Executive Summary

This analysis forms a basis for future assessments of where, in both economic and diplomatic terms, different types of Chinese foreign investments 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 the 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 volatility and sustainability of the investments, partially overlooking larger strategic opportunities and implications. This is particularly true of Belt and Road Initiative projects, such as the Port of Sriracha in Pakistan that prompted debate of “debte-trap diplomacy.” Such engagements amount to more than fiscal investments alone and may be effectively subdued by longer-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 policymakers interested where China can get the most bang for its proverbial buck in non-military 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 leading 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 its motives and objectives continue, more is clear that China’s leadership structure facilitates the matching of economic, 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.

In light of the debates and trends outlined above, this study analyses 26 countries as a priority country analysis based on China’s foreign investments and diplomatic efforts, and which may be more likely to offer Chinese actors a greater degree of strategic influence in return for near-term economic and diplomatic support. Such analyses are complex and nuanced, and each country must be examined individually and influence cannot be overestimated as a minute set of variables. As such, this study does not attempt to draw firm conclusions about engagements or characteristics that describe strategic influence, but rather to form a basis from which insights into the prioritisation 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 analyses has been conducted than can be shown here. This study is limited to a subset of particular indicators of both Chinese engagement and requisite 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 (that represent modes and volumes of Chinese engagement) that are directly dependent on monetary investments and public diplomacy initiatives. “Category II” variables (that represent flow variable characteristics) of states. The table below provides detail regarding how different weightings were made. Basic indicators “strategic industries” that were counted more heavily and metrics that were deemed to contribute investments in “cultural influence.” The bivariate choropleth map combines these categorical data findings and their relative engagement in each of these two categories, especially at high levels.

There are a number of metrics and limitations that are important for the study. Constraining this region with other regions, such as Africa and Central Asia, would be particularly interesting. There would also be valuable to conduct a study of changes in engagements over time. The study also has provided deductive analysis of inferences which Beijing has demonstrated relative greater political influence within the subset of a correlation with strategic influence. More metrics and data, particularly “Category I” metrics and “Category II” data, would also be valuable to further study. World Bank and other institutions.

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 and national rivalries, providing challenges and opportunities for strategic influence. The US may also be poised as a means for competition and cooperation. Australia receives a high level of engagement in part due to the role of economic expansion (Australia is also the second most-widely spoken language, but certain ASIAN states may provide greater potential long-term political capital in particular areas than Australia enjoy (notably Vietnam and Cambodia). China demonstrates interest in building political influence within ASIA and ASEAN, and these states are also of closer proximity to the Belt and Road Initiative. Asia. Affiliation with gaining influence with ASIA through other states’ voting powers, the Pacific Island nations are also of particular interest in this study for multiple reasons. Through voting powers in bodies like the UN China might offer potential influence or legitimacy through consensus (similar to China’s sway over certain economic and political issues). There is an analysis of Chinese engagement and other activities in African states, but relatively lesser in the Indo-Pacific; and 3) differences between Pacific Island states across different metrics (e.g. a relatively high number of government trips to Solomon, a relatively high degree of public diplomacy engagement in Samoa, a relatively low level, in contrast, of absolute influence in Brunei). Of significant rate or policymakers (both Chinese and globally) will be how these trends evolve over time, and methods by which other states might pursue one last test of state power in pursuit of another.

Data Sources:

• Organization for Economic Cooperation and Development (OECD)
• Strategic Industries (SCI) or Enhanced Economic Data (EED)
• Financial Times
• Geospatial Analysis of Réseau d’Investissement Développement (RIDD) or China’s Belt and Road Initiative
• China Ministry of Commerce (COMEX) or National Bureau of Statistics (NBS)
• China Economic and Security Review (CERS)
• World Bank
• Appendices

References:

• China Ministry of Commerce (COMEX) or National Bureau of Statistics (NBS)
• Chinese Media and Society, “China’s Engagement with Latin America and the Caribbean,” 5th China Economic and Security Review, 17th December 2008
• Asian Centre for Global Studies (ACGS), “China’s Belt and Road Initiative,” 2015
• Mohammad Louzani, “The Purpose of a Silk Road: China–Pakistan Economic Corridor,” Fletcher, 2015, International Relations, 20th May 2017

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