerge among the application of aid and the needs of recipient countries. The Chinese Communist Party (CCP) is the final decision maker on Chinese overseas development assistance. The decision-making process, the interaction with recipient countries, and the financial arrangements underpinning Chinese aid programs are highly opaque. The secrecy of Chinese aid programs and their overlap with commercial activities make assessment of whether official Chinese development aims are implemented in practice difficult.

Officially, Chinese aid policy rests on three principles. First, officially China claims that it adheres to a policy of non-interference in the domestic affairs of other countries, attaching no political conditions to aid. China argues that recipient countries have a right to determine their own development path. For example, Beijing often points out that Africa and the Arab world decide how to manage their security problems, provided they respect the United Nations (UN) Charter, since they have to live with the consequences of their decisions. However, in practice, China exercises considerable influence behind the scenes, translating economic power into political influence and thus breaching its official policy of non-interference. China is well-positioned to use...
economic power as political leverage since, as shown in Figure 2, Chinese development assistance is mostly given as loans rather than grants, debt forgiveness or export credits, often leaving recipient countries with large debts. Since this influence is exercised behind closed doors, evidence is circumstantial. For example, China is believed to have persuaded Kazakhstan’s government to allow foreigners to buy land in the country to facilitate a growing permanent Chinese presence, but no hard evidence is available.7

Second, Chinese overseas development assistance is officially based on the UN system. Embedding development aid in adherence to the UN Charter and coordinating aid policies through regional institutions recognized as part of the UN system, such as ASEAN and the AU, offer China more policy legitimacy than if development aid was based on Chinese understandings of legitimate and illegitimate international conduct. The UN system represents the most universally recognized standard of civilization in international law and, as such, has become part of China’s calculus of legitimacy.8 If China can obtain legitimacy from the UN system for development policies that recast interpretations of international law, China can receive the green light to gradually change the rules of the UN system from within and to acquire capacities that could be used for other military-strategic purposes not endorsed by the UN. Specifically, the UN endorsed China’s participation in anti-piracy and capacity-building efforts off the Horn of Africa to ensure the safe delivery of food aid and the promotion of stability and security.9 China has used its role in UN anti-piracy efforts to implement its version of the Responsibility to Protect civilians against atrocity crimes in East Africa, which includes using peacekeeping troops only for defensive purposes such as the protection of civilians and government buildings. In practice, this allows China to use troops for protection of the contested government forces of South Sudan president Salva Kiir, which have participated in attacks on civilians.10 In 2017 China also established a naval base in Djibouti to fill a need for an anti-piracy logistics hub. However, the base does not allow foreigners access, and it can

Figure 2: Composition of Chinese Aid by Type by monetary value in current USD, 2000-2014

Note: Due to debt forgiveness on development loans, some aid may be counted twice


CHINESE DEVELOPMENT ASSISTANCE IS MOSTLY GIVEN AS LOANS RATHER THAN GRANTS, DEBT FORGIVENESS OR EXPORT CREDITS, OFTEN LEAVING RECIPIENT COUNTRIES WITH LARGE DEBTS.
be used by the Chinese military as a strategic hub for access to the Indian Ocean.¹¹

Third, China’s Belt and Road Initiative (BRI) is an economic vision for development and growth encompassing aid to developing countries and foreign direct investment in developed economies. China’s foreign aid is slanted toward countries that are part of the BRI. In this context, China has expanded the scale of foreign aid and focused on infrastructure, climate change, poverty reduction, sustainable development, security capacity, and peacebuilding. China is developing its own financial mechanisms for supporting its aid policy, such as the Asian Infrastructure Investment Bank (AIIB) and the Export-Import Bank of China (EXIM Bank China).¹² China’s awarding of development assistance to countries that have signed on to its economic vision allows the nation to spread its version of world order in the developing world, demonstrating that Chinese interests connect to the interests of recipient countries. For example, Chinese contributions to peacebuilding in Myanmar have been introduced as China’s responsible involvement in protracted local conflicts, as putting its international reputation on the line to ensure peace and stability in a neighboring country. However, the other side of Beijing’s peacebuilding is a lack of coordination with the contributions of the other members of the international community. In addition, Chinese peacebuilding has focused on protecting Myanmar’s government from criticism and punitive action in the UN Security Council, demonstrating concern for protecting political authority rather than for the human rights of the Rohingya minority in armed conflict with the Naypyidaw administration.¹³

China wins local popularity by demonstrating respect for local concerns; Beijing earns legitimacy by formulating its general policy on development assistance within the UN system and among the regional institutions that subscribe to the principles of the UN Charter; and China strengthens its reputation as a responsible power working on the ground to implement its principles for development aid. This is a Janus-headed approach to development, however, since these policies also allow China to build unprecedented domestic political influence, regional military-strategic positioning, and a global sphere of influence that undermines the rules-based order that China claims to defend. The following sections detail how China has pursued that development approach in Central Asia, Southeast Asia, East Africa, and the Arctic.

CHINESE PEACEBUILDING HAS FOCUSED ON PROTECTING MYANMAR’S GOVERNMENT FROM PUNITIVE ACTION IN THE UN SECURITY COUNCIL, DEMONSTRATING CONCERN FOR PROTECTING POLITICAL AUTHORITY RATHER THAN FOR THE HUMAN RIGHTS OF THE ROHINGYA MINORITY
After the Central Asian states of Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Tajikistan became independent in 1991 following the implosion of the Soviet Union, Russia continued to dominate regional security and influence the countries’ economic and political dynamics. China was looked upon with suspicion by Russia and by the Central Asian republics who feared the consequences of Chinese migration and economic influence on their societies. Fear of Chinese immigration is deeply rooted in the region. In ancient times, China’s coming to Central Asia was associated with the end of the world. During the tsar and Soviet periods, the borders to China were closed. In the post–Cold War period, China quickly moved to demonstrate its seriousness about its non-interference policy by resolving all border disputes with Russia and the Central Asian republics, proposing to equitably divide disputed territory. This way of solving the disputes also

Photo Caption: Zharqynbek Otan looks over his permit for permanent residence in the Republic of Kazakhstan with his six-year-old son in their home in Almaty, Kazakhstan. Otan spent more than two years in various forms of detention in Xinjiang, China’s massive Western region bordering Central Asia, including one of the country’s notorious re-education camps. (Izturgan Aldauyev for The Washington Post via Getty Images)
allowed China to signal that weak and strong powers would be treated equally in dealing with sensitive issues such as territorial conflicts. Thereby, Beijing demonstrated adherence to the UN Charter principle that states are legal equals.

