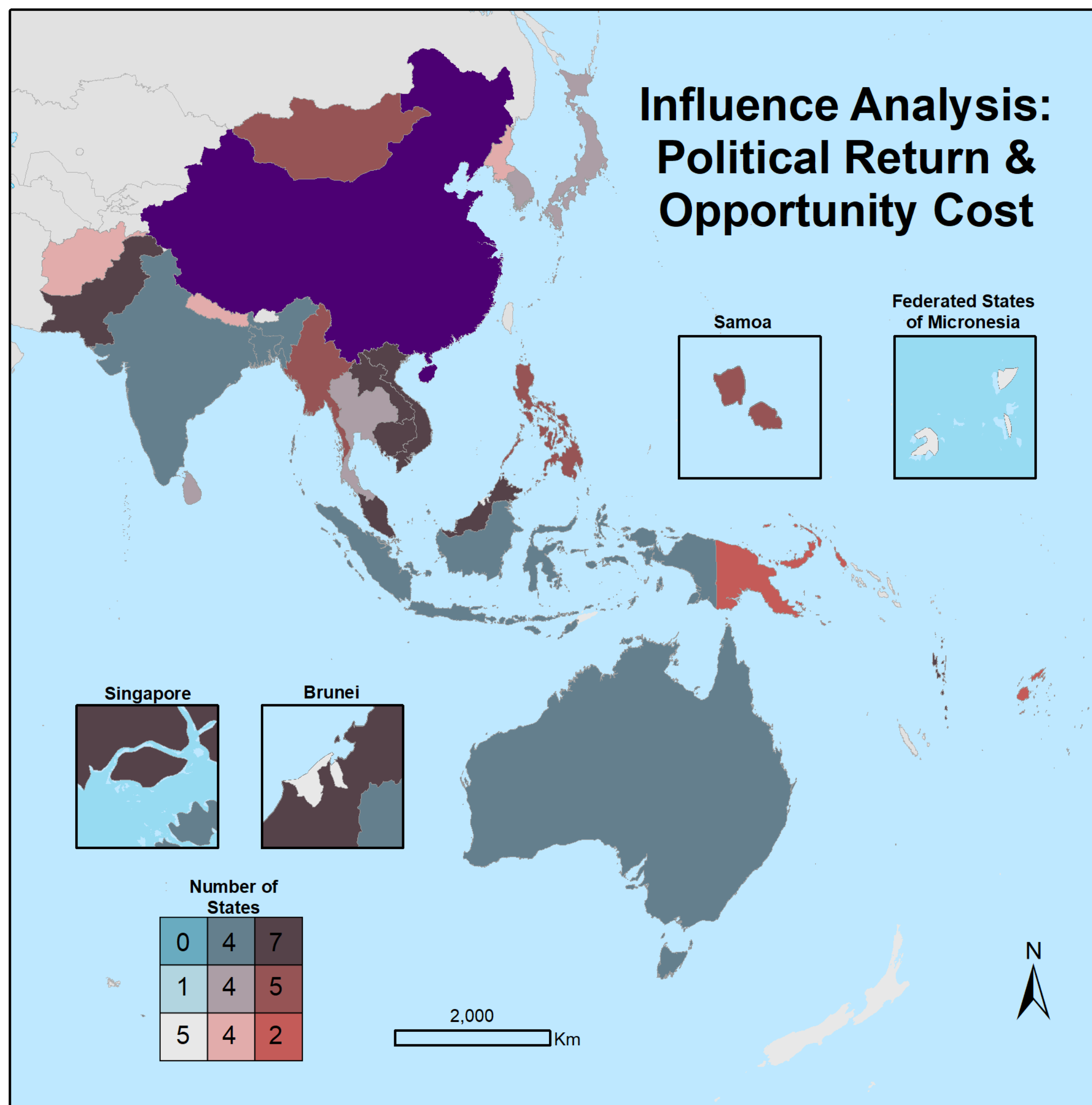
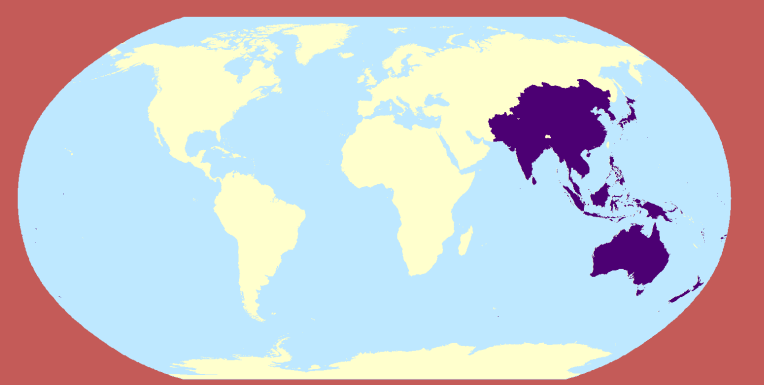




Building Strategic Influence in Asia: 2000-2018 Chinese Investment & Public Diplomacy Engagements



Executive Summary

This analysis forms a basis for future assessments of where, in both economic and diplomatic terms, different types of Chinese foreign investment are most concentrated. Based on analyses of Chinese outbound resources to recipient states, and of recipient state characteristics such as dependence on foreign trade and support, it provides insights as to which countries appear poised to offer Beijing actors a greater degree of strategic influence in local state policy. This project is regionally focused on East, South, and Southeast Asia and the Pacific Islands.

Too often Western analyses of Chinese FDI focus exclusively on the financial viability and sustainability of the investments, parochially overlooking larger strategic opportunities and implications. This is particularly true of Belt and Road Initiative projects, such as ports from Sri Lanka to Pakistan to Greece that prompt debates of "debt-trap diplomacy." Such engagements amount to more than fiscal investments alone and may be effectively subsidized by long-term economic, military, political and strategic interests.

Akin to a suitability or vulnerability analysis, this study is intended to be useful for Chinese and foreign practitioners interested in where China can get the most bang for its proverbial buck, in not merely monetary but rather in strategic terms utilizing multiple tools of state power.

