

**China's Malign Influence Across the Indo-Pacific**  
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## Introduction

Chairman Sherman, Ranking Member Yoho, distinguished members of this subcommittee, thank you for the opportunity to testify today. Thank you, also, for organizing a hearing on this topic critical to US interests and the future of democratic governance across the Indo-Pacific.

## China's Means of Influence in Developing Countries

I want to begin with a description of China's expanding interests in the developing world and the key means by which the Chinese Communist Party (CCP) is increasing its influence across the Indo-Pacific to advance those interests.

China for decades has gradually increased engagement with countries throughout the developing world, seeking critical resource inputs and new markets for its rapidly growing economy as well as portraying itself as a leader of developing country interests on the global stage. However, today, we see China pursuing an unprecedented level of influence in developing countries, with decidedly mixed results for the recipients of China's attention.

This uptick can be attributed to China's desire to advance an expanding set of interests in the developing world. First, China and its \$14 trillion economy are trading and investing more in the developing world than ever before. While the overseas component of the Belt and Road Initiative (BRI), China's ambitious global infrastructure and connectivity program, is small relative to China's domestic economy, there is an expectation of economic benefit for Chinese companies—typically state-owned enterprises (SOEs)—and their workers engaging in debt-financed BRI projects in numerous developing countries.

In the Indo-Pacific in particular, Beijing seeks to use its growing economic leverage to establish greater dependency on China and help reestablish the country as Asia's preeminent power. Such dependence gives China greater leeway to advance geostrategic goals such as the protection of sea lanes critical for the transport of energy and the establishment of military facilities to protect China's growing global interests.

The CCP also seeks to legitimize its autocratic system of governance and development. Chinese leaders recognize that Beijing must expand its normative power abroad to achieve China's rise and rejuvenation as a great power. They also recognize that to achieve global legitimacy as a responsible great power without democratizing—a prospect not welcomed by the developed West—they must first popularize China's model in the developing world.<sup>1</sup>

Given these growing interests, it is not surprising that the CCP is using multiple means of influence to advance them, in the process undermining governance, prosperity, and open

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<sup>1</sup> At the 19th Party Congress in October 2017, Xi left no doubt that he regards China's illiberal concepts of political and economic order as superior to so-called Western models, and that he seeks to popularize "Chinese wisdoms" to the world as a "contribution to mankind."

discourse in a way that encourages democratic backsliding in many countries. I will focus my remarks on China's means of influence in two key domains, the economic and the informational. I will then offer some key examples of how China exerts influence in different country contexts. I will conclude with some thoughts on how the United States can best counter such influence.

## **1) Economic Influence**

Much of China's influence today can be ascribed to its leverage as a \$14 trillion economy and the world's largest commodity importer. Beijing is expanding trade and investment with countries hungry for both. However, there are malign aspects to China's growing economic engagement that render its influence harmful for many developing countries. This influence occurs through licit economic activity such as BRI projects financed through opaque deals that saddle some countries with debt and few alternatives to dependence on China to continue financing those debts.

At the same time, Chinese companies and other entities also use illicit means including high levels of corruption to achieve their ends. As I will illustrate, corruption and elite capture is not a "bug" of BRI but an inherent feature of the program, with the goal of ensuring Chinese SOEs secure contracts with highly favorable terms to carry out projects financed by Chinese policy banks. The CCP cultivates "friends" among elites in many countries who are only too willing to sign up to opaque investment deals that undermine their country's long-term prosperity in return for personal enrichment.

## **2) Influence Over Information**

Such elite capture through corruption also facilitates the CCP's ability to exert influence in a second area, the information space. Beijing's foreign propaganda and censorship efforts have traditionally focused on promoting China's political and economic system while suppressing coverage of its domestic human rights abuses and religious persecution. But the Chinese government and its proxies are now also attempting to tilt other countries' internal debates about their relationships with China, including by suppressing criticism of Chinese activities within their borders. Many governments, including our own, engage in vigorous public diplomacy campaigns, but the CCP's methods are frequently covert, coercive, and harmful to democratic institutions.