China’s main interest in Central Asia is to provide reassurance that Beijing accepts Moscow’s position as the principal source of military, economic, and political guidance in the region. Russia has embraced China’s growing presence in Central Asia, as indicated by their agreement to coordinate BRI initiatives with Russia’s regional economic pet project, the Eurasian Economic Union (EEU). The EEU was established as a free-market initiative in 2014 by Russia, Kazakhstan, and Belarus and now also encompasses Armenia and Kyrgyzstan. Moscow recognizes that Chinese economic activities benefit an ailing Russian economy unable to unilaterally set the Central Asian economies on a positive development trajectory and secure regional peace and stability. Moscow has adopted an increasingly positive attitude toward the BRI initiative because Russia must look to China for economic opportunity.16

For the Central Asian economies, China’s BRI is a mixed blessing. However, few other countries have shown interest in investing substantially in the region, leaving China with leeway to advance its regional economic and social roles. Unresolved issues give rise to concern that China’s economic engagement will benefit China rather than Central Asia. One issue is Central Asian water shortages. China is an upstream country for many of Asia’s rivers. Economic development in the Chinese Xinjiang province has increased China’s diversion of water from the Irtys and Illy Rivers, engendering water shortages in Kazakhstan.17 Chinese economic development projects in Central Asia indirectly contribute to water conflicts because such projects alter the need for supplies such as electricity. With regard to locally produced products, cheap Chinese products influence the economic structures in Central Asia because the products created by some sectors are not able to compete with Chinese imports. Capital- and labor-intensive sectors are challenged by the competition, while those in the energy industry benefit.18 Adding to this concern is the worry that Chinese investments in transportation infrastructure will bring economic benefits to Europe, whereas Central Asia might merely become a transit route.19 Moreover, China’s economic influence means that approximately half the external debt of Central Asian countries such as Kyrgyzstan is owed to China resulting from Chinese loans–based investments, making those countries prospective dependents on Beijing.20

Chinese BRI initiatives influence the regional balance of power, unintentionally encouraging revivals of regional rivalries, for example between the two large regional powers Kazakhstan and Uzbekistan. Kazakhstan holds a special place in the BRI initiative. Together with Pakistan, Kazakhstan was one of two test cases of the BRI initiative. Chinese President Xi Jinping announced the onshore aspect of BRI in 2013 in Kazakhstan. Worrying about Kazakhstan’s growing regional position as a result of Chinese investments, Uzbekistan and Kyrgyzstan have pushed for the implementation of projects such as the stalled China-Kyrgyzstan-Uzbekistan railway network.21 At

**APPROXIMATELY HALF THE EXTERNAL DEBT OF CENTRAL ASIAN COUNTRIES SUCH AS KYRGYZSTAN IS OWED TO CHINA RESULTING FROM CHINESE LOANS–BASED INVESTMENTS, MAKING THOSE COUNTRIES PROSPECTIVE DEPENDENTS ON BEIJING.**
times, Central Asia’s citizens air their concerns about China. For example, the 2016 land reforms in Kazakhstan, allowing foreigners to buy land in the country, spurred anti-Chinese protests over the prospect of a permanent Chinese presence. Among Central Asia’s populations, BRI has demonstrated that China’s economic development approach brings not only economic opportunities but also more corruption and inequality.

The border settlements negotiated between China, the Central Asian states, and Russia in the 1990s formed the basis for creating the institutional framework known as the Shanghai Five. In 2001, the grouping became the treaty-based institution the Shanghai Cooperation Organization (SCO); the institution was embedded in the UN system and created a framework for continuous coordination between Central Asian leaders. In addition to China, Russia, and the five Central Asian states, India and Pakistan became members in 2017. Beijing has attempted to steer the SCO’s activities toward increasing economic cooperation. However, progress has been negligible because Russian and Central Asian state leaders remain worried about becoming economically dependent on China. At the same time, Russian and Central Asian state leaders are concerned that China invests less than it promises, or at least is slow to deliver on promises.

Despite Russia’s guarded approach to China, seen from a Central Asian perspective, the strategic partnership between Beijing and Moscow is trending upward. Sino-Russian cooperation increasingly enables them to dominate the region, with Beijing and Moscow coordinating policies to avoid rival interests. China’s successful rapprochement with Russia raises concerns in Central Asia about an emerging quasi-alliance within the SCO between the two regional great powers, focused on control over local elites rather than on building a genuine partnership. The rapprochement also diverts the SCO agenda toward the common Chinese-Russian concern about regional security.

In particular, the SCO has provided a platform for China to crackdown on Uyghurs, who live primarily in Chinese Xinjiang in northwestern China and in Kyrgyzstan, Kazakhstan, and Uzbekistan. Joint SCO exercises have increasingly focused on counter-terrorist scenarios, and in 2015 China passed a law allowing the People’s Liberation Army (PLA) to operate abroad on counterterrorism missions. The rise of Daesh in neighboring Afghanistan and its links to radical Uyghur Islamists and to Taleban splinter groups are seen as core threats against national sovereignty and unity by China and Russia. This has led to an increase in Russia’s and China’s military presence in Central Asia.

Rather than targeting radicalized elements among the Uyghur population, China is targeting the Muslim population as a whole, establishing a reeducation camp system in Chinese Xinjiang and tight surveillance that targets Uyghurs, Kazakhs, Kyrgyz, and Huis to force them to abandon Islamic religion and culture. The systematic Chinese surveillance and persecution of ethnic Muslim groups have been termed a scary engineering project carried out to create a uniform human being loyal to the CCP. China’s attempt to control Uyghurs extends into Central Asia.
Asia. Regional economic dependence on China causes local elites to cooperate with China on cracking down on Uyghurs. For example, they accept that Chinese security forces operate in their territories, arresting Uyghurs, sending Chinese Uyghurs back to China, and preventing former detainees from speaking to journalists.31

China’s development policy in Central Asia has focused on convincing Russia to work out a division of labor to facilitate Beijing’s rise as a major regional economic power. China has initiated intergovernmental coordination of counter-terrorist measures through the SCO, allowing it to translate economic leverage into regional cooperation on its crackdown on Muslims in violation of basic human rights.

