

EXPLORING UNKNOWN SHORES: CHINA'S SMALL STATE DIPLOMACY

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South Asia Scan

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Exploring Unknown Shores: China's Small State Diplomacy in the Indian Ocean Region

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Contents

	Page
Executive Summary	4
Introduction	6
Major Drivers of China's Growing Engagement	8
Evolving Pattern of Engagement in the New Era	15
Implications of China's Increased Engagement	29
Conclusion	38
About the Author	39
About South Asia Scan	40
Past Issues	41

Executive Summary

In recent years, China's interest in and strategic engagement with the small island states in the Indian Ocean Region (IOR) have increased and reinforced by a number of developments. It is, therefore, crucial to understand its small state diplomacy, not just from the regional perspective, but also globally. Since the inauguration of the Belt and Road Initiative (BRI) in 2013, China has strengthened and enhanced its engagement with these countries. The 'China factor' has become indispensable and crucial in the foreign and domestic affairs of the region.

There are at least three major drivers in understanding China's small state diplomacy in the region. Geographically, the small island states protect the critical and strategic sea lines of communication (SLOCs); geopolitically and geo-economically, they provide political and economic values worth exploring; and geo-strategically, they could assist China in managing competition with the other major powers. In this context, China has promoted its relations with the four small island states in the IOR, namely, Sri Lanka, the Maldives, Mauritius and the Seychelles, to unprecedented levels.

Diplomatically, from 2013, there have been over 50 visits between China and the four island states at the ministerial and higher levels. China's relationship with these countries can be defined either as cooperative or strategic, which highlights their position in China's global network of partners. Economically, the joint promotion of the BRI has injected new momentum to the bilateral economic relations between China and these countries. In terms of military and security engagement, China's interactions with the small states remain limited, especially in comparison with India's engagement on this front. Last but not least, as an integral part of the construction of the BRI, China has actively promoted the spirit of friendly cooperation and carried out extensive cultural, educational, tourism, health and medical exchanges as well as scientific and technological collaborations with these four states.

The evolving patterns of engagements have apparently impacted the traditional order in the IOR. The author argues that China's presence in the IOR and its growing engagements with these states should be interpreted more from a defensive rather than an offensive angle. In the future, China will stick to its defensive military strategy, focus on the cooperative dimension and try to avoid getting involved in geopolitical competition with the other major countries in these small island states. With regard to economic implication, the author strongly believes the widespread narrative of 'debt traps' in the small countries caused by China's investment is only a fallacy. Most of the debt

problems these small countries face are not primarily caused by Chinese loans. In fact, China's loans are much welcome and needed, as these are provided with no political pre-conditions, and often fund initiatives that Western donors ignore. China is paying special attention to debt suitability in the promotion of the BRI. This is also a learning process for China so that it can improve the development of the BRI and the quality of economic cooperation with these countries. In recent years, the 'China factor' has been frequently debated in these island states' domestic politics, which have also created challenges for China's cooperation with them. Looking at the foreseeable future, the author believes that while China's deeper financial resources relative to India will ensure that Beijing remains a major source of investment and finance in the coming years, these countries are likely to limit defence cooperation with China in deference to Indian security concerns.

The author concludes with some observations and recommendations. In the face of intensifying contention between the major powers, the four small island countries will, sooner or later, face a dilemma regarding whether to continue balancing their big-power relations or shift to alignment. They should be careful not to choose sides among the big powers in the new strategic equilibrium in the IOR. At the same time, China too should collaborate with the other big powers when further promoting the BRI in these countries, intensifying third-market cooperation and gradually managing these countries' main concerns and to build trust. A peaceful, stable and prosperous IOR conforms to the interests of all stakeholders.

Introduction

China has entered a new era in recent years. Its relations with the world have dramatically changed, and its diplomacy is undergoing a tremendous transformation.¹ Since the 18th National Congress of the Communist Party of China (CPC) in 2012, it has started advancing major country diplomacy with Chinese characteristics to fulfill its mission of realising national rejuvenation. As illustrated by Yang Jiechi, Director of the Office of Foreign Affairs Leading Group of the CPC Central Committee, China's aim is to create a comprehensive, diverse and multi-dimensional network of global partnerships and build a worldwide circle of friends.² Against this backdrop, China's interest in and strategic engagement with the small island states in the IOR have also risen and been reinforced by several developments. Following the inauguration of the BRI in 2013, in particular, the potential of the small states in the IOR has further grown. As part of its formation of a global network of partnerships, China regards these small states in the IOR as inseparable nodes that will link routes in the Indian Ocean and balance the growing presence of the United States (US) and India in the Arabian Sea and the Bay of Bengal.