China's manipulation of the information environment in countries around the world, which the National Endowment for Democracy has termed "sharp power", is critical to the Party's ability to protect its growing investments and legitimize China's authoritarian development model abroad. Ensuring the presentation of a positive "China story," as President Xi has put it, helps to

smooth the path for investments that benefit China's economy.<sup>2</sup> The CCP recognizes that a more positive perception of China heads off criticism of Chinese investments and corruption of a country's elites, thereby preventing Chinese influence from becoming an election issue as it has in many countries, including Zambia, Sri Lanka, and Malaysia. Through media cooperation agreements with BRI countries, Beijing advances information sharing intended to influence foreign journalists covering the BRI, including through conferences sponsored by the state-affiliated All-China Journalists Association.

The CCP has a large and growing set of tools it uses to advance its narrative in developing countries and to quiet critics, including pervasive but overt official propaganda and media outlets, investment in foreign media outlets, funding of research and academic institutions, covert efforts to cultivate thought leaders, and more aggressive use of united front work, including through the Party's increasingly powerful United Front Work Department (UFWD), to cultivate non-Party actors and squelch anti-China narratives by "enemy forces" abroad.

## Negative Consequences for Developing Democracies

The CCP's use of these different means of influence simultaneously has a pernicious effect on developing democracies. Beijing's manipulation of the information space and discourse ensures the neutering of institutions such as an independent media and civil society that in a healthy democracy would expose the negative consequences for a country of China's opaque deal making and corrupt practices.

Beijing's influence plays a clear role in encouraging democratic backsliding throughout the Indo-Pacific.<sup>3</sup> China's efforts bolster the fortunes of illiberal actors eager to take credit for delivering Chinese investment in much-needed infrastructure projects, no matter the long-term costs of deals signed behind closed doors. The Party also provides training on China's repressive cybersecurity policies and offers increasingly sophisticated surveillance and monitoring technology to authoritarian governments.<sup>4</sup> Taken together, these activities give credence to authoritarian actors' claims that they can deliver economic development, security, and stability. The CCP also conducts large-scale trainings of foreign officials about its governance and development model.

China's approach to exerting influence has some common themes across countries. As noted, in most every case China's economic engagement involves opaque economic

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<sup>2</sup> CCTV, "President Xi Urges New Media Outlet to "Tell China Stories Well," December 31, 2016. See <http://english.cctv.com/2016/12/31/ART1dbvXHYPQnQ35nWBGttZg161231.shtml>

<sup>3</sup> See <https://freedomhouse.org/report/freedom-net/freedom-net-2018/rise-digital-authoritarianism#fotn18-section-china-remakes-the-world-in-its-techno-dystopian-image>.

<sup>4</sup> This relates to the more fundamental question of whether and how China is now proactively exporting authoritarianism to achieve acceptance of the CCP's model of governance. See [https://www.spf.org/jpus-j/img/investigation/The\\_Authoritarian\\_Challenge.pdf](https://www.spf.org/jpus-j/img/investigation/The_Authoritarian_Challenge.pdf) and <https://www.bloomberg.com/opinion/articles/2018-06-11/china-s-master-plan-exporting-an-ideology>.)

investment deals that ensure China lends and is repaid at a premium to hire Chinese companies and workers. This lack of transparency sets a foundation for rampant corruption. Beijing seeks to ensure that reporting and information on China and its engagement with a country remain largely positive.

But China's influence tactics differ in countries depending on Beijing's strategic interests and the different circumstances in which it is operating. In certain strategically located countries, Beijing's interests may be served by encouraging an accumulation of unsustainable debt. It is no coincidence that the eight countries identified last year by the Center for Global Development as at high risk of debt distress based on projected BRI lending are all of relatively high strategic value to China.<sup>5</sup> In at least one infamous case, that of Sri Lanka, Beijing leveraged a country's inability to pay its debt to acquire a long-term lease on a strategic port. In many others, China may not lend as freely to countries that clearly cannot pay their debts.