**CHINA’S EFFORTS TO CONTROL UYGHURS EXTENDS ACROSS CENTRAL ASIA. DUE TO BEIJING’S ECONOMIC INFLUENCE IN THE REGION, CHINESE SECURITY FORCES CAN ARREST, DETAIN, AND TRANSPORT UYGHURS TO XINJIANG CAMPS.**
those mechanisms to better suit Chinese interests in becoming the leading regional power.

Beginning in the 1990s, China pursued a comprehensive policy of enhancing economic and political ties with Southeast Asia, overcoming the anti-communist sentiment among Southeast Asian political elites and creating a platform for cooperation. China’s role during the 1997 financial crisis, which entailed

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DOUBLE-EDGED AID: CHINA'S STRATEGY TO GAIN INFLUENCE THROUGH REGIONAL ASSISTANCE

Southeast Asia is important to China's plans to develop an Asian transportation and telecommunications network. The region's geographic proximity and role as an important export market for Chinese goods has driven China's interest in expanding its physical presence in Southeast Asia. The formation of the ASEAN economic community in 2015 brought Southeast Asian economies together as a single market and production base, and BRI plugs into this community by offering further integration both internally in ASEAN and externally with China by developing infrastructure.

About 50 percent of Chinese official financing was directed to Southeast Asia between 2000 and 2016, whether as overseas development assistance or less concessional official finance. Southeast Asian countries that are skeptical of growing economic dependence on China, such as the Philippines and Myanmar, are recipients of large infusions of Chinese official financing. Government leaders are in the driver's seat when making decisions on China's checkbook diplomacy. More than Japanese and Western alternatives, China often offers better and more immediate financial rewards with fewer strings attached. Since Southeast Asian leaders must also find ways to accommodate neighboring China's growing power, Beijing ends up being the preferred economic and financial partner in many cases.

Malaysia is a good example of this dynamic. With 14.6 billion US dollars of BRI investments from 2014 to 2016, Malaysia is the second-largest recipient of BRI funds, after Singapore. In May 2018 Mahathir Mohammad surprisingly won the presidential election, in what was widely seen as a popular vote against the Razak administration's embrace of BRI projects. Among the complaints is that China does not benefit local economies because the nation does not hire local labor and ignores labor regulations. Beijing also creates monopolies for Chinese business enterprises, often coercing the recipient country to

stabilizing the Chinese renminbi and China's unconditional offer of economic aid, helped push regional economic recovery and build trust between China and Southeast Asia. Normalization of relations were codified by China's signing of a China-ASEAN Free Trade Area agreement in 2002 and by China's accession to ASEAN's security pact, the Treaty of Amity and Cooperation (TAC), in 2003. The China-ASEAN agreement to sign a nonbinding declaration of conduct for the South China Sea in 2002 committed the parties to exercise self-restraint and to avoid activities that would complicate or escalate territorial and maritime disputes. This was a major step toward ASEAN acceptance of China as a Southeast Asian power with a physical presence in the regional maritime heartland, although China's presence had begun violently with China's winning of the 1974 Chinese-Vietnamese Battle of the Paracel Islands.

China's ambition to become the dominant Southeast Asian power met with some challenges because of ASEAN's concern to maintain multiple economic ties. India, Australia, and New Zealand offer a counterbalance to ASEAN countries' dependence on Chinese raw materials, and Japan and South Korea offer alternatives to China as sources of foreign direct investment and as markets for exports. Southeast Asia's reception of China's BRI has therefore also been mixed. Since the 1990s, China has embraced existing cooperation mechanisms while slowly revising those mechanisms to better suit Chinese interests in becoming the leading regional power in Southeast Asia.
Southeast Asia is not an easy region for Chinese inroads. These countries have alternatives that they can turn to, with Japan as the biggest investor in Southeast Asian infrastructure. In 2019, Japan had pending infrastructure projects worth $367 billion which supersedes by far China’s $255 billion investments. Moreover, Japanese investments are strategic—for example, targeting Vietnam and the Philippines, which have conflicting relations with China and are looking for alternative economic partners, defying dependency on China. On the other hand, Beijing’s willingness to recalibrate BRI, by lowering BRI project costs for the recipient country and by addressing environmental concerns as part of projects, makes China an attractive partner for realizing Southeast Asian countries’ industrialization plans.

China continues to put a high premium on working with ASEAN to address region-wide economic and security concerns, earning it kudos at a time when the United States sent only its national security advisor to the fifteenth ASEAN summit held in October 2019 in Bangkok—a diplomatic slap in the face of a status-conscious region. The prospective Regional Comprehensive Economic Partnership (RCEP) which includes China, Japan, South Korea, Australia, India and New Zealand, but not the United States, is negotiated within the ASEAN context. If the agreement is concluded under Vietnam’s chairmanship in 2020, provided Indian reservations are accommodated, ASEAN will be positioned at the center of huge supply and demand.

**SOUTHEAST ASIAN COUNTRIES THAT ARE SKEPTICAL OF GROWING ECONOMIC DEPENDENCE ON CHINA, SUCH AS THE PHILIPPINES AND MYANMAR, ARE ALSO THE MAJOR RECIPIENTS OF CHINESE OFFICIAL FINANCING.**

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**Figure 3: Composition of Chinese Aid to Different Regions**

<table>
<thead>
<tr>
<th>Region</th>
<th>Loans</th>
<th>Grants</th>
<th>Export Credits</th>
<th>Debt Forgiveness</th>
<th>Other</th>
<th>Tot</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East Asia</td>
<td>$34,218,745,642</td>
<td>$588,161,139</td>
<td>$4,712,248,522</td>
<td>$445,000,000</td>
<td>$4,554,985,846</td>
<td>$44,519,141,149</td>
</tr>
<tr>
<td>Central Asia</td>
<td>$28,493,515,758</td>
<td>$237,091,625</td>
<td>$857,604,975</td>
<td>-</td>
<td>$600,000</td>
<td>$29,588,812,358</td>
</tr>
<tr>
<td>East Africa</td>
<td>$10,954,783,826</td>
<td>$1,094,524,120</td>
<td>$1,659,638,699</td>
<td>$386,617,492</td>
<td>$339,503,359</td>
<td>$14,435,067,496</td>
</tr>
</tbody>
</table>

*Figure Source: Axel Dreher, Andreas Fuchs, Bradley Parks, Austin M. Strange, and Michael J. Tierney, Aid, China, and Growth: Evidence from a New Global Development Finance Dataset (Williamsburg, VA: AIDDATA 2017), https://www.aiddata.org/data/chinese-global-official-finance-dataset
chains, and strengthen China’s image as a power willing to accommodate Southeast Asian economic development needs.