Background

Chinese foreign policy has evolved significantly over the last several years, leading many to pose questions regarding China's grand strategy and evolving role in international affairs. Chinese government white papers and analyses of speeches over the years appear to evidence distinct differences between China's geopolitical ambitions and foreign engagements under Xi Jinping versus under the Jiang and Hu administrations. From overseas political, economic, and institutional involvement, to diplomatic and military power projection and positioning, to cultural, social, and educational influence, China's outreach is markedly different from previous decades. While debates over Chinese strategy and Xi's motives and objectives continue, more clear is that China's leadership structure facilitates the marshaling of economic, political, military, and informational levers of state power towards a more unified and long-term strategy than is feasible in many other countries like the US.

Scope, Methodology and Limitations

In light of the debates and trends outlined above, this study analyzes 1) which nearby countries are a priority for China's leadership based on China's foreign investments and diplomatic efforts, and 2) which might be more likely to offer Chinese leadership a greater degree of strategic influence in return for near-term economic and diplomatic support. Such analyses are complex, nuanced, and multifarious; each country must be examined individually and influence cannot be effectively distilled to a minute set of variables. As such, this study does not

attempt to draw firm conclusions about engagements or characteristics that prescribe strategic influence, but rather to form a basis from which insights into the prioritization and relative effectiveness of Chinese strategic engagement may be drawn. More data across geography and industry sectors may be factored into this model, and more analysis has been conducted than can be shown here. This study is limited in scope to particular sets of indicators of both Chinese engagement and recipient state suitability characteristics, and to particular regional states.

32 states are examined in this analysis, combining data from a wide variety of sources. "Category I" variables (first row) represent modes and volumes of Chinese engagement, divided primarily between monetary investments and public diplomacy initiatives. "Category II" variables (second row) represent characteristics of host states. The table below provides detail regarding how different weighting determinations were made, e.g. investments in "strategic industries" that were counted more heavily and metrics that were deemed to constitute investments in "cultural influence." The bivariate choropleth map combines these categorical data findings and their relative weights, and suggests reasonable correlation between the two categories, especially at high levels.

There are a number of metrics and limitations that provide valuable room for further study. Contrasting this region with other regions, such as Africa and Central Asia, would be particularly interesting. It would also be valuable to conduct a study of changes in engagements over time, and to provide deductive analysis of where Beijing has demonstrably obtained greater political influence as either a correlative or causal result of these engagements. More metrics and data, particularly "Category II" metrics and diplomatic/informational data, would also be valuable to further study. World Bank and other institutions'

infrastructure data also seemed incomplete. Furthermore, it would be useful for the purposes of this analysis to differentiate, where possible, between public and private investments (i.e. SOEs vs. individual citizens', e.g. through Bond Connect), between efforts to build political influence under different administrations and Party officials, and between formal diplomatic engagements versus informal engagements in commerce, labor, and entertainment. Further metrics might assess, for instance, the growth of cross-national marriages (e.g. in Pakistan or Malaysia), flows of migrant labor (in both directions), or the number of Chinese-language radio and television programs in neighboring states.