Chinese financing and SOE practices are noticeably inconsistent with accepted international standards in countries with looser regulation practices, public procurement rules, and labor regulations. Understanding the nature of CCP influence in a certain environment is therefore critical to understanding the threat to a country and the ways in which it can be mitigated.

## Case Studies of CCP Influence in Indo-Pacific Countries

The International Republican Institute has compiled in-depth case studies of CCP influence efforts completed by researchers in 15 countries around the world. This effort has yielded not only important data for understanding how China exerts influence in different contexts but has also been integral to designing programming to effectively counter such influence.<sup>6</sup>

Across the Indo-Pacific there are numerous examples of the malign and varying effects of China's influence. I will highlight three case studies in particular:

### **1) Sri Lanka**

China's malign influence in Sri Lanka is typically viewed through the lens of the now infamous case wherein Colombo, struggling with debt repayments to China, gave a state-owned Chinese firm a controlling share in the strategically-located Hambantota Port, on a 99-year lease. Indeed, China's acquisition of the Hambantota Port is a singular example of the potential risks

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<sup>5</sup>John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective", Center for Global Development Policy Paper 121, March 2018.

<https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>

<sup>6</sup> The case studies presented here were compiled by three researchers each with deep expertise in their country of focus.

of BRI for recipient countries, particularly strategically important countries led by corrupt leaders willing to take on unsustainable debt.

What is most notable, however, about China's approach in Sri Lanka is the way in which it was able to manipulate an opaque system and undermine democratic institutions over many years, ensuring the country's long-term dependence. China's growing engagement and influence in Sri Lanka can be traced back more than a decade, to when the island was governed by the administration of former two-time President Mahinda Rajapaksa, long before China had devised plans for the BRI. Sri Lanka in 2009 found itself increasingly isolated by the international community for its conduct during the country's civil war. China offered financial and military aid and used its veto power to ensure that allegations of state-sanctioned human rights violations were not brought before the UN Security Council.<sup>7</sup>

The Rajapaksa years were associated with a lack of government transparency and accountability, high-level corruption, and nepotism – much of which was facilitated by a deepening relationship with China. Sri Lanka's foreign debt exploded from 36 percent of GDP in 2010 to 94 percent in 2015, prompting to pursue debt relief from the IMF in 2016.<sup>8</sup> While China was not responsible for providing all of this credit, the problem was significantly exacerbated by its willingness to offer Sri Lanka fresh loans at high interest rates, despite its inability to pay such loans back. In return China secured special terms. For example, China Harbor Engineering Company, the firm behind the massive Colombo Port City project, reportedly is to receive 1.16 square kilometers of Port City land on a 99-year lease.<sup>9,10</sup>

Rajapaksa's ultimate loss, however, did not prove a hurdle to CCP interests. The incoming Sirisena-Wickremesinghe government, initially critical of China-funded projects, ultimately was convinced of the utility of close ties with China.

China's ability to protect and ultimately advance its interests in Sri Lanka despite this change in government is a testament to the deep economic influence China has cultivated in the country.

Sri Lanka's new government ultimately determined the country had little choice but to seek further credit to finance its debts to China and complete unfinished projects.<sup>11</sup> Sri Lanka's reliance on China to fund major infrastructure projects and meet payments was underscored earlier this year, when it was announced Sri Lanka would receive a fresh loan of \$1 billion from China.<sup>12</sup> Furthermore, it is likely Chinese entities sought to cultivate the new government through corruption, a factor which also allegedly played into the new government's decision in 2016 to lease the Hambantota Port to Beijing.

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<sup>7</sup> Peter Popham, "How Beijing won Sri Lanka's civil war," *The Independent*, 23 May 2010.

<sup>8</sup> <https://www.imf.org/external/pubs/ft/scr/2016/cr16150.pdf>

<sup>9</sup> Dulip Jayawardane, "Critical Analyses of Colombo Port City Project," *Daily Mirror*, 16 February 2015.