Southeast Asia is a demanding partner for China. Hence, Beijing must accommodate Southeast Asian demands if China wishes to continue to increase its regional role. Beijing’s long-standing willingness to address Southeast Asian concerns about China in an ASEAN context gives it an upper hand because in the eyes of Southeast Asia, this demonstrates that Beijing is prepared to address Southeast Asia as a group, recognizing that the region constitutes a diplomatic unity. Moreover, Southeast Asia is able to attract other partners, as demonstrated by Japan’s significant involvement in regional infrastructure projects, pushing China into showing greater concern for regional views and interests. For example, China’s peace-building efforts in Myanmar have included strong support for the Naypyidaw administration’s ability to handle the crisis in the northern Rakhine province. Myanmar’s government has conducted violent crackdowns on the Muslim Rohingya minority, which, according to a 2017 UN report, constitutes genocide. China has major investments in Rakhine, such as the Kyauk-Phyu port, the starting point of an oil and gas pipeline and a railroad link from Rakhine to Yunnan in China. China’s economic stakes in Rakhine encourage Beijing to prioritize stability and non-interference rather than demand protection of the human rights of Rohingyas. Malaysia and Indonesia, both with large Muslim populations, look critically upon the alleged stabilization efforts in Myanmar. Despite ASEAN’s commitment to the principle of non-interference in the domestic affairs of other states, Kuala Lumpur and Jakarta pushed the 2018 East Asian Summit (EAS) (with China and Myanmar as members) to include in its summit statement the humanitarian situation in Rakhine as a matter of concern. During the November 2019 EAS summit, heated debates reportedly took place on the Rohingya issue. China’s establishment as a Southeast Asian power in the South China Sea is a greater concern than ever for regional powers. The region’s maritime heartland is now not only marred by conflicts over competing territorial claims in the maritime space but it is also an arena for US-Chinese strategic competition, giving rise to the militarization of the area. China has never clarified its claim, but maps presented by official agencies indicate that China claims sovereignty over approximately 85 percent of the sea. Since the 1990s, China and the ASEAN member states have engaged in dialogue on the South China Sea, debating disagreements and possibilities for cooperation. In the 1990s, China was reluctant to discuss a code of conduct, fearing that such a code could lock it into obligations that would constrain its aspirations for greater regional influence. However, as China’s economic leverage has grown, China’s economic stakes in Rakhine encourage Beijing to prioritize stability and non-interference rather than demand protection of the human rights of Rohingyas. Moreover, Southeast Asia is able to attract other partners, as demonstrated by Japan’s significant involvement in regional infrastructure projects, pushing China into showing greater concern for regional views and interests. For example, China’s peace-building efforts in Myanmar have included strong support for the Naypyidaw administration’s ability to handle the crisis in the northern Rakhine province. Myanmar’s government has conducted violent crackdowns on the Muslim Rohingya minority, which, according to a 2017 UN report, constitutes genocide. China has major investments in Rakhine, such as the Kyauk-Phyu port, the starting point of an oil and gas pipeline and a railroad link from Rakhine to Yunnan in China. China’s economic stakes in Rakhine encourage Beijing to prioritize stability and non-interference rather than demand protection of the human rights of Rohingyas. However, as China’s economic leverage has grown, so has its proactiveness in pursuing its maritime interests. In recent years, China has played a dominant role in code-of-conduct negotiations that are to be completed by 2021, practicing a divide-and-conquer tactic that utilizes the lack of agreement among Southeast Asian countries on how to deal with Beijing to advance Chinese interests. In 2017, Beijing was assisted by the Philippines to avoid the mention of Chinese land reclamation projects in the South China Sea in the thirtieth ASEAN Summit statement. Recent Chinese advocacy to restrict the rules of innocent passage, which currently allow extra-regional military vessels and aircraft to transit the South China Sea as international waters, poses worrying prospects for Chinese demands to restrict freedom of movement for countries outside the region in one of the world’s key strategic seas. If

GRANTS, EXPORT CREDITS AND DEBT FORGIVENESS PLAY A MINOR ROLE IN CHINESE DEVELOPMENT ASSISTANCE COMPARED TO LOANS THAT SADDLE RECIPIENT COUNTRIES WITH LARGE DEBTS.
left unchallenged, Chinese encroachments on freedom rights in the high seas will also have global implications for future interpretations of the law of the sea.43

China’s development policy in Southeast Asia has focused on demonstrating Beijing’s respect for the regional demand that the ASEAN nations be approached as a single diplomatic community with legitimate economic, environmental, and political interests. China has plugged into regional infrastructure deficiencies to assist in re-industrializing the region and has been careful to address local concerns, such as environmental issues and infrastructure financing, to nurture its image as a responsible power. However, on key regional issues where ASEAN is deeply divided, such as the Rohingya humanitarian crisis and the South China Sea disputes, China has translated economic power into political leverage, supporting those governments that advance Chinese interests.

CHINA IS PLAYING A DOMINANT ROLE IN CODE-OF-CONDUCT NEGOTIATIONS THAT ARE TO BE COMPLETED BY 2021, PRACTICING A DIVIDE-AND-CONQUER TACTIC THAT UTILIZES THE LACK OF AGREEMENT AMONG SOUTHEAST ASIAN COUNTRIES ON HOW TO DEAL WITH BEIJING’S PRIORITIES.
EAST AFRICA: INTERLOCKING CHINESE ECONOMIC AND SECURITY CONCERNS

In the revolutionary heyday of the PRC in the 1950s, China began to join the competition for influence between the liberal West bloc and the communist East bloc by supporting independence movements. One visible expression of Chinese interest was the building of the Tazara railway in East Africa in 1975.44 Another was the attempt to emulate China’s development model of collective farming and self-reliance, such as Tanzania’s Ujamaa project, resulting in severe food shortages, just as in China. Nonetheless, China had a scant presence in East Africa until the 1990s.