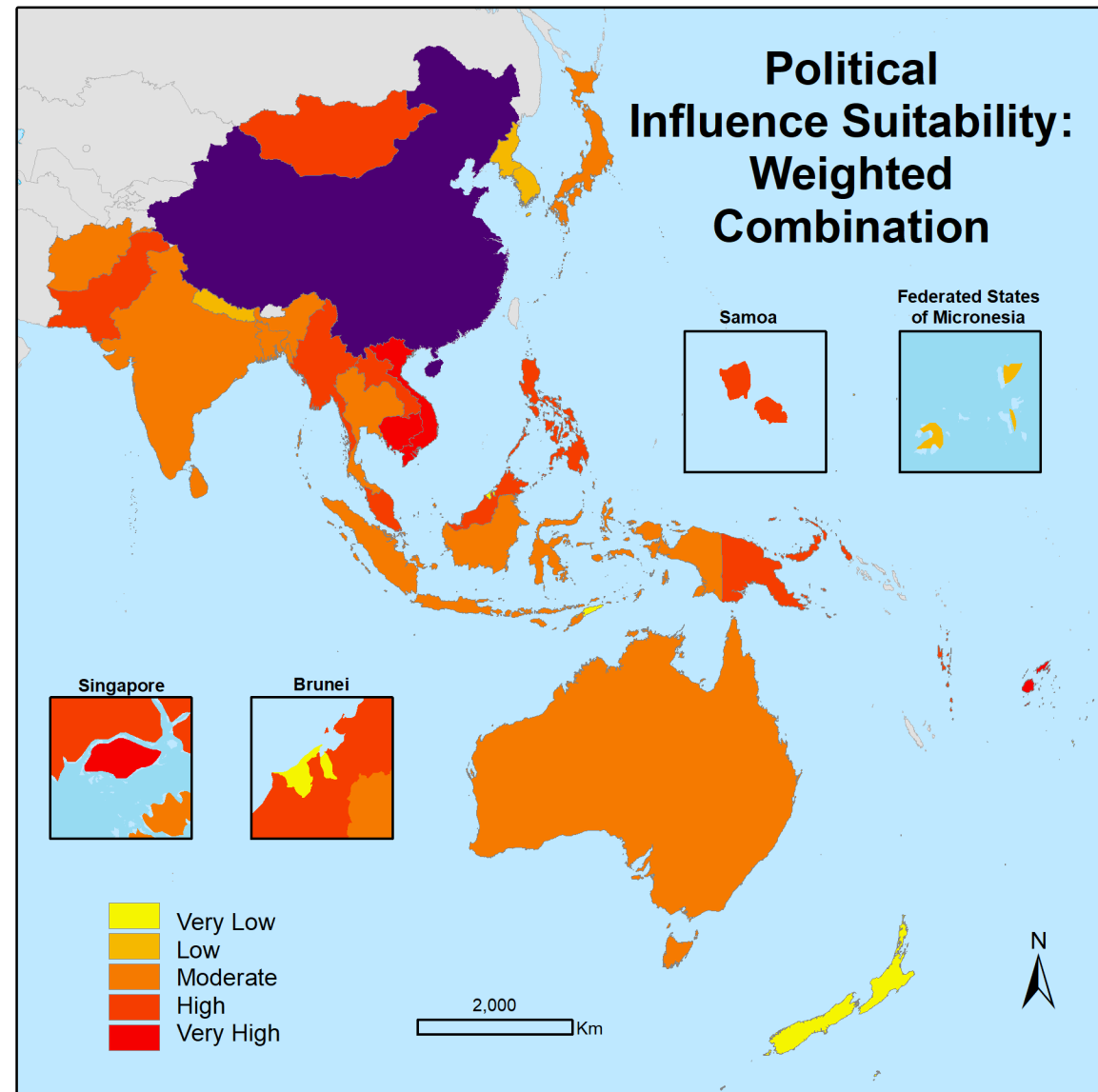
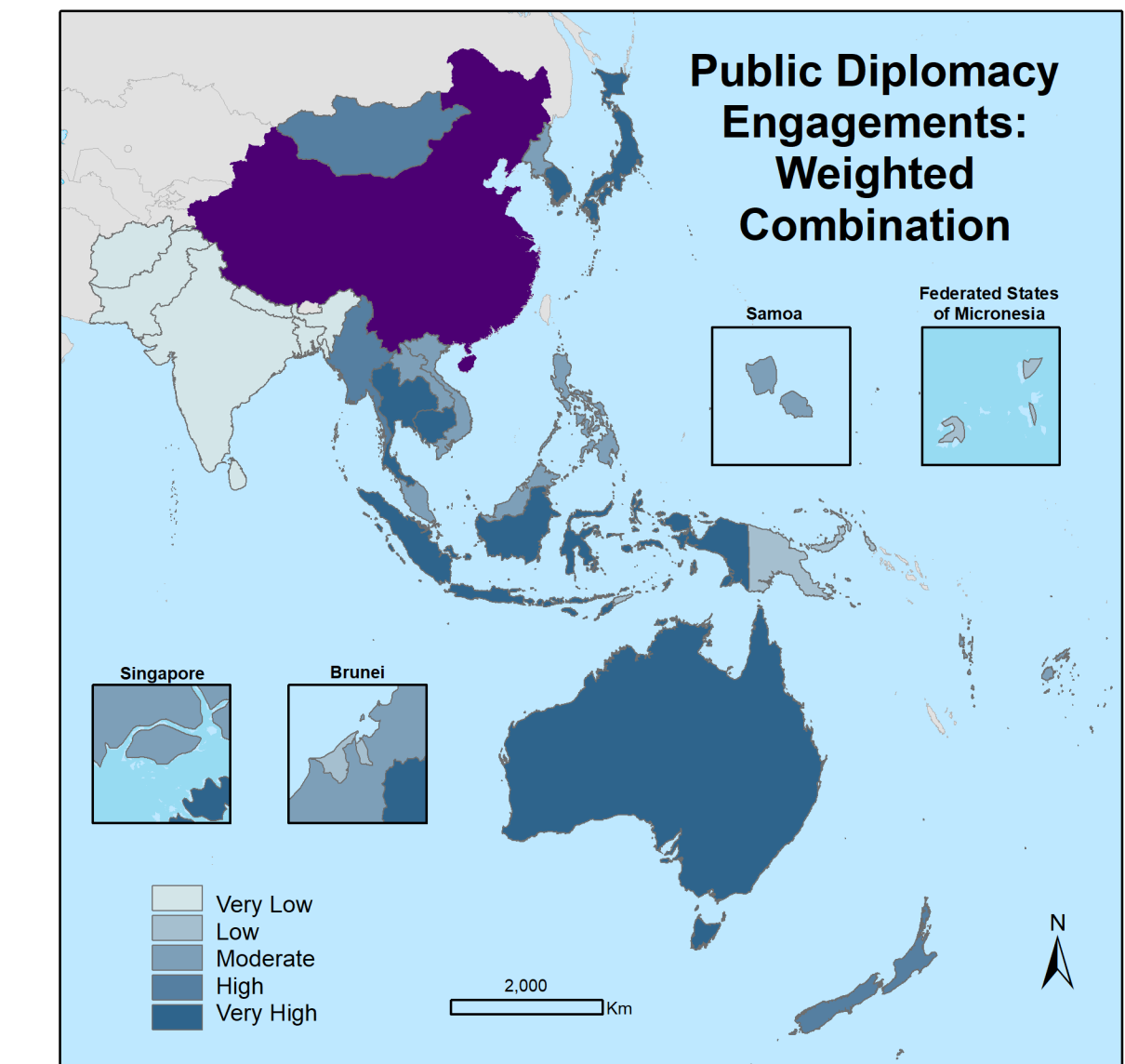
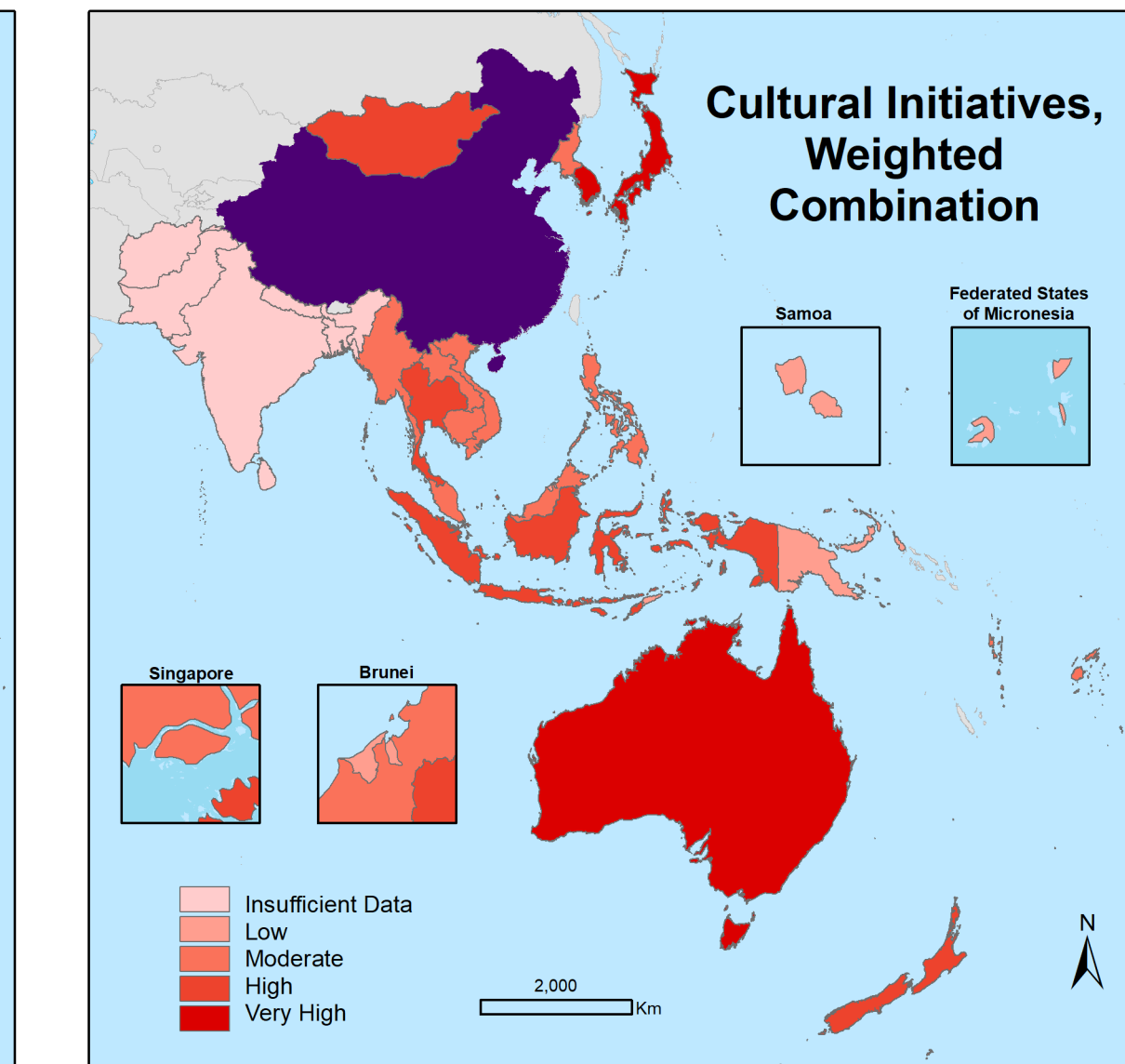
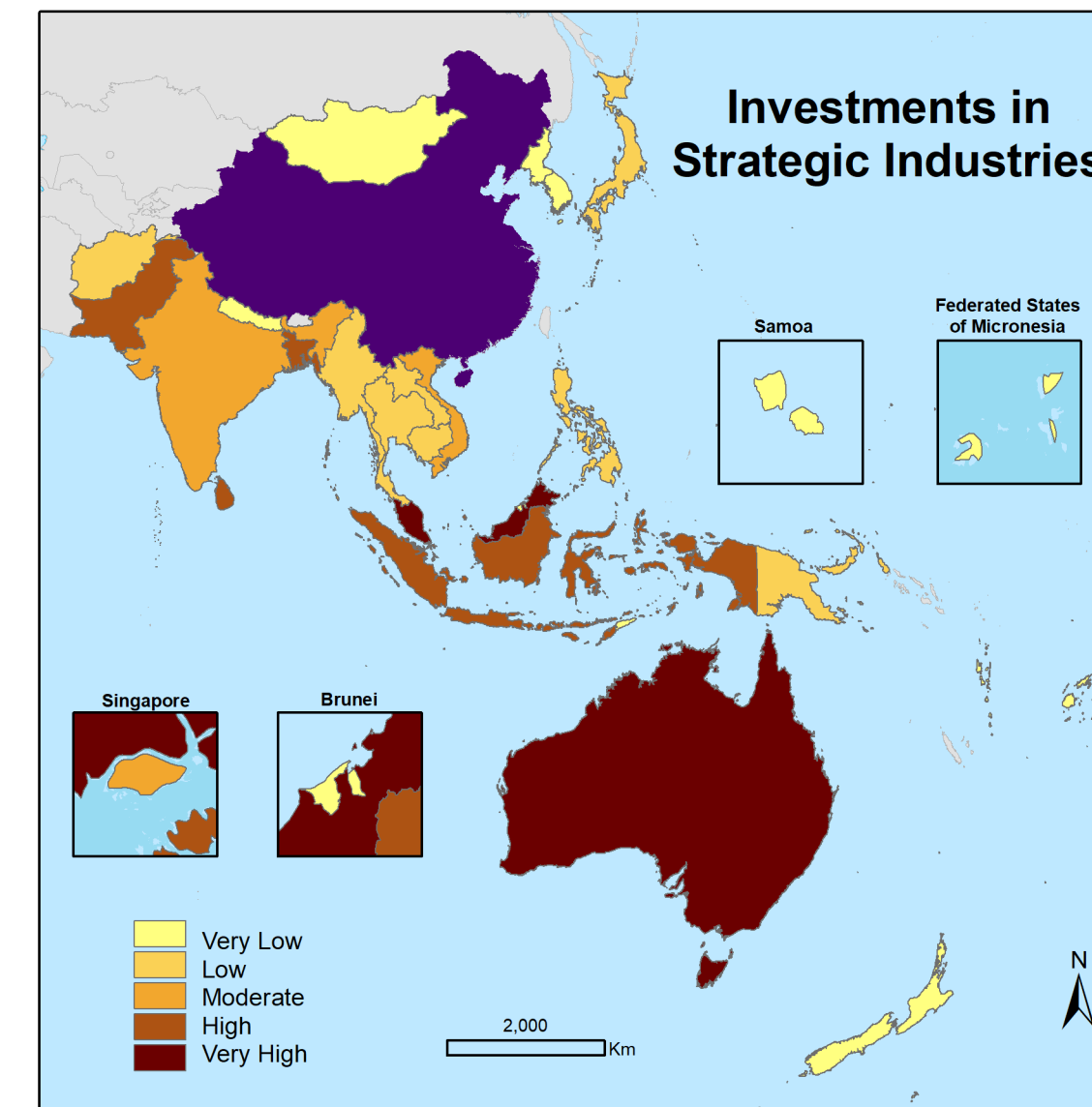
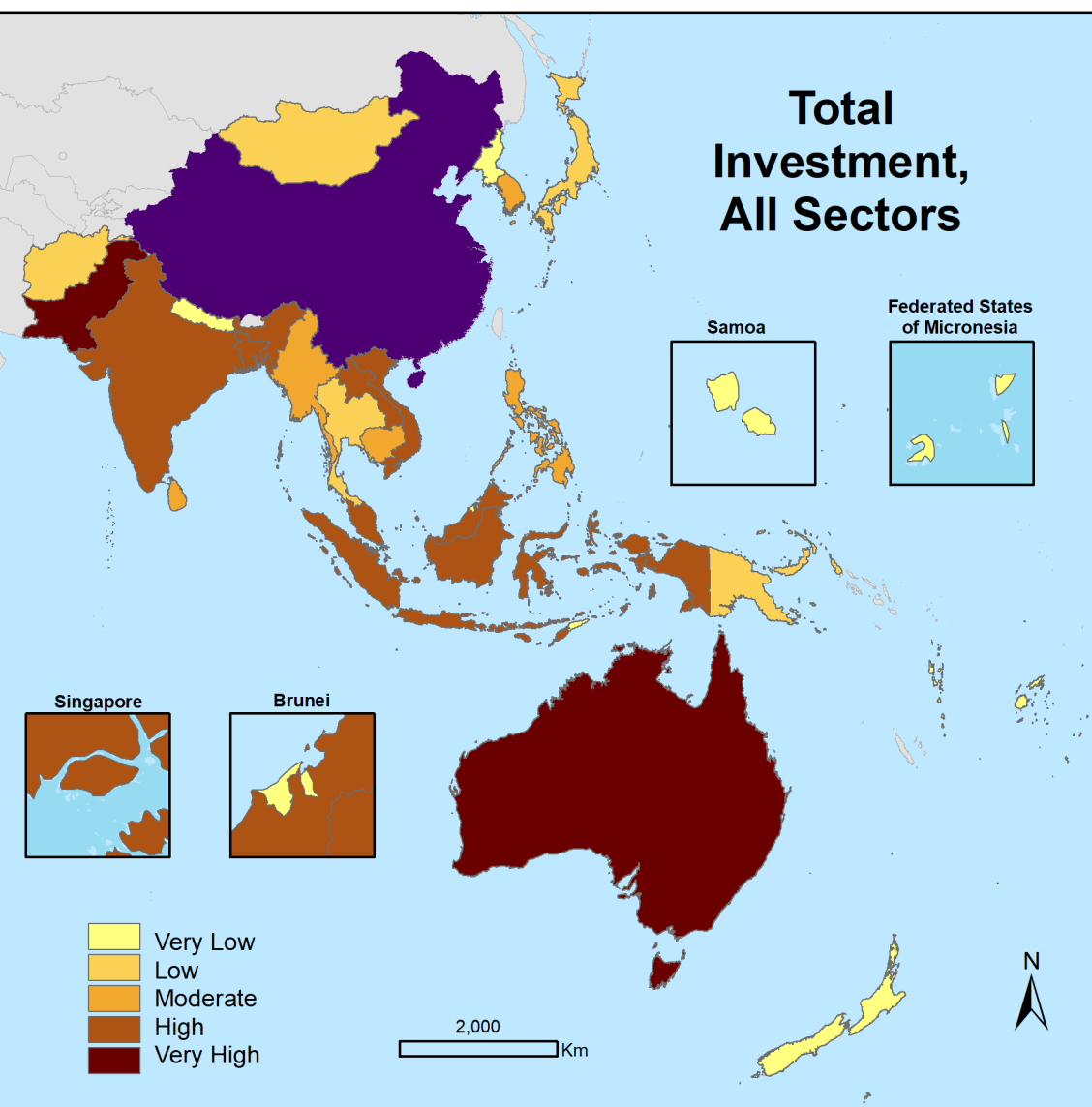
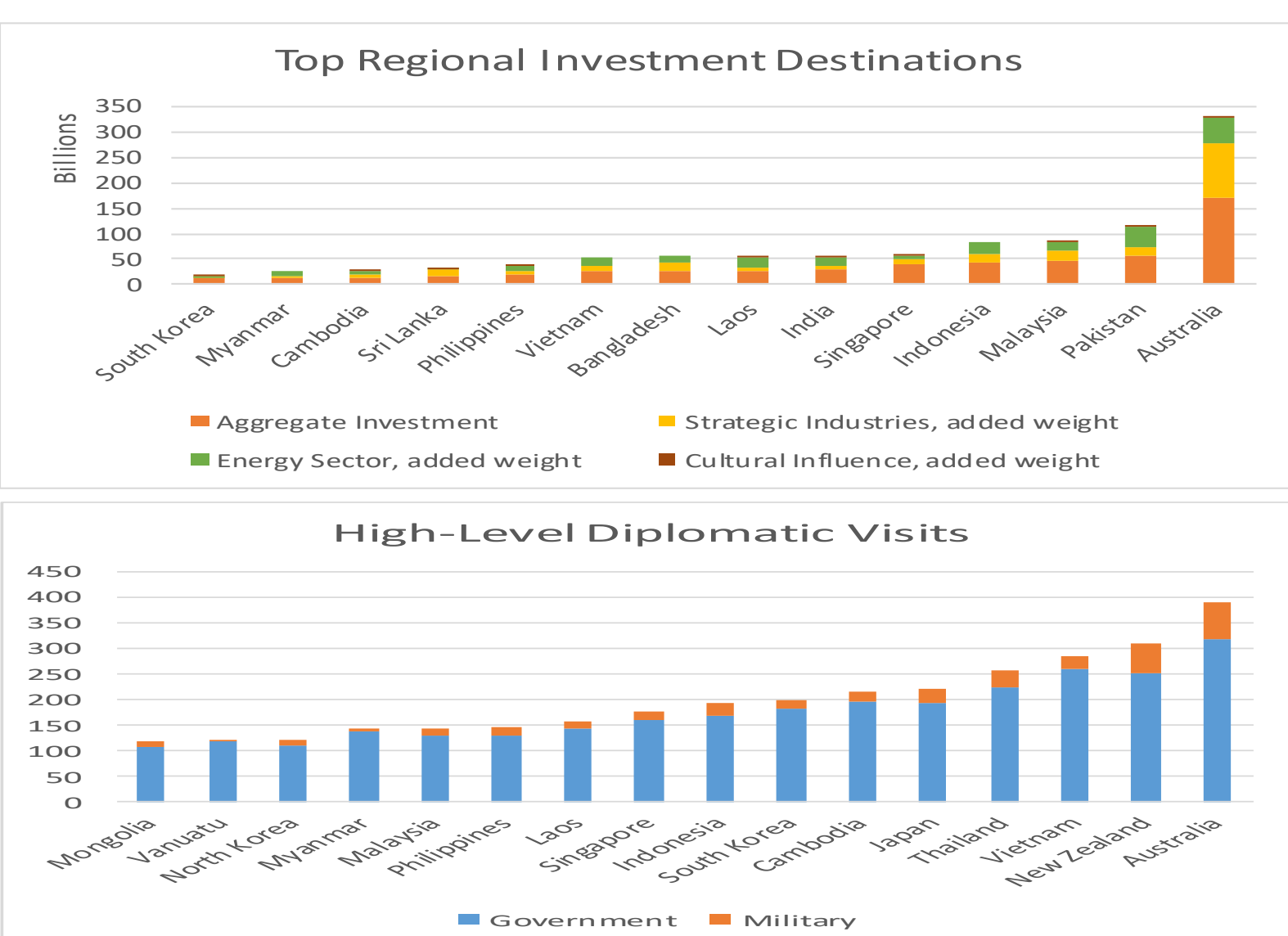
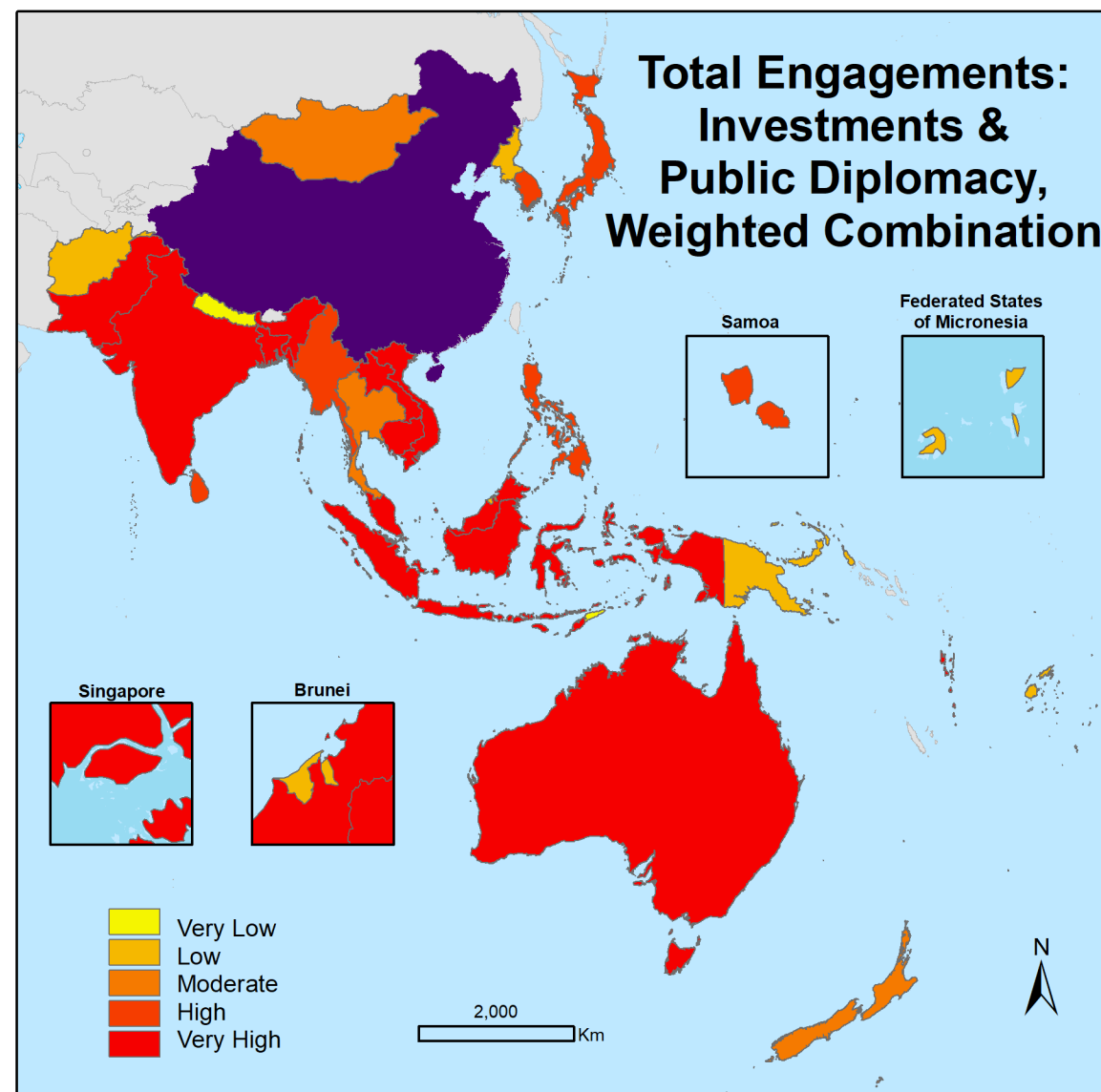
Additionally, some metrics may be detrimental to long-term, sustainable political engagement in either extreme. An insecure, illiberal regime might offer significant short-term political decision-making power and military access in exchange for economic aid helping to secure the regime, but if a regime collapses the investment is likely lost. Sustainability may cut both ways. A bell curve approach might therefore be a better method with which to assess metrics like political risk or the overlapping influence of other states, like Russia, the US, the EU, India, etc. This approach would still be inadequate without also assessing unique historical and political idiosyncrasies (e.g. vis-à-vis the Philippines, North Korea, or mutual security treaty signatories), but provides valuable grounds for future study.