<sup>10</sup> Chathuri Dissanayake, "Tripartite agreements for Port City investments," *Daily FT*, 15 January 2019.

<sup>11</sup> Shihar Aneez and Ranga Sirilal, "Sri Lanka to allow Chinese port city project after delay," *Reuters*, 12 January 2016; Debasish Roy Chowdhury, "Let bygones be bygones, Colombo urges Beijing, as Chinese loans take their toll," *South China Morning Post*, 18 October 2015.

<sup>12</sup> Shihar Aneez, "Sri Lanka to receive \$1 billion Bank of China loan this quarter," *Reuters*, 17 January 2019.

China's long-term lease of Hambantota Port has drawn global attention as evidence that Beijing seeks to "trap" countries through debt, highlighting the drawbacks and potential dangers of BRI for countries around the world. It should therefore come as no surprise that China has sought to manipulate the information environment in Sri Lanka and cultivate thought leaders to quiet such criticism and ensure a positive narrative around China. Beijing has intensified efforts at official and diplomatic outreach, increased scholarships for visits to China to Sri Lankan students, and established Confucius Institutes in Sri Lanka.<sup>1314</sup>

China has also notably increased funding for, and official ties with, research centers and think tanks in Sri Lanka.<sup>15</sup> Such institutions have grown in importance in Sri Lanka but remain underfunded, leaving them particularly vulnerable to welcoming foreign funding that may include tacit understanding regarding the expected tenor of China-related research.<sup>16</sup>

The lack of objective critiques of China's influence in Sri Lanka is also linked to longstanding gaps in Sri Lanka's media sector. Many institutions are owned by individuals or families with strong ties to political figures and parties, some of which have become close to China. China is investing in Sri Lanka's media sector, as it has in other countries, raising the prospect for even greater influence in the country's information space. China not only sponsors 'media tours' for local journalists to visit China and meet with top officials, but has also established facilities in Sri Lanka for Chinese universities to train journalists and shape their views on China.<sup>17</sup> According to local media workers, China employs such tactics to build a rapport with Sri Lankan journalists, in exchange for positive coverage in local media.

This combination of China's entrenched economic influence, cultivation of elites, and growing sway over the narrative in Sri Lanka demonstrates the potential malign effects of CCP influence on a strategically important country's prosperity, governance, and independence.

## 2) The Maldives

A small but strategic archipelago nation in the Indian Ocean, the Maldives took on massive amounts of debt financed by China as a part of a slew of infrastructure development contracts signed under former President Abdulla Yameen, who took power in 2013. As with Sri Lanka, numerous government officials viewed the influx of Chinese investment as a means of personal enrichment.

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<sup>13</sup> P. K. Balachandran, "China's Confucius Institutes in Asia ready to meet local needs," *Daily FT*, 30 June 2018.

<sup>14</sup> "22 Sri Lankan students awarded Chinese Government Full Scholarship," *Daily FT*, 28 August 2018.

<sup>15</sup> "Pathfinder Foundation opens 'China-Sri Lanka Cooperation Studies Centre'" *Daily FT*, 18 December 2018.

<sup>16</sup> <http://www.ft.lk/news/National-Security-Think-Tank-of-Sri-Lanka-ranked-in-the-Global-Think-Tank-Index/56-672945>

<sup>17</sup> "Chinese University signs MoU with Journalism Forum in SL," *Daily News*, 14 December 2018.





lopsided deals with China and related abuses of power, as well as reviving economic ties with India and other countries.

### 3) Cambodia

Cambodia sits squarely in China's widening orbit and demonstrates the level of dependence and democratic decline that can occur as a result of the CCP achieving significant influence in a country. For the past two decades, Beijing has developed affectionate ties with the country's ruling Cambodian People's Party (CPP) and its paramount leader, Prime Minister Hun Sen, who has ruled the country under various guises since 1985. The relationship has been based on a steady convergence of strategic interests between the two governments: the Chinese state has offered Cambodia's government much-needed investment and financing—much of it for large-scale infrastructure projects—and thus given it an escape valve from Western pressures relating to democracy and human rights concerns. In exchange, Cambodia has supported China's core interests in the region, including Beijing's aggressive claims in the South China Sea.