China stepped into the vacuum arising when the United States and the Soviet Union abandoned their African allies after the Cold War. Initially, China concentrated on developing economic relations, predominantly perceiving the region as a market and a source of raw materials such as oil and minerals, and also as a source of agricultural products. China’s booming industrial economic sector needed stable supplies. In East Africa, Sudan became a major source of oil supplies as China became a net importer of oil in 1993.45 In 2009, China surpassed the United States as Africa’s main trade partner. Between 2000 and 2014,
China became a major source of official finance. The Chinese government loaned more than $86 billion to Africa, and East African countries such as Sudan, Ethiopia, Kenya, and (since 2011) South Sudan have become the top recipients.55

Beijing has steadily diversified its economic engagement in East Africa, plugging into needs for hard and soft infrastructure to finance the construction of railways, roads, ports, airports, hospitals, schools, and stadiums and to offer cheap telecommunications solutions.47 China has comprehensive economic, security, and strategic interests in East Africa, applying its BRI strategy across the region as an access strategy for experimentation with Chinese-style mediation in civil wars and using the region as an access point to the Indian Ocean and the Middle East for the People’s Liberation Army (PLA). China has had a relatively high level of strategic freedom of action in East Africa. This favorable environment emerged from a low level of military-strategic US involvement and long-standing diplomatic and military links between China and East Africa.48

Despite its significant presence in most of the region, China has a mixed reputation among the general public in East African countries. Kenyans tend to hold positive views of China, with 67 percent looking favorably on China.49 By contrast, the South Sudanese public harbors largely negative views of China.50 However, China’s top-down approach to overseas development and security engagements, focusing on accommodating the needs of those exercising political power, implies that popular discontent with Chinese policies has limited influence on Beijing’s ability to implement them in the fast-growing East African economies.51

Ethiopia is China’s primary economic and strategic partner in East Africa. Ethiopia hosts and co-finances one of China’s overseas special economic zones. In the zone, the business environment is less constrained by administrative procedures and government financial requirements than elsewhere in the country, facilitating infrastructure financing and foreign direct investments in services and institutions. Despite training of local workers, technical support, and contributions to economic growth, UN assessments of the special zone have pointed to problems such as delays in infrastructure and utility services development, resulting in insufficient access to electricity and water.51 China has also made strategic investments in other East African states. Beijing invests in deep-water ports in Djibouti, Kenya, and Tanzania. Moreover, China is constructing a regional rail corridor connecting Kenya, one of the East African gateways to the maritime silk road running across the Indian Ocean, with Uganda, Burundi, and South Sudan. China is financing one in every four East African railway projects despite the dubious financial viability of some of these.52 In Burundi, China has helped fund the construction of a new presidential palace and an electric power plant. Moreover, 97 percent of Burundi’s exports to China are duty-free.53 In South Sudan, the Chinese state-owned enterprise China National Petroleum Corporation (CNPC) owns a forty percent stake in South Sudan’s biggest oil fields and has invested billions of dollars in oil-related infrastructure such as roads and pipelines.54

Chinese investments at a time when few countries were interested in East Africa have pushed regional governments to accept considerable debts to China.55 China’s regional...
2018, the UN Security Council agreed to adopt sanctions, and it remains to be seen if the peace process, ongoing since 2014, results in lasting peace.57

China’s much-publicized diplomatic efforts have done little to avert humanitarian crisis. Indeed, arguably those efforts divert attention away from ongoing deadly clashes between government and opposition forces caused by violence and displacements. The resulting refugee flows to neighboring states trigger tensions and critical shortfalls in water, food, shelter, health, education, and access to arable land. The UN peacekeeping forces are unable to offer protection of civilians against atrocities, although the forces were deployed on a responsibility-to-protect mandate.58 Meanwhile, China continues oil production in South Sudan, thereby helping fund the civil war without much overt criticism of China.59

China has played a similarly active political role in Burundi. China supported the 2015 national elections with US$800,000. The elections were marred by widespread violence, including killings of regime and opposition leaders, sparked by President Nkurunziza’s announcement of his candidacy for a third term in office. The elections were boycotted by much of Burundi’s opposition and denounced by Western countries as undemocratic.60 In 2019, in the run-up to the 2020 elections, China argued that Burundi should be taken off the UN Security Council agenda at a time when arbitrary killings, enforced disappearances, torture, and arbitrary detentions continue to take place according to the UN.61

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Shielded by embeddedness in UN peacekeeping initiatives, China is playing an increasingly central military-strategic role in East Africa that emphasizes Chinese rather than regional interests. In South Sudan, China has played a leading role in UN peacekeeping. By 2019, China had deployed approximately one thousand troops as defensive security forces, allowing them to protect entities such as civilians and government buildings.62 Despite attempts to appear impartial, Chinese support for
the national military forces of incumbents, enabling them to maintain effective control despite contested political power landscapes, has brought accusations of Chinese interference in domestic power struggles. Moreover, Chinese peacekeeping deployments also advance Chinese military interests that have not been endorsed by the UN. The deployments help Chinese troops obtain valuable combat experience, providing opportunities for testing equipment and comparing Chinese combat readiness to the level of other countries’ armed forces. These experiences help the PLA assess China’s war readiness compared with potential adversaries.

China’s establishment of its first permanent naval base in Djibouti is also not merely a logistics hub for naval operations supporting Chinese UN-endorsed antipiracy operations in the Gulf of Aden, the Arabian Sea, and the Indian Ocean. They are also port facilities that can help China realize plans to enable its navy to focus on a combination of offshore waters defense and open-seas protection, and to enhance China’s military-strategic role in the Indian Ocean and the Middle East, allowing its forces to operate in defensive and offensive capacities far from the Chinese mainland. China has also used its role in UN-based institutions to block peacekeeping forces. China successfully contributed to blocking the deployment of African peacekeepers in Burundi during the deteriorating human rights situation in 2015 and 2016. Beijing supported the Burundian government’s rejection of AU plans to deploy five thousand East African Standby Force (EASF) peacekeepers to protect civilians, a deployment that would have had to receive UN Security Council approval due to Burundian president Nkurunziza’s objection to the deployment. China, together with Russia, signaled that the two nations would block any resolution infringing upon Burundi’s sovereignty. To avert criticism, China donated US$200,000 to the East African Community (EAC) comprising Kenya, Tanzania, Uganda, Rwanda, Burundi, and South Sudan as part of efforts to facilitate a Tanzania-led dialogue to resolve the crisis in Burundi.