Conclusions

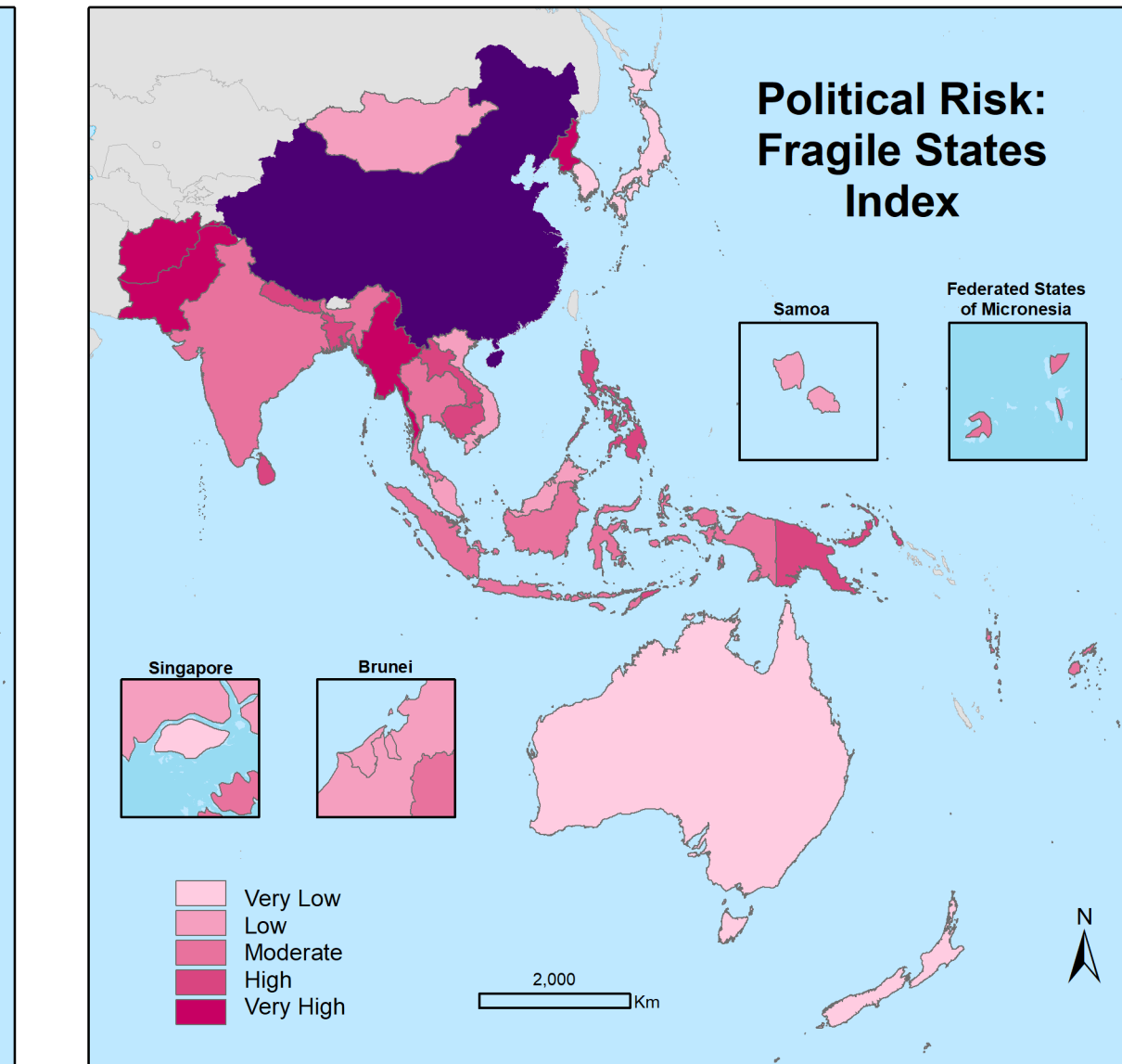
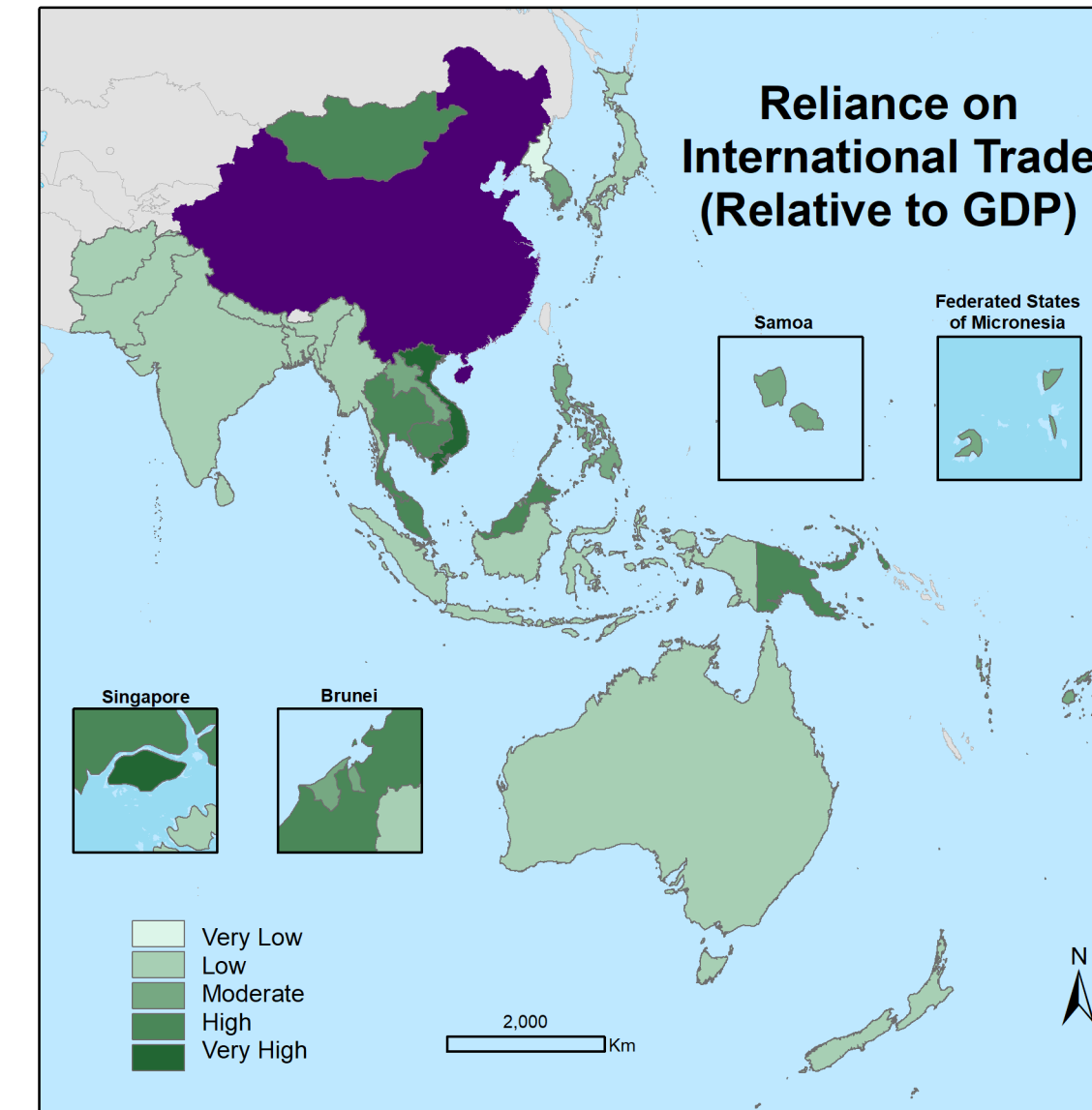
China is investing heavily in Malaysia, Indonesia, Australia, and Pakistan in financial and diplomatic terms. Pakistan and India are of particular