Given their crucial geographic location and the potential they offer for strategic synergy, the small states in the IOR are expected to play the role of China's natural partners. While historically China has maintained a cordial relationship with these states, this region is regarded as unknown territory in China's overall diplomatic layout, with limited focus and restrained outreach. As the key carrier of China's foreign policy with neighbouring countries in the new era, the BRI signifies a new type of policy approach towards these partners which encapsulates political, economic, security and societal dimensions. As Professor C Raja Mohan has argued in his acclaimed book, *Samudra Manthan: Sino-Indian Rivalry in the Indo-Pacific*, as China seeks to build long-term access arrangements with strategic islands, India has reacted by trying to limit Beijing's influence in the Indian Ocean islands and stepping up its own efforts to consolidate long-term economic and security cooperation with Mauritius, the Seychelles, the Maldives and Sri Lanka.³ China's evolving engagements have thus led to a changing geopolitical and geo-economic

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1. The State Council Information Office of the People's Republic of China, *China and the World in the New Era*, September 2019. http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html.
 2. Yang Jiechi, 'Following the Guidance of Xi Jinping Thought on Diplomacy to Advance Diplomatic Work in the New Era', *Qiushi*, 21 December 2018. http://english.qstheory.cn/2018-12/21/c_1123801028.htm.
 3. C Raja Mohan, *Samudra Manthan: Sino-Indian rivalry in the Indo-Pacific*, Carnegie Endowment for International Peace, 2012, pp. 133-156.

landscape of the Indian Ocean. Analysing China's evolving policy towards the small states in the IOR could help the international community understand the current geopolitical and geo-economic picture from a special lens.

Major Drivers of China's Growing Engagement

Small states make up the vast majority of the international system. More than two-thirds of the 191 United Nations (UN) member states fall into this category. Keeping in mind that there exists no common definition of what a small state is, the majority of attempts at defining small states in the international arena are primarily determined by assessing their relative influence, that is, 'weight' and 'power'. For example, the Commonwealth defines small states as sovereign states with a population of 1.5 million people or less. By this standard, 46 countries in the world are small. Of these 46 small states, 34 are islands, a number of which are located far from the major markets, as in the case of the Pacific Islands and Mauritius. Some are widely dispersed multi-island microstates.⁴ There are certainly other quantitative characteristics involved in this definition, including land area, gross national product, gross domestic product (GDP) and per capita income. However, the focus of this publication is not to conceptualise small states based on current debates, since the four countries referred to in this analysis in the Indian Ocean – Sri Lanka, the Maldives, Mauritius and the Seychelles – have almost acquired international consensus of belonging to the category of small states.

Usually when talking about China's foreign policy, most pundits and analysts focus on China's relations with the major countries such as the US and Russia, and those in Europe. With regard to China's relations with South Asia, India and Pakistan are the two major traditional players involved in almost all dimensions (geopolitics, security and economics) that such analysts like to assess. Thus, more attention is paid to China's approach to the India-Pakistan rivalry and how it will impact the landscape of the subcontinent. However, China also has had an indelible footprint in South Asia and the IOR through the promotion of its small state diplomacy. Small island countries in South Asia such as Sri Lanka and the Maldives, and in Africa such as Mauritius and the Seychelles, often appear on the screen of China's diplomatic 'radar'. As some Chinese scholars argue, an emerging China should not only learn from the successful experiences of small states like the ones mentioned here, but should also attach a greater degree of importance to improving relations with them.⁵ A flourishing of small state studies, along with regional studies, has

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4. Commonwealth Secretariat, "Diplomacy of Small States: Report of the High-Level Georgetown Consultations", March 2009.
 5. Zhang Qingmin, "Essence of Diplomacy and Strategic Choice of Emerging Powers", *Foreign Affairs Review*, No. 4, 2016, pp. 30-32.

been witnessed in China's diplomatic practice as well as academic research.⁶ Within this context, the "unknown shores", to which the author refers, of the four small island states – Sri Lanka, the Maldives, Mauritius and the Seychelles – have recently come into the international spotlight. Consequently, their involvement in China's neighbourhood diplomacy requires greater analysis. From a Chinese perspective, the importance of these small states can be viewed from three dimensions: geographic, geopolitical and geo-economic, and major powers competition.

Geographically, the small island states protect the critical strategic SLOCs.

China's growing engagement with the island states has been primarily driven by its expanding foreign trade and energy imports over the past decade. With the launch of the BRI, ensuring the Indian Ocean SLOCs remains a secure and reliable pathway for Chinese exports and imports becomes ever more critical in its foreign policy agenda. As mentioned in the 2015 National Defense White Paper, "With the growth of China's national interests, its national security is more vulnerable to international and regional turmoil ... and the security of overseas interests concerning energy and resources, strategic SLOCs, as well as institutions, personnel and assets abroad, has become an imminent issue."⁷