China’s development policy in East Africa has focused on demonstrating that Beijing respects regional demands for infrastructure development and for embedding political and security initiatives in regional institutional legitimacy. China has plugged into regional infrastructure and investment vacuums at a time when other powers showed little interest in East African development needs, nurturing an image as a responsible power which contributes to regional economic, institutional, and political self-reliance. This has allowed China to translate economic power into political, security, and military-strategic influence relatively undisturbed by local and global criticism despite Chinese contributions to growing geopolitical rivalry, human rights violations, and local indebtedness.
Initially, China’s presence in the Arctic reflected scientific interests. As a signatory state to the Spitsbergen Treaty, which recognizes Norwegian sovereignty over Svalbard, China established a research station in Norway’s far north in 2004 alongside a diverse group of countries that includes Poland, India, and Italy. Led by the Polar Research Institute of China in Shanghai, which was established in 1989, China’s Arctic Yellow River Station conducted research into the northern lights, the ice pack, glacier monitoring, and atmospheric conditions. Environmental and climatic changes in the Arctic affect China. For example, the Arctic sea ice melt influences the waves of the jet stream flowing west to east over the Northern Hemisphere, increasing smog levels in Beijing. Similarly, the Arctic sea ice melt is connected to the ice melt of the Tibetan plateau, which contains the world’s third-largest store of ice, giving rise to floods and mudflows in neighboring countries.

In the 1990s and 2000s, China emphasized its climatic scientific interests in the Arctic. It joined regional institutions that would allow it to collaborate with local partners on scientific research. In 1996, China became a member of the International Arctic Science Committee (IASC), a nongovernmental organization that aims to facilitate multidisciplinary research on the Arctic and its role in the earth system. In 2005, China was invited to join the Ny-Ålesund Science Managers Committee, which facilitates cooperation among research stations in Svalbard. In the 2010s, China began to develop a wider palette of commercial and security interests. As the sea ice melts, the prospects of using the Northern Sea Route running along Russia’s Arctic

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Photo Caption: People wave goodbye to Xuelong 2 during a departure ceremony at Shekou Port on October 15, 2019 in Shenzhen, China. Xuelong 2, or Snow Dragon 2, is China’s first home-built polar ice breaker. (Chen Wen/China News Service/VCG via Getty Images)
CHINA HAS USED JOINT VENTURES WITH WESTERN SHIPBUILDING COMPANIES TO TRANSFER DESIGN KNOW-HOW, FACILITATING CHINA’S ESTABLISHMENT OF A GLOBAL CARGO FLEET THAT IS SURPASSING WESTERN SHIPPING DOMINANCE.

shore to transport cargo to Europe are raised. Using an ice-free Northern Sea Route lowers the cost of insurance due to the lack of piracy, while the reduced number of days used for shipping the cargo from East to West contributes to cheaper transport costs. China’s large shipbuilding and shipping industry and its strategic partnership with Russia make this sea route commercially interesting to China. China has used joint ventures with Western shipbuilding companies to transfer design know-how, facilitating China’s establishment of a global cargo fleet that is surpassing Western dominance of the shipbuilding and shipping industries. In 2018, 52 percent of new ships in China’s cargo fleet was designed in China and 56 percent of new ships were built domestically. Thirty-nine percent of new ships were financed by China, and 29 percent of new ships were operated by China.68 As the sea ice melts, the Arctic sea routes become commercially attractive for China’s maritime industry. The most promising route by 2030 will be the Northern Sea Route, which generally follows the Russian coast from the Bering Strait to the coasts of Nordic states.69 Access to Europe and North America via the Arctic would reduce the distance between China and these areas by roughly four thousand nautical miles.70 China has two polar icebreakers, Xuelong 1 and Xuelong 2, allowing China to conduct scientific research and assess the commercial opportunities of the Arctic sea routes. The polar icebreakers went into service in 1994 and 2018, respectively.

China also has commercial interests in Arctic energy and minerals resources. China’s investments are usually co-financed arrangements, reflecting the high level of technical expertise required to extract energy and minerals resources in the Arctic and the legitimacy China obtains from entering into partnerships with states that are less likely to be seen as potential threats. For example, CNPC has bought a 20 percent stake in the Yamal Liquid Natural Gas plant, which forms part of Russia’s Arctic Liquefied Natural Gas (LNG) production. Similarly, in 2016 the Chinese company Shenghe Resources became the largest shareholder in Greenland Minerals by buying 11 percent of the shares in the company. Greenland Minerals is an Australian company which has the concession for extracting rare earth minerals in Kvanefjeld in Greenland. The company has yet to obtain permission for extraction. China processes approximately 80 percent of global rare earth minerals, giving it a strategic interest in the extraction license.71 These investments have been encouraged by local interests in Greenland and Russia, keen to profit from unexplored resources and attract foreign direct investments. However, the recipient countries cannot control which shareholders foreign investors decide to partner with. By partnering with other countries, China can enter the Arctic commercially without asking regional governments.

In 2018, Chinese interests in the Arctic were coupled to its BRI vision with the publication of its Polar Silk Road policy. The white paper encourages Chinese companies to invest in building regional infrastructure and in developing Arctic shipping lanes. China describes itself as a near-Arctic state, indicating that China is a key stakeholder with long-term interests in participating in regional development.72 China’s announcement that it was a stakeholder in the Arctic has been met with growing concern
from the region’s states, Denmark/Greenland/Faroe Islands, the United States, Canada, Norway, Finland, Russia, Iceland, and Sweden. All, except for Russia, are North Atlantic Treaty Organization members or NATO affiliates. Despite chronic infrastructure development needs for railways, ports, airports, and roads, Chinese infrastructure investments have been limited. For example, China has offered to pay for the Arctic Corridor railway that would link Asia and Europe via rail from the port in Norwegian Kirkenes through Finland, despite analyses showing that the railway is unlikely to be commercially viable. Because of political concerns and resistance in the indigenous Sami community, Finland has stalled talks about railway construction. Within the region, there is no great desire to accept China as a stakeholder in strategic Arctic infrastructure due to geostrategic and geopolitical competition between China and NATO. In particular, China’s tendency to translate economic power into political leverage is watched with concern by regional states. China’s demand that the Faroe Islands choose the Chinese telecommunications giant Huawei for implementing 5G Internet provided it wants to keep a favorable free-trade agreement in place illustrates the potential problems in economic cooperation with China. However, these concerns are not aired in public to avoid Chinese resentment.