interest given their enormous populations, status as nuclear weapons states, the stark differences between the two, and regional unrest, providing challenges and opportunities for states like the US and China as well as room for competition and cooperation. Australia receives a high level of engagement in part due to the size of its economy (Mandarin is also the second-most widely spoken language), but certain ASEAN states may provide greater potential long-term political capital in particular areas than Australia might (notably Vietnam and Cambodia). China demonstrates interest in building political influence within ASEAN, and these states are also of closer proximity to the Belt and Road Initiative. Akin to gaining influence within ASEAN through other states' voting powers, the Pacific Island nations are also of particular interest in this study for multiple reasons: 1) equal voting power in bodies like the UN that might offer potential influence or legitimacy through consensus (similar to China's sway over certain ASEAN votes like Cambodia), 2) significant analysis of Chinese investment and other activities in African states, but relatively less so in the Indo-Pacific; and 3) differences between Pacific Island states across different metrics (e.g. a relatively high number of government trips to Vanuatu, a relatively high degree of public diplomacy engagement in Samoa, a relatively low level, in contrast, of absolute investment in Brunei).

Of significant note to policymakers (both Chinese and globally) will be how these trends evolve over time, and methods by which other states employ one tool of state power in pursuit of another.



Recipient State	GDP (\$ USD billions)	Debt as % of GDP	% of Govt Debt Paid by China	Current Investment	% of Infrastructure Inv. by China	Political Risk: PRS Index	Political Risk: FSI Index	Int'l Trade as % of GDP	BJ Influence Counters DC Index
Cambodia	22.2	31.7	13%	59	0.111	78	84	125	3
Singapore	324	112.9	0%	94	0.087	91	30.4	322	4
Myanmar	69.3	33.2	1%	111	0.040	63	96.1	39	4
New Zealand	206	30.4	0%	163	0.010	87	20.9	51	4
Pakistan	305	72.5	0%	355	0.044	54	96.3	26	4
Malaysia	315	55.1	0%	383	0.0523	78	63.6	136	4
Thailand	455	41.9	0%	394	0.016	76	75	122	4
Bangladesh	250	33.4	0%	417	0.036	64	90.3	35	3
Philippines	314	39.8	0%	429	0.0172	68	85.5	71	5
Vietnam	224	57.8	0%	503	0.020	68	68.4	200	4
South Korea	1530	40.4	0%	1400	0.001	81	35.7	81	5
Australia	1320	40.5	0%	1500	0.070	85	20.8	42	5
Indonesia	1020	29.8	0%	1600	0.010	69	72.3	40	4
Japan	4870	238.2	0%	3800	0.001	85	34.5	31	4
India	2600	69.6	0%	3900	0.002	70	76.3	41	3



- Data Sources:**
- American Enterprise Institute, China Global Investment Tracker (AEI CGIT), 2018
 - William & Mary, AIDDATA, 2016
 - International Monetary Fund (IMF), DataMapper
 - Global Investment Outlook, G20
 - Political Risk Services (PRS)
 - Fragile States Index (FSI), Fund for Peace
 - Directorate for National Intelligence (DNI)

- World Bank
- Asia Development Bank (ADB)
- Federal Reserve Economic Data (FRED)
- Financial Times
- Trading Economics
- China Ministry of Commerce (MOFCOM)
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- ESRI

- References:**
- Organisation of Economic Co-operation and Development (OECD)
 - Bank for International Settlements (BIS)
 - Joint External Debt Hub (JEDH)
 - Image: Xi Jinping speaking at the G20 (photography by the G20).
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 - Paroma Husain, "Linking Financialization and Economic Development in Africa," *Fletcher, GIS for International Applications*, 9 May 2017.
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Projection: Azimuthal Equidistant projection customized for Asia: False Easting: 0.0, False Northing: 25.0, Central Meridian: 80.0, Latitude of Origin: 12.0. Coordinate System: GCS_WGS_1984.

Cartographer: Hiram Reynolds
GIS for International Applications (DHP207)
Fall 2018