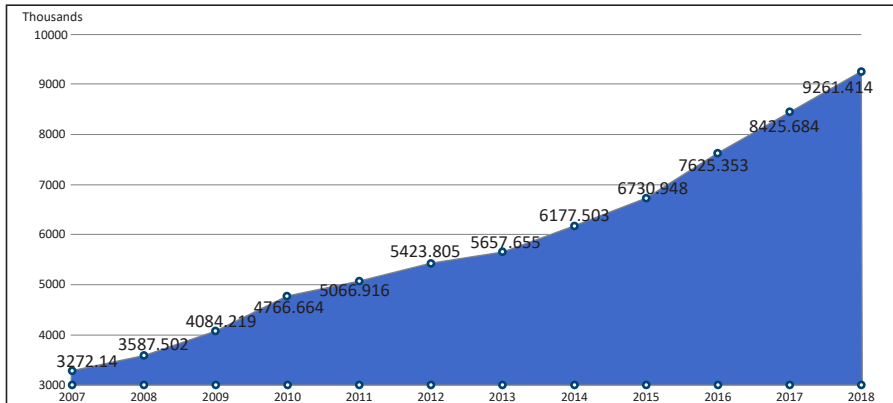
A rising China is deeply dependent on seaborne supplies, such as imported energy and mineral resources. In 2018, China's crude oil overseas reliance exceeded 70 per cent and its natural gas reliance reached 45.3 per cent.⁸ The vast majority of its oil imports go through the Indian Ocean. To safeguard its economic interests and energy security, China must first attach importance to the Indian Ocean and strengthen cooperation with coastal countries, including these small island states.

6. For an example of the literature on China and small states in international relations, see Wei Min, *Small States and International Relations*, Peking University Press, 2014; Wei Min, *Small States and International Security*, Peking University Press, 2016; Nilanthi Samaranayake, *China's Engagement with Smaller South Asian Countries*, No. 446, Special Report, United States Institute of Peace, April 2019.

7. Information Office of the State Council of the People's Republic of China, "China's Military Strategy," Xinhua, May 26, 2015. http://eng.mod.gov.cn/Press/2015-05/26/content_4586805.htm.

8. *Blue Book of China's Oil and Gas Industries: Development and Prospect (2018-2019)*, China Petrochemical Press, 2019.

Figure 1: China's crude oil imports (2007-2018)



Source: WWW.CEICDATA.COM | Organisation of the Petroleum Exporting Countries

From a geographical perspective, the small island states hold important strategic locations. Lying just off the Southeast coast of the Indian subcontinent, Sri Lanka sits on India's doorstep, astride shipping lanes that carry two-thirds of the world's oil shipments and half of all container traffic. Historically, the island was part of the 'Silk Road' trade network that connected ancient China with the Mediterranean Sea. Although much smaller in size, the Maldives also enjoys similar geopolitical significance in the region. Indeed, both Sri Lanka and the Maldives are commonly known as the 'pearl' and 'necklace' in the Indian Ocean. China also has strategic interests in the two African island states of Mauritius and the Seychelles. This is driven by their strategic location on the Asia-Africa sea route and Chinese efforts to safeguard Indian Ocean SLOCs.

There have also been considerable discussions among analysts on the strategic implications of these connections for China's energy security, particularly their potential to mitigate China's so-called 'Malacca Dilemma', that is, China's strategic vulnerability to a blockade of oil and gas transport across the Indian Ocean and through narrow chokepoints such as the Malacca Strait. The Strait of Malacca is one critical SLOC chokepoint worth highlighting. Protecting the SLOCs involves measures such as the escort of merchant ships, maritime patrols, at-sea hostage rescue, reconnaissance and combat actions, including anti-surface, anti-submarine and anti-air operations, to destroy threats to Chinese vessels.⁹

From the dawn of history until now, these small island states have played a critical role for the major powers competing for dominance over the Indian

9. Timothy R. Heath, China's Pursuit of Overseas Security, Rand Corporation, 2018, p. 35. https://www.rand.org/content/dam/rand/pubs/research_reports/RR2200/RR2271/RAND_RR2271.pdf.

Ocean SLOCs. The People's Liberation Army Navy (PLAN) is a latecomer to the region. The presence of the PLAN in the Indian Ocean reflects its important new historic mission, aiming to keep SLOCs safe and guaranteeing the smooth flow of goods and resources from the South China Sea through the Strait of Malacca, across the Indian Ocean to the origin sites of these vital resources.

Geopolitically and geo-economically, the small island states provide political and economic values worth exploring.

They offer a valuable opportunity for China to demonstrate political trust and goodwill. The four island states not only play a key role in the IOR, but also belong to China's partnership circle in its neighbourhood and the developing world. They are members of the Indian Ocean Rim Association (IORA), in which China is an important dialogue partner. The IORA today is a significant multilateral body in China's calculus as Beijing's involvement with the IORA bespeaks its constructive contributions as a great power.¹⁰ Since Mauritius, the Seychelles and the Maldives are also founding members of the Alliance of Small Island States, it is also crucial for China to win support from them on the climate change debate to extract concessions and benefits from the developed countries in general, and the US in particular.¹¹ Chinese President Xi Jinping met with Mauritian Prime Minister Pravind Jugnauth on 28 July 2018 ahead of the 2018 Beijing Summit of the Forum on China-Africa Cooperation, where he emphasised how China would continue to support Mauritius in playing an active role in international and regional affairs, and the small island nations in implementing the UN 2030 Agenda for Sustainable Development.

China's successful promotion of the BRI and its achievement of strategic synergy with these countries could also display the 'charm offensive' of the initiative, that is, the commercial diplomacy China deploys to win political goodwill and gain public favour or support from other states. For example, China regards the Colombo Port City and Hambantota Port Development projects in Sri Lanka as positive and successful examples of construction projects with countries along the BRI, which will set a feasible model for future cooperation with other partners in the IOR. As China's Ambassador to Sri Lanka Cheng Xueyuan said,

"Under the framework of the China-proposed BRI, Sri Lanka is witnessing the construction of the mega Port City in capital Colombo and the development of the Hambantota Port and

10. Jagannath P. Panda, "China's Tryst with the IORA: Factoring India and the Indian Ocean", *Strategic Analysis*, Volume 38, 2014.