China’s Arctic strategy came with a commitment to participate actively in Arctic governance and international cooperation, upholding the current Arctic governance system and regulating and supervising the activities of Chinese citizens. China became an observer state in the Arctic Council in 2013, together with India, Italy, Singapore, South Korea, and Japan. The Arctic Council is the leading intergovernmental forum advancing cooperation between Arctic states, indigenous communities, and other inhabitants, particularly regarding environmental and sustainability issues. Chinese institutional engagement has been key for Beijing to align with other powers to try to avoid being accused of advancing geostrategic interests at the expense of regional interests. Together with the other twelve observer states, China is working to expand the influence in the Arctic Council on the grounds that environmental and climate issues are a global rather than a regional concern.

In the Arctic, China prioritizes its interests in scientific research rather than fisheries, since no commercial fishing takes place in the ice-covered high seas of the Arctic Ocean. However, anticipating that in the future fish stocks could become commercially interesting, in 2018 the Arctic states and the near-Arctic observer states of the Arctic Council, China, Japan, South Korea, and the European Union (EU) signed the Agreement to Prevent Unregulated High Seas Fisheries in the Central Arctic Ocean (the CAO Agreement). The agreement puts a temporary ban on commercial fishing for sixteen years. The parties to the agreement cannot be prevented from or restricted in conducting marine scientific research. China’s engagement has made it a key player in future rules on fisheries in the Arctic, allowing it to sit at the table when a prospective regional fisheries management organization is established. In private, Chinese scientists have already revealed that China does not intend to respect the moratorium on fisheries insofar as it becomes attractive to fish in the Arctic high seas. China’s history of not keeping agreements it has signed, or of trying to revise how existing rules are interpreted, give rise to concern regarding China’s future role in resource extraction.

China’s navigation policy in the Arctic may influence its attempt to revise the United Nations Law of the Sea Convention BY PARTNERING WITH OTHER COUNTRIES, CHINA CAN ENTER THE ARCTIC COMMERCIALLY WITHOUT ASKING REGIONAL GOVERNMENTS.
(UNCLOS). China has been particularly active in demanding that military vessels and aircraft notify of their passage through two hundred nautical exclusive economic zones in the South China Sea, which China claims as its historic sea in contrast to most states that consider the sea international waters. In the Arctic, Canada considers the Northwest Passage to be its territorial waters, and Russia claims rights to administer the Northern Sea Route as an ice-covered area. So far, China has decided to notify Canada and Russia when it sails through these waters, thus implicitly recognizing them as territorial seas. To counter this practice, France has begun sailing through the Northern Sea Route to manifest the area’s status as international waters. Although potential future shipping interests might encourage China to consider the Arctic Sea routes international waters, the nation’s efforts to change the interpretation of the law of the sea have higher priority because these rules have global implications and because the commercial value of the Arctic sea routes remain questionable.

In contrast to Central Asia, China and Russia appear to keep each other at arm’s length on geopolitical issues in the Arctic. Russia’s Yamal LNG project involves several international investors to avoid dependency on one investor country. Although Russia welcomes Chinese investments, it is concerned to keep Chinese engagement in Russia’s Arctic at modest levels. Similarly, China appears to avoid being coupled to Russia’s geopolitical agenda to increase Russian influence in its Arctic neighborhood. For example, China’s proposal for constructing an Arctic Corridor railway initially went through Russian Murmansk. However, to avoid violating Western sanctions against Russia the proposal was redrawn to exclude the Russian Arctic region. The behavior points to China’s desire to avoid becoming entangled in geopolitical conflicts to the detriment of Chinese interests.

China is not a military power in the Arctic and shows no immediate interest in becoming one. The Arctic is not likely to play a role as China’s nuclear deterrent, since China is developing long-range submarine-launched ballistic missiles, enabling it to strike the United States. However, Chinese engagement in research stations are widely considered to be for dual-use purposes. Apart from the research station in Svalbard, China also has the 2016 Kiruna North Polar Ground Station, which is a satellite receiving station in northern Sweden. In 2018, the China-Iceland Arctic Science Observatory opened in northern Iceland. The research stations are launched as facilities for conducting research on northern lights, glaciology, climate change, satellite remote sensing, fisheries, and oceanography. However, they can also be used for military purposes of surveillance, communication, and interference in space. The science-based presence allows China a foothold with geostrategic implications. China is a leading space nation
and its Arctic presence helps it advance its space capabilities. China can use the research stations it has access to for future military engagement in the Arctic, should Beijing decide that it becomes desirable.

China’s development policy in the Arctic has plugged into regional needs for funding for climate and environmental research. China’s focus on these issues and its efforts to become an active participant in Arctic multilateral institutions have allowed the nation to become an Arctic player with legitimate regional interests. China’s launch of its polar silk road has allowed it to engage in resource extraction and introduce proposals for building soft and hard infrastructure, at times by translating economic power into political influence to facilitate Arctic states’ embrace of BRI. Moreover, seemingly benevolent policies such as notifying passage through the new Arctic sea routes and opening research stations are used to strengthen China’s geostrategic position in the world.
CONCLUSION

China’s development policies pose numerous challenges for regions, irrespective of their level of development and their geographic proximity to China. This report has looked at Central Asia, which consists of developing countries in China’s continental backyard; Southeast Asia, which is home to a mixture of highly developed, medium-income and low-income countries in China’s maritime neighborhood; East Africa’s fast-growing developing economies far from China’s shores; and the Arctic region, with developed economies in a region far from East Asia where China is a newcomer. Despite the different economic makeup and geographic location of these regions, the challenges China’s regional presence creates are fundamentally the same.

First, China’s starting point is to look at how it can advance its own interests by plugging into neglected regional development needs which its BRI is able to address. China also seeks to obtain approval from key actors for its regional policies. In Central Asia, China has invested heavily in regional infrastructure such as transportation and energy while demonstrating self-restraint toward the dominant regional power, Russia. These measures allow Beijing to ameliorate widespread skepticism about China’s willingness to promote Central Asian interests. In Southeast Asia, Chinese investments in regional infrastructure have been combined with a willingness to incorporate regional demands such as environmentally sustainable projects and favorable pricing to demonstrate that Beijing accommodates regional interests. In East Africa, Chinese infrastructure investments have been coupled with accommodating the calls of local elites for political assistance to help them stay in power. In the Arctic, China has plugged into the need for scientific

Photo Caption: Chinese Lunar New Year celebrations in Binondo, Manila. (Alejandro Ernesto/NurPhoto via Getty Images)
Second, China is using regional institutions founded in the UN system to obtain legitimacy for its development approach at regional and global levels, prioritizing the regional level in the event of disagreement between the region and the global UN system. In Central Asia, China has initiated the SCO, using it as an instrument to forge Russian-Chinese agreement on how to meet regional challenges such as terrorism, and ethnic and popular discontent. The SCO has been used to coordinate regional responses to these challenges. In Southeast Asia, China has demonstrated concern for the region’s insistence that ASEAN plays a key role in fostering economic development and security, signing on to the key treaties of the institution and negotiating difficult conflictual issues such as a code of conduct for the South China Sea at ASEAN level. In East Africa, China has cooperated with regional institutions such as IGAD and the EAC to accommodate East African demands for ensuring that local elites have a greater say in managing regional security issues, while also working with the UN to advance regional peace and stability insofar as East African elites have been in favor of UN involvement. In the Arctic, China has played a proactive role in the Arctic Council and other regional institutions focusing on environmental, climatic, and indigenous people’s concerns to demonstrate its willingness to prioritize issues that change global and local living conditions for the better.