China has achieved nearly pervasive influence in Cambodia by broadly engaging Hun Sen's government economically. This runs the spectrum from licit engagements—such as large infrastructure projects undertaken as part of BRI—to personal connections between Chinese business figures and prominent Cambodian tycoons and government officials, up to and including Prime Minister Hun Sen.

China was the country's largest foreign investor for five straight years from 2013 to 2017, with Chinese investment in the country totaling \$5.3 billion over that period. In 2017, Cambodia attracted fixed-asset investment of \$1.4 billion from China, which alone accounted for 27% of total FDI for that year.<sup>31</sup> Much of this engagement has since been subsumed under the BRI, of which the Cambodian government has been an enthusiastic participant. Hun Sen said he was "amazed by the initiative", praised Xi Jinping's "wisdom", and declared that the BRI gave "hope for countries that need capital."<sup>32</sup> To the Cambodian government, the speed with which it can obtain Chinese financing for large-scale infrastructure projects contrasts with the slower oversight processes and good governance conditionalities of its traditional donors.<sup>33</sup>

Under the aegis of BRI, China has proposed a plan to encourage the country to develop 2,230 kilometers of national expressways by 2040, at a reported cost of \$26 billion.<sup>34</sup> The first of these is already underway: an expansion of National Road 4 from Phnom Penh to Sihanoukville,

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<sup>31</sup> Heng Pheakdey, "Are China's gifts a blessing or a curse for Cambodia?," *East Asia Forum*, August 29, 2018.

<sup>32</sup> "Belt and Road Initiative gives hope to developing countries in infrastructure development: Cambodian PM," *Xinhua*, May 11, 2017.

<sup>33</sup> One example is the controversial 400-megawatt Lower Sesan II dam, the country's largest hydro-electricity project, which a Chinese SOE pushed through on schedule in the face of complaints from environmentalists and protests from thousands of displaced villagers displaced by the project. "Cambodia hails opening of country's largest dam despite opposition," *Agence France-Press*, December 18, 2018.

<sup>34</sup> Vannarith Chheang, "Cambodia Embraces China's Belt and Road Initiative," (Singapore: Institute of Southeast Asian Studies, ISEAS Perspective, July 6, 2017), 6.

the home of Cambodia's only deep-water port, which has recently been transformed into a Chinese tourism hub dominated by dozens of unregulated casinos.<sup>3536</sup>

Despite the large influx of Chinese yuan, BRI loans have not yet placed an undue financial burden on the Cambodian government. By the end of 2016, Cambodia's total public debt stood at around \$6.5 billion, nearly half of which was held by China.<sup>37</sup> For now, the total represents just 32% of the country's gross domestic product of \$20 billion, a relatively sustainable debt load.<sup>38</sup> However, if it continues borrowing at the current rate, the country's debt-load could well become burdensome in the near future, especially if the country experiences a sudden economic recession or other external shock.<sup>39</sup>

Nevertheless, China's rising economic presence in Cambodia has had clear negative impacts on the country's development trajectory. While governance standards in Cambodia have always been poor, the ready availability of Chinese money has reduced the outside incentive for Hun Sen's government to improve these standards or make itself more democratically accountable to the Cambodian public. In Transparency International's Corruption Perceptions Index for 2017, Cambodia was ranked the most corrupt nation in Southeast Asia, coming in 161 out of 180 countries for popular perceptions of corruption.<sup>40</sup>

Chinese firms, many of them linked to the Chinese government, frequently work through the CPP's corrupt networks in order to forge alliances at the highest levels of the government. A prime example is Fu Xianting, also known as Big Brother Fu, a former PLA officer whose business interests have been greased by his "family-like" relationship to Hun Sen and key members of his inner circle.<sup>41</sup> In 2009, Hun Sen helped Fu and his company win a 99-year lease for a 3,300-hectare concession to build a \$5 billion resort on Cambodia's coast. The government granted the concession after Fu's company made a series of donations to Hun Sen's bodyguard unit, a 3,000-strong private army.<sup>42</sup> The intertwining of private Chinese companies with the state and ruling party, and the willingness of these companies to work through the party's illicit economic networks, have been important factors in the expansion of Chinese influence.