11. Fuzuo Wu, China's pragmatic tactics in international climate change negotiation, *Asian Survey*, Vol. 53, No. 4, 2013, pp. 778-880.

Industrial Park in southern Sri Lanka, and these projects are expected to become the new powerful engines for the Sri Lankan economy to take-off.”¹²

Mauritius is the first African country to sign a free trade agreement (FTA) with China. Their agreement is the 17th FTA signed by China. The free trade deal offers a strong institutional guarantee for expanding economic and trade relations between China and Mauritius and will better align the BRI with Africa’s economic integration. According to some Chinese analysts, these small island countries are still on the margin of great power competition as compared to the other countries in the IOR. For this reason, China could gain considerable political benefits through comparatively small inputs.¹³

These island countries also see high value in the ocean sectors and could be natural allies in the development of China’s blue water partnerships. In November 2012, then-president Hu Jintao’s work report to the CPC’s 18th National Congress was a defining moment in China’s maritime history. Mr Hu declared that China’s objective is to become a *haiyang qiangguo*, a strong or great maritime power. He stated that China “should enhance [its] capacity for exploiting marine resources, develop the marine economy, protect the marine ecological environment, resolutely safeguard China’s maritime rights and interests and build China into a strong maritime power.”¹⁴ After Mr Xi assumed leadership of the Party and nation in 2013, the goal of becoming a maritime power has regularly appeared in Chinese official statements.

These island states also have rich ‘blue’ resources that rely deeply on the blue economy and they embrace similar positions as China on climate change, illegal fishing, overfishing, marine litter and the protection of marine biodiversity. Currently, China has around 20 ‘blue partners’ and the Seychelles is among the first in a group of countries to establish a ‘Blue Partnership’ with it. The ‘Blue Partnership’, signed in September 2018, will establish closer relations between ocean-related agencies in the two countries, and enhance cooperation in the marine sector. It is also expected to improve

12. ‘China-Sri Lanka cooperation under Belt and Road brings new opportunities for regional development: Chinese envoy’, *Xinhua*, 7 February 2019. http://www.xinhuanet.com/english/2019-02/07/c_137804392.htm.

13. Meng Liang, “The advance of and impediment to the “Belt and Road” Initiative in the core island countries of the Indian Ocean”, *Peace and Development*, No. 2, 2019, p. 104.

14. Hu Jintao, *Firmly March on the Path of Socialism with Chinese Characteristics and Strive to Complete the Building of a Moderately Prosperous Society in All Respects*, Report to the Eighteenth National Congress of the Communist Party of China, 8 November 2012.

their understanding of the ocean and climate change and strengthen marine environmental protection and integrated marine management.¹⁵

Meanwhile, these island countries are irreplaceable in terms of cooperation on the blue economy. They have inclusive investment environments and are actively endorsing the entry of foreign capital into their markets. For example, Mauritius is a relatively vibrant economy, has a sound legal system and, most importantly, exerts almost no control over foreign exchange. The Deputy Director General of the Chinese Ministry of Commerce, Hu Yingzhi, termed Mauritius as “the most competitive and promising economy in Africa.”¹⁶ The Maldives could also provide China with raw materials – mainly fisheries and agricultural products – and its economic and especially maritime development plans could create numerous opportunities. The Chinese Ambassador to the Maldives has already alluded to maritime cooperation between the two through training maritime personnel, discussions and the signing of memoranda of understanding (MoUs).

Geo-strategically, the small island states could assist China in managing competition with the other major powers.

China is facing rapidly growing strategic pressures from the US and its alliance with other major powers in the region. Many Chinese analysts have argued that the Indo-Pacific concept was created to undermine the rise of China and maintain a balance of power that favours US hegemony.¹⁷ From the Chinese perspective, these island states are a key component of Indo-Pacific geopolitics and are possible loopholes in the West’s strategy of encirclement. Since Donald Trump took office as President in 2017, the US has unveiled a new vision for regional security architecture in Asia. After Trump’s first trip to Asia in November 2017, the Indo-Pacific started taking shape as the geopolitical and conceptual background of US security and strategic involvement in Asia. The former ‘Asia-Pacific’ became the ‘Indo-Pacific’ for Washington’s defence and security policy planners.¹⁸ In China’s view, the quadrilateral security dialogue, or so-called ‘Quad’, was revived to encircle China as a rising power.