Third, China’s regional development policies encompass a comprehensive set of economic, political, security, and military-strategic interests with global implications for China’s relative power. Controversial interests are introduced slowly over decades and under the radar to minimize pushback against China’s regional presence. In Central Asia, China’s insistence on region-wide counterterrorist measures against Muslim minorities that live in China has allowed China to operate in Central Asian territory to crack down on Uyghurs, Kazakhs, and other ethnic minorities with links to China’s northwestern province Xinjiang. In Southeast Asia, China advances its physical presence in the South China Sea and prevents an internationalization of the Rohingya ethnic research to manage environmental and climate challenges as part of its infrastructure development projects, while maintaining a low military-strategic profile to downplay local concerns about Chinese contributions to rising regional geopolitical tensions.

ONE OF THE BIGGEST PROBLEMS OF WESTERN GOVERNMENTS IS STOVE-PIPE THINKING, WHICH PREVENTS COORDINATION OF SECURITY AND MILITARY-STRATEGIC ISSUES WITH ECONOMIC OVERSEAS DEVELOPMENT ASSISTANCE.

CHINA’S INSISTENCE ON REGION-WIDE COUNTERTERRORIST MEASURES AGAINST MUSLIM MINORITIES HAS ALLOWED CHINA TO CRACK DOWN ON UYGHURS, KAZAKHS, AND OTHER ETHNIC MINORITIES WITH LINKS TO CHINA’S NORTHWESTERN PROVINCE XINJIANG.
BEIJING’S APPROACH TO AID ENABLES POLICIES THAT DO NOT HAVE REGIONAL APPROVAL, SUCH AS USING HUAWEI TO IMPLEMENT 5G INTERNET IN RETURN FOR FAVORABLE TRADE DEALS.

Conflict in Myanmar by playing on intra-ASEAN differences. China’s divide-and-rule approach allows it to pursue land reclamation, militarization, and restrictions on innocent passage for military vessels and aircraft in the South China Sea and to support Myanmar’s crackdown on Muslim minorities without much regional pushback. In East Africa, Chinese peacekeeping contributions hide the fact that its oil investments contribute to financing the ongoing civil war in South Sudan. Similarly, Chinese antipiracy contributions are a thinly veiled excuse for pursuing a military-strategic presence allowing the Chinese military access to the Indian Ocean and the Middle East. In the Arctic, Chinese passages through the Northern Sea Route and the Northwest Passage support its global efforts to change the law of the sea, and its financing of research stations contributes to its military-strategic surveillance and space capabilities.

The findings of this report point to the need to assess the global implications of China’s regional development policies. China targets local development needs with plenty of financial resources and through institutions with regional and global legitimacy. This approach enables China to address such needs where local elites and other global development providers have demonstrated neglect, either because the funding is not available or due to insufficient willingness of local elites to address the development needs of their people. However, the cost of this seemingly benevolent approach is Beijing’s exercise of political influence behind the scenes for policies that do not have regional approval, such as using Huawei to implement 5G Internet in return for favorable trade deals, allowing Chinese security forces to crack down on Muslim minorities in other countries, using research stations for military purposes, pursuing revisions to the law of the sea that restricts the movement of military vessels and aircraft, and engaging in infrastructure investments that fund the civil wars of local elites.

Greater inter-regional coordination through the UN system and by allowing external parties a greater role in regional institutions is likely to help concerted pushback against the problematic aspects of China’s regional presence. More multilateralism, not less, is the answer to China’s efforts to change the rules and mechanisms of regional institutions from within. Moreover, including private-sector capital from non-Chinese countries in regional institutional efforts to identify infrastructure investments that meet regional rather than national needs and are likely to be profitable will help provide competition to China’s growing role as a development assistance provider. In addition, greater cooperation between external sources of investment and regional institutions in identifying fundamental development needs that can persuade local elites to refrain from accepting cooperation with China on encroachments on fundamental democratic and human rights in return for meeting these needs can help push back at the authoritarian and undemocratic elements of Chinese influence. For example, education for children and young people is fundamental to the development needs of populations in all these regions. However, these social goods must be provided in ways that refrain from alienating local elites by questioning local values and belief systems. For example, focusing on business school education to provide regional populations with instruments for becoming more self-reliant in providing for economic development is a good instrument to benefit local economies without engaging in political provocations.

Another issue raised by China’s approach to development is the focus on the least developed economies found among some
Western development assistance providers. This analysis finds that developed and developing economies share the problem of chronic infrastructure development needs with little or no funding available. Highly developed Western societies have peripheries with sustained shortages of funding for solving infrastructure and climate challenges. These funding issues should be addressed at the regional level because many of them cannot be solved nationally, and these discussions would benefit from including private-sector interests. For example, local shipping companies might be willing to invest in infrastructure projects in the Arctic or provide funding for environmental projects as part of their corporate social responsibility policies. The newly created Arctic Economic Council might aspire to be a model for a regional approach to private-sector involvement in other regions.

Finally, one of the biggest problems of Western development and security agencies is stove-pipe thinking, which prevents coordination of security and military-strategic issues with economic overseas development assistance. The establishment of separate governmental agencies tasked to assess and suggest how to prioritize potentially conflicting development and security concerns appears to be necessary to prevent dysfunctional regional policies. The work of such agencies would encompass security screenings of development policies and development screenings of security policies to ensure that policies are effectively aligned with national priorities and concerns in recipient and provider states. Such efforts are essential in a world where security and economic dynamics are closely entwined.
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