Current Cambodian policy is so accommodating to China that the latter has so far found it unnecessary to resort to coercive influence tactics to shape the information space to advance its

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<sup>35</sup> See Lindsay Murdoch and Kate Geraghty, "The next Macau? China's big gamble in Cambodia," *The Age*, June 20, 2018; Hannah Ellis-Petersen, "'No Cambodia left': how Chinese money is changing Sihanoukville," *The Guardian*, July 31, 2018.

<sup>36</sup> "Cambodia's bid to be 'New Macau' stirs old wounds as Chinese cash in," *Agence France-Presse*, January 27, 2019.

<sup>37</sup> John Hurley, Scott Morris and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," (Washington: Center for Global Development, March 2018), 28.

<sup>38</sup> Hurley, Morri, & Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," 12.

<sup>39</sup> Robin Spiess, "Belt and Road could bring risks for Cambodia debt," *Phnom Penh Post*, March 27, 2018.

<sup>40</sup> Available at: [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017#table](https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table)

<sup>41</sup> Daniel Pye and May Titthara, "Friends in high places," *Phnom Penh Post*, March 24, 2014.

<sup>42</sup> James Kynge, Leila Haddou, and Michael Peel, "How China bought its way into Cambodia," *Financial Times*, September 9, 2016. See Kali Kotoski and Sor Chandara, "Developer finds new partners for planned resort in Preah Sihanouk," *Phnom Penh Post*, March 21, 2016.

interests. Hun Sen has been able to ensure that the Cambodian information environment remains friendly to Chinese interests and generally conducive to a continued extension of CCP influence in Cambodia. Cambodia hosts just one Confucius Institute, at the Royal Academy of Cambodia in Phnom Penh.<sup>43</sup> *Xinhua* reported in 2016 that the institute plays “a big role in promoting China’s Belt and Road Initiative in the kingdom.”<sup>44</sup>

Even so, China has offered considerable technical support to the Cambodian information technology, telecommunications, education, and media sectors, which taken together, have increased China’s potential to shape the Cambodian information environment while bolstering the regime’s control over the population.<sup>45</sup> In April 2017, Cambodia and China signed an agreement initiating regular media exchanges, under which Cambodian journalists and Ministry of Information officials would be offered specialized reporting and technical training in China.<sup>46</sup> A Cambodian journalist who went on one such trip recalled being put up in four-star hotels and ferried to organized interviews with Chinese officials.<sup>47</sup> Chinese firms have also directly invested in state-run Cambodian media.<sup>48</sup>

Chinese influence has allowed Hun Sen the freedom to roll back the country’s partial media freedoms and quash the independent outlets most critical of his government.<sup>4950</sup> The value of Chinese support was on display in the run-up to national elections held in July 2018, when the CPP launched a severe crackdown on its opponents, shuttering critical media outlets and arrested opposition politicians and human rights defenders. In September 2017, opposition leader Kem Sokha was arrested and charged with treason. Facing little effective opposition, the CPP won all 125 seats<sup>51</sup> in the Cambodian National Assembly. When Western nations suspended support for Cambodia’s 2018 election following Kem Sokha’s arrest, China voiced its full support for the electoral process, donating laptops, computers, voting booths, and other items to the Cambodian National Election Committee.<sup>52</sup> On election day, China sent an observer mission.<sup>53</sup>

The supportive environment in Cambodia has also given China potential control over strategically important assets throughout the country. The most significant is a massive economic land concession in Koh Kong province on Cambodia’s southern coast. Granted to the Tianjin-based

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<sup>43</sup> "Spotlight: Confucius Institute in Cambodia serves as platform for promoting China's Belt and Road Initiative," *Xinhua*, October 13, 2016.