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15. Betymie Bonnelame, ‘Seychelles and China sign agreements as president of island nation continues visit’, Seychelles News Agency, 3 September 2018. <http://www.seychellesnewsagency.com/articles/9678/Seychelles+and+China+sign+agreements+as+president+of+island+nation+continues+visit>.
 16. Government of Mauritius, ‘Mauritius - China FTA to strengthen economic cooperation in various sectors’. <http://www.govmu.org/English/News/Pages/Mauritius--China-FTA-to-strengthen-economic-cooperation-in-various-sectors.aspx>.
 17. Liu Shengxiang and Xin Tian, The balance of power and the analysis of the Trump Administration’s Indo-Pacific Strategy, *Journal of Contemporary Asia-Pacific Studies*, No. 3, 2018.
 18. *Geopolitics by Other Means: The Indo-Pacific Reality*, edited by Axel Berkofsky and Sergio Miracola, ISPI, February 2019.

These four island states have already proven their indispensability in the grand geo-strategic landscape. All are members of the Asia Africa Growth Corridor, which some analysts see as a calculated effort by India, along with Japan, to counter China's BRI, in particular, its outreach programmes in Africa and the IOR.¹⁹ In recent years, the US has established comprehensive engagements with these countries in the framework of an Indo-Pacific strategy, especially Sri Lanka. Sri Lanka has taken part in several joint exercises with the US Indo-Pacific Command, including the Pacific Partnership mission in 2017, the Cooperation Afloat Readiness and Training exercise in 2017, 2018 and 2019, and the US-led Rim of the Pacific Exercise in 2018. The US has also pledged defence-related financing for substantial maritime security assistance and equipment to Sri Lanka.²⁰ To put it in a broader perspective, from the point of view of Trump's Indo-Pacific vision, island states like Sri Lanka have become important partners to the US and their relationship has flourished in the past four years.²¹ China is not a member to those mechanisms that were built upon the convergences of so-called 'like-minded' countries. Therefore, cementing relationships with countries like Sri Lanka, the Maldives, Mauritius and the Seychelles could relieve some pressure on China from the emerging Indo-Pacific trans-regional architecture, and will strategically counter the intention of the US to encircle China.

India is also a major concern for China in the IOR. There is a widespread perception among Chinese analysts that India is seeking to establish a sphere of influence or naval hegemony in the Indian Ocean. Recently, in Indian Prime Minister Narendra Modi's vision for the IOR, known as 'Security and Growth for All in the Region', these littoral countries feature as key partners for maritime cooperation, maritime security and economic development, whereby deepening economic and security cooperation in the littoral form important elements of the doctrine.²² China's approach to these small states could, to a certain degree, address its strategic vulnerabilities in the Indian Ocean when playing the 'Great Game' with India in the coming years.

19. Jagannath Panda, 'The Asia-African Growth Corridor: An India-Japan arch in the making?', *Institute for Security and Development Policy*, August 2017. <https://isdp.eu/publication/asia-africa-growth-corridor-aagc-india-japan/>.

20. "US gives Sri Lankan military US\$39 million, countering China's investments in strategic island", *South China Morning Post*, 14 August 2018. <https://www.scmp.com/news/asia/east-asia/article/2159546/us-gives-sri-lankan-military-us39-million-combat-chinas>.

21. Jeff Smith, "Sri Lanka: A Test Case for the Free and Open Indo-Pacific Strategy", the Heritage Foundation, 14 March 2019. <https://www.heritage.org/asia/report/sri-lanka-test-case-the-free-and-open-indo-pacific-strategy>.

22. Subhasish Sarangi, Unpacking SAGAR (Security and Growth for All in the Region), *United Services Institution of India*, Occasional Paper, No. 2, 2019. https://usiofindia.org/wp-content/uploads/2020/02/USI-Occasional-Paper_2_19-Unpacking-SAGAR-Final-print-File-1.pdf.

Evolving Patterns of Engagement in the New Era

China's relations with these four small island states have evolved gradually since it established diplomatic relations with them, though the breadth and depth of these ties vary greatly from one country to another. Especially after the unveiling of the BRI, China has conspicuously reinforced its engagements and upgraded its relationship with them to new levels. Due to the limitations in the scope of this publication, the following section will mainly cover the evolution of these relationships since 2012.

Diplomatic Engagement

From 2013 until now, there have been more than 50 mutual visits between China and the four island states both at the ministerial and higher levels. Leadership travel is a useful “leading indicator” of Chinese diplomatic priorities and commitments. Chinese leaders often use high-level summits to set future goals and targets for bilateral relations.²³ According to the Chinese Vice Foreign Minister, Le Yucheng, following the CPC's 18th National Congress in 2012, President Xi has made 40 foreign trips and visited 71 countries, thus advancing China's diplomatic agenda in a comprehensive, multi-level and multi-faceted manner, and creating a favourable external environment for China's development.²⁴ Moreover, President Xi has visited all the aforementioned small countries except the Seychelles.

In recent years, China has revitalised traditional friendships and consolidated the foundation for its global network of partnerships. At the end of 2019, the number of countries with diplomatic ties to China increased to 180, among which 112 countries have already established partnerships with China, including the four small island states.

Sri Lanka and China established diplomatic relations in 1957 which have since evolved over several distinct phases.²⁵ Their bilateral relations were upgraded to a strategic cooperative partnership during the visit of then Sri Lankan President Mahinda Rajapaksa to China in 2013. In 2014, President Xi visited Sri Lanka, and the two governments signed an agreement on 'Action Plan of the People's Republic of China and the Democratic Socialist Republic of Sri Lanka

23. Scott L. Kastner, “Is China a Status Quo or Revisionist State? Leadership Travel as an Empirical Indicator of Foreign Policy Priorities”, *International Studies Quarterly*, Vol. 56, No. 1, March 2012, pp. 163-177.

24. Interview with Vice Foreign Minister Le Yucheng, Ministry of Foreign Affairs of the People's Republic of China, January 7, 2020. https://www.fmprc.gov.cn/web/wjbxw_673019/t1729974.shtml.

25. Zhen Wang and Feng Ye, “China-Sri Lanka Relations in the Context of the 21-Century Maritime Silk Road: Motives, Challenges and Prospects”, *Asian Survey*, Volume 43, Number 3, Summer 2019, pp. 481-503.

on Deepening Strategic and Cooperative Partnership’ (CFMA 2014). Then-Sri Lankan President Maithripala Sirisena visited China several times over four years. In addition, in 2017, Sri Lanka and China celebrated the 60th anniversary of their establishment of diplomatic relations.

Table 1: High-level bilateral official visits between China and Sri Lanka

	Visiting Country China (1952-2019)	Visiting Country Sri Lanka (1952-2019)	After the 18 th National Congress of the Communist Party of China (NCCPC)	Visiting Country China	Visiting Country Sri Lanka
Inter-ministerial Visits	37	51		5	4
Visits between Heads of States	7	19		1	6
Total	44	70		6	10

Source: Compiled by the author

Table 2: Fields of visits between China and Sri Lanka before and after 18th NCCPC (1952-2019)

Field	Before the 18 th NCCPC	After the 18 th NCCPC	Total
Economic & Trade	38	8	46
Military	9	1	10
Infrastructure	0	7	7
Technology	0	2	2
Hygiene	4	3	7
Sino-Indian Border Dispute	2	0	2
Nuclear Weapons	1	0	1
Industry	0	3	3
Loans	2	0	2
Financial Aid	1	1	2
Cultural Exchanges	1	2	3
Agriculture	2	2	4
Legislation & Judiciary	3	3	6
Tourism	2	3	5
Marine Development	0	1	1
Total	65	36	101

Source: Compiled by the author

China and the Maldives have been described as “close neighbors [who] enjoy [a] traditional friendship”.²⁶ The two established diplomatic relations in 1972 and high-level bilateral visits have increased over the years. In September 2014, President Xi paid a historic state visit to the Maldives. While three Maldivian presidents had already visited China earlier, this was the first time a Chinese president toured the Maldives, demonstrating the emerging importance of the region in China’s foreign policy. The two sides also decided to establish the ‘China-Maldives Future-Oriented All-Round Friendly and Cooperative Partnership’.

26. Ministry of Foreign Affairs, Department of Policy Planning, *China’s Foreign Affairs 2005*, Beijing: World Affairs Press, 2005, p. 223.

More recently, Maldivian leaders have attended the China-South Asia Expo since 2015, the first and second Belt and Road Forum for International Cooperation in 2017 and 2019 respectively, and other events. According to the Maldives' Foreign Minister Abdulla Shahid, the relationship between the Maldives and China is "an example of how one of the smallest members of the international community can have a mutually productive and progressive relationship with one of its biggest and most powerful members."²⁷

Table 3: High-level bilateral official visits between China and the Maldives

	Ministerial-level or above	Heads of State
The Maldives to China	30	7
China to the Maldives	27	1
Main Fields	<p>Politics: Foreign Policy, Human Rights, The Questions of Taiwan and Tibet, Parliamentary Exchange, High-level Exchange, China's Reform and Opening up, Party Exchange, Cooperation in the BRI, Comprehensive Friendly Cooperation, Local Government Cooperation, City Diplomacy.</p> <p>Economy: Economic and Trade Cooperation, Fisheries, Economic Aid, China's Modernisation, Infrastructure Construction, Cooperation in Agricultural Products, Concessional Loans, Free Trade Zone, Strategic Docking, Investment, Finance.</p> <p>Culture: People-to-People and Cultural Exchanges, Art Exchange, Tourism.</p> <p>Military affairs: Military Exercises, Staff Training.</p> <p>International affairs: Measures coping with Climate Change, Regional Security Situation, Marine Governance Cooperation, Anti-terrorism, Anti-drug Trafficking, Combating Criminal Cooperation.</p> <p>Health: Cooperation in Medical Care.</p> <p>Environment: Education Cooperation in Environmental Protection.</p>	

Source: Compiled by the author

China's relations with Mauritius and the Seychelles can be interpreted in the context of the bigger picture of China-Africa relationship. China and Mauritius established diplomatic relations in 1972. A small but influential Chinese diaspora on the island ensured close business links between the two

27. "Interview of Foreign Minister of the Maldives Mr. Abdulla Shahid", *Xinhua*, 21 July 2019. http://www.xinhuanet.com/world/2019-07/21/c_1124780013.htm.

countries. China has historically been an important partner of the former British colony, now touted to become the first developed country in Africa. Over the last decade or so, their relationship has deepened, with Mauritius looking East as its keenness for preferential access to European markets has dwindled. The year 2018 witnessed a high point in the two countries' bilateral relations. President Xi ended his four-country African tour with a 24-hour visit to Mauritius in July 2018, where he had a private meeting with Prime Minister Jugnauth. As many media outlets repeated, "Xi Jinping's visit to Mauritius reflects the efforts of China to strengthen bilateral and economic ties with Mauritius and boost its influence in the Indian Ocean Region." The two leaders met again at the Forum on China-Africa Cooperation (FOCAC) on 3 and 4 September 2018. The two visits and the several meetings held by the two leaders took their bilateral relations to a new height.