<sup>44</sup> *Ties That Bind: Quantifying China’s public diplomacy and its ‘good neighbor’ effect* (Williamsburg, VA: AidData at William & Mary, 2018), 21.

<sup>45</sup> "Cambodia, China ink cooperation deal on telecom, ICT," *Xinhua*, January 27, 2015.

<sup>46</sup> Aun Pheap, "Ministry, Cambodian Journalists Strengthen Links to China," *Cambodia Daily*, April 11, 2017.

<sup>47</sup> Cited in "With Cambodia's free press under fire, 'China model' makes inroads," *Agence France-Presse*, June 3, 2018.

<sup>48</sup> "First Chinese-invested TV channel launches in Cambodia," *Xinhua*, September 29, 2017.

<sup>49</sup> Richard C. Paddock, "The Cambodia Daily to Close (After Chasing One Last Big Story)," *New York Times*, September 3, 2017.

<sup>50</sup> Julia Wallace and Mike Ives, "A Newspaper Is Sold, and Cambodians Fear the End of Press Freedom," *New York Times*, May 7, 2018.

<sup>51</sup> The number of seats in the National Assembly was increased to 125 after the 2013 election.

<sup>52</sup> "China pledges support for Cambodia election after EU, U.S. withdraw," *Reuters*, December 28, 2017.

<sup>53</sup> "China pledges support for Cambodia election after EU, U.S. withdraw."

Union Development Group (UDG) in 2008 for the development of an industrial and commercial tourism project, the 36,000-hectare concession includes 20% of Cambodia's coast.<sup>54</sup> UDG's Dara Sakor resort includes plans for an international airport, hospitals, international schools, five-star hotels, and—most controversially—a deep-water port large enough potentially to handle cruise ships, bulk carriers, or naval vessels.

## China's Influence Efforts Likely to Intensify

As these case studies demonstrate, China's expanding influence throughout the Indo-Pacific has significant implications for U.S. interests, undermining democratic principles and sovereignty in strategically important democracies.

These cases also illustrate the significant differences between each country's experience with malign Chinese influence. The United States and its partners therefore must not take a cookie-cutter approach to responding to such influence in Asia and around the world. Neither should Washington try to force countries to side with the United States against China and reject Chinese investment. For most countries in the region this is simply not an option. According to the Asian Development Bank, developing Asia needs about \$26 trillion in infrastructure investment through 2030 maintain its growth momentum, tackle poverty, and respond to climate change.

Beijing's influence efforts are only likely to intensify in developing countries throughout the Indo-Pacific. This approach to the developing world is integral to the Party's efforts to ensure China's promised "rejuvenation" to great power status and protect inputs needed to fuel its economy – both deemed key to the Party's continued legitimacy. If economic and internal stability challenges continue to grow, Chinese leaders are even more likely to seek quick returns on investments abroad and use heavy-handed propaganda and "sharp power" efforts to shape the narrative to protect China's interests.

Furthermore, if U.S.-China ties continue to decline, with Washington more vocally criticizing China's internal political system and challenging its drive for a larger voice in global governance, the CCP is likely to redouble advocacy in the developing world for China's authoritarian development path. Longer term, Chinese leaders may respond to a bifurcating global economy and technological landscape by more proactively institutionalizing developing countries' economic relationships with China, ensuring that if they must choose, they pick Beijing. China's provision of a greater array of tools to friendly governments will help ensure their ability to remain in power.<sup>55</sup>

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<sup>54</sup> Andrew Nachemson, "A Chinese colony takes shape in Cambodia," *Asia Times*, June 5, 2018.

<sup>55</sup> A National People's Congress Standing Committee session in late October [discussed](#) the need for China to dominate AI through, in line with BRI, providing it to developing countries.

## Recommendations for Countering China's Malign Influence

**The CCP's approach will not change unless it sees fewer benefits to aggressively acquiring influence in developing countries.** Chinese officials and companies take a harder line in countries where governance, transparency, and the rule of law are lacking. On the other hand, there are increasing indicators that China moderates its influence efforts in the face of pushback by recipient governments.

- For example, in Burma, where loans from China account for approximately 40% of the country's total government debt, the country has renegotiated China's initial Chinese terms for development of the Kyaukphyu Deep Sea port project to significantly reduce the resulting debt burden.<sup>56</sup> Myanmar has also reportedly drafted plans to protect itself from China's potential influence resulting from BRI-related investments, including by insisting that identified projects be selected through a public tender process and that Myanmar be allowed to borrow from multiple sources when financing projects.<sup>57</sup>

**The United States and its partners therefore must invest resources in changing the context in the countries China targets for influence.** This can be accomplished through two complementary efforts: 1) offering countries alternatives to Chinese investment and assistance on how to structure future deals with China; and 2) building the resilience of developing democracies to the malign effects of CCP influence.

**First, the United States should offer developing democracies both alternatives to China's investment and financing practices and technical assistance on project evaluation and negotiation.** The administration and Congress have taken some important steps, including the passage of the Better Utilization of Investments Leading to Development (BUILD) Act creating the new U.S. Development Finance Corporation (DFC). The DFC must not be viewed as directly competing with a massive state-financed infrastructure initiative like the BRI. Instead, through targeted support for private enterprise in critical countries limited in their financing choices, the U.S. can help establish higher common standards for transparency and sustainability that both regional government officials and their publics may increasingly demand over time.

The US should work closely with likeminded partners and allies to offer such training and alternatives. Japan is already the main competitor to Chinese infrastructure largesse in countries like Cambodia, offering the country an alternative to Beijing's BRI funding for infrastructure mega-projects.<sup>58</sup> Wherever possible, the United States should work with multilateral development banks and partners such as the EU, Japan, India, and Australia to offer

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<sup>56</sup> Bertil Linter, "Poor and isolated, Myanmar backs into a China debt," *Asia Times*, 4<sup>th</sup> February 2019; <https://www.theguardian.com/world/2018/aug/02/myanmar-scales-back-chinese-backed-port-project-over-debt-fears>

<sup>57</sup> <https://www.irrawaddy.com/news/analysis-deft-diplomacy-required-china-japan-court-myanmar.html>

<sup>58</sup> Kiyoshi Takenaka, "Japan pledges \$6 billion to Mekong nations as China prepares new bank," *Reuters*, July 3, 2015; Gwen Robinson, "Japan's Indo-Pacific push galvanizes Mekong region," *Nikkei Asian Review*, March 29, 2018.

infrastructure alternatives to developing countries. There are encouraging signs that this sort of collaboration is increasing and yielding some results.

**Second, the United States must dedicate resources to bolstering the capacity of civil society, political parties, and independent media in developing countries.** These democratic institutions are critical to recipient countries' ability to monitor and evaluate Chinese project implementation practices and promote the rule of law. Transparency and investigative journalism in particular are essential to ensuring the resilience of recipients of Chinese financing, particularly in countries with leaders happy to conclude deals behind closed doors.

The availability of accurate information permits broad public debate about how to engage China amongst business, civil society, government officials, and local communities affected by infrastructure projects. In so doing, national interests are protected and equitable benefits assured across a society. Washington should provide additional assistance for countries that are deemed particularly vulnerable to Chinese influence. The U.S. should also work with its country partners to raise awareness of China's influence efforts in think tanks, universities, NGOs, and media where impartial expertise on China and the nature of the CCP is lacking.

None of these efforts to counter the malign aspects of CCP influence will be easy or achievable without a sustained US dedication to working with and assisting democracies across the region. There is no alternative, however, if Washington hopes to prevent the spread of authoritarianism and defend its interests in the Indo-Pacific. The United States must recommit to the hard work of defending democracy around the world.