Table 4: High-level bilateral official visits between China and Mauritius

	Visiting Countries	Total	After the 18 th NCCPC
Visit between Heads of States	China	2	1
	Mauritius	11	1
Inter-ministerial visits	China	14	2
	Mauritius	18	4
Main Fields	<p>Politics: Legislation, Communication between parties, One China Policy, International Cooperation (BRI, the China-Africa Cooperation Forum, Climate Change, etc.), Supporting the legitimate and reasonable demands of African countries, including Mauritius, on the issue of decolonisation, International Issues (Namibia Problem, Conflict in Somalia, the South African Issue, Reform of the Security Council, Establishment of a New International, Political and Economic Order, etc.)</p> <p>Economy: Trade, Finance, Economic Assistance, Investment, Maintaining Multilateralism and Free Trade, Tourism.</p> <p>Cultural: Cultural Exchanges, Technology, Sports.</p>		

Source: Compiled by the author

China established its diplomatic relations with the Seychelles in 1976. For a long time, the country was not a regular stopover for senior Chinese leaders. However, this did not mean Beijing ignored Victoria. The two countries engaged each other frequently in bilateral and multilateral arenas. President Xi met with the Seychelles President Danny Faure ahead of the 2018 Beijing Summit of the FOCAC. There, the two leaders witnessed the signing of several bilateral cooperation agreements.

Table 5: High-level bilateral official visits between China and the Seychelles (1976-2019)

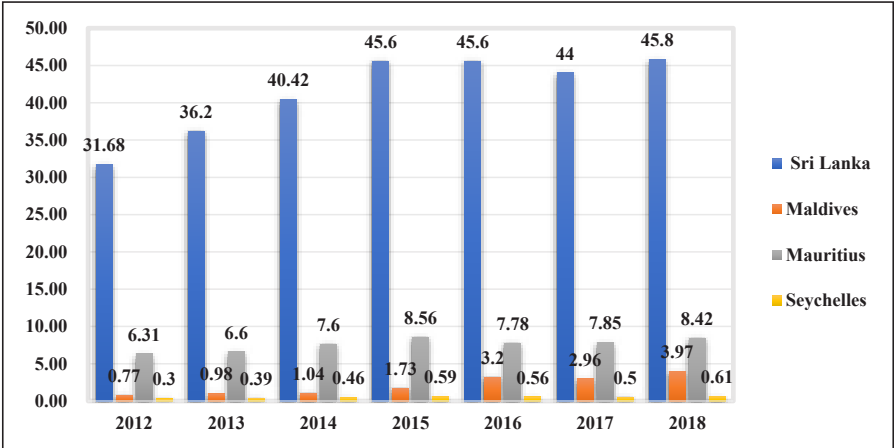
	Visiting Countries	Total	After the 18 th NCCPC
Visit between Heads of States	China	1	0
	Seychelles	9	1
Inter-ministerial Visits	China	26	9
	Seychelles	31	10
Main Fields	<p>Politics: Communication between Parties, Parliaments and Militaries, One China Policy, International Cooperation (BRI, the China-Africa Cooperation Forum, etc.), International Issues (African issues, Indian Ocean Peace Region, Anti-hegemonism, Anti-piracy Operation, etc.), Reform and Opening up, the Political and Economic System of China, Partnership.</p> <p>Economy: Trade, Finance, Non-reimbursable Assistance, Investment, Tourism, Service Industry, Cooperation between Enterprises and Companies.</p> <p>Cultural: Cultural Exchanges, Technology (Fishery, Aviation, Energy, etc.), Sports, Education.</p>		

Source: Compiled by the author

Economic Engagement

In terms of overall economic cooperation, the relationship between these countries and China has been growing. With respect to trade, China is one of their top sources of imports – the largest for Sri Lanka and Mauritius and third largest for the Maldives. In October 2019, China and Mauritius signed an FTA, the first to be ever signed between China and an African country. In the area of trade in goods, China and Mauritius will eventually achieve zero tariffs on 96.3 per cent and 94.2 per cent of product tariff items respectively, which will involve 92.8 per cent of imports for both countries from each other. Statistics indicate that in the first six months of 2019, Mauritius’ total imports from China amounted to US\$351 million (S\$496.1 million) and its total exports to China stood at US\$21 million (S\$29.6 million). The volume of bilateral trade is growing every year, reflecting the huge potential for economic engagement. In addition, the Seychelles is actively considering joining the African continent FTA. Free trade talks between China and Sri Lanka are also ongoing.

Figure 2: Bilateral trade between China and the four small countries (2012-2018) [Units in US\$100 million]

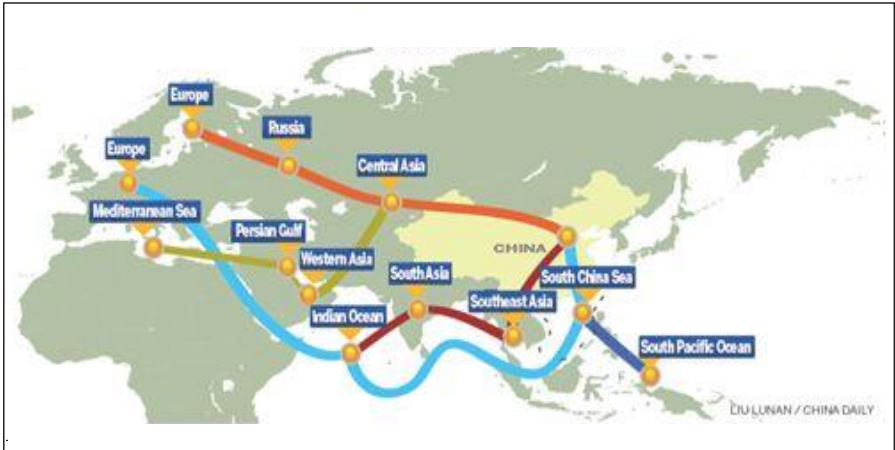


Source: Department of Asian Affairs, Ministry of Commerce, PRC, <http://yzs.mofcom.gov.cn/article/r/>
 Department of Western Asian and African Affairs, Ministry of Commerce, PRC, <http://xyf.mofcom.gov.cn/article/tj/>

The BRI, which was formally proposed by President Xi, provides further motivation for economic engagement with these small states. According to the official document, ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road’, issued by the Chinese central government in March 2015, there are two massive trade and infrastructure networks connecting East Asia with Europe. The first of these schemes is known as the Silk Road Economic Belt, which starts from East Asia, goes through inland Central Asia and the Middle East, and ends in the European region. The second is called the 21st Century Maritime Silk Road (MSR), which also starts from East Asia but goes through Southeast Asia, the Indian Ocean and the Mediterranean Sea before reaching Europe.

The BRI is thus attempting to restore the glory and charm of the historic East-West traffic arteries by drawing on the name of the ancient Silk Road. As traditional hubs for Indian Ocean maritime transportation, since the very beginning, these small island states have been given a key position in the initiative.

Figure 3: Routes of the China-proposed BRI



Source: China Daily, https://www.chinadaily.com.cn/bizchina/2015-04/15/content_20435585.htm

Sri Lanka and the Maldives are among the first group of countries to sign a 21st century MSR agreement with China. During President Xi’s visit to Sri Lanka in 2014, he explicitly proposed “synergising” the two sides’ development strategies, stating, “Sri Lanka is going to build maritime, aviation, commercial, energy and knowledge centers with China’s proposed MSR. Both countries should work together to promote the revival of the MSR for the benefit of both countries and their people.”²⁸ The synergy of the two countries’ development strategies has far-reaching potential for Sri Lanka’s economy as well.

Table 6: Percentage change in volume of Sri Lanka’s major trading partners

Year	China	India	Australia	US	Japan	EU Countries
1997	1.71	5.78	1.60	19.93	7.37	20.93
2007	5.06	17.31	0.97	11.73	3.02	22.47
2017	13.98	15.98	1.32	11.30	3.77	15.34

Source: UNCTAD database

The rise of Chinese imports in Sri Lanka is a relatively recent phenomenon. In 2000, Chinese imports represented only 3.5 per cent of Sri Lanka’s total imports. By 2017, these had grown to 20 per cent. There was a particularly significant growth in Chinese imports after 2010. From 2011 to 2018, the figure increased by almost four times and the bilateral trade reached US\$4.58 billion (\$\$6.4 billion) in 2018. Although the bilateral trade has been slightly hit due to the Easter Sunday bombings in 2019, China still regards Sri Lanka as one of its top destinations for foreign direct investment.

28. “Xi Jinping met with Sri Lanka president Rajapaksa”, *Xinhua*, 17 September 2014.

Table 7: Completed contracting projects in Sri Lanka by Chinese companies

Year (1998-2017)	Completion of the contracted amount (\$0.01 million)
1998	3,606
1999	4,645
2000	5,809
2001	4,761
2002	5,496
2003	10,413
2004	9,351
2005	8,926
2006	13,039
2007	14,360
2008	38,501
2009	68,569
2010	76,868
2011	125,715
2012	153,025
2013	209,186
2014	219,139
2015	136,871
2016	147,477
2017 (January to June)	135,270
The total amount of completed contracted projects	1,352,700
Accumulated contracted amount	1,860,700

Source: Ministry of Commerce, PRC, <https://countryreport.mofcom.gov.cn>. Note: The statistics for 2017 are from January to June

Traditionally, economic diplomacy has been a major approach of the Chinese towards the Maldives. The two sides began their economic and technological cooperation in 1981 and restored direct trade in 1982. Before 1982, there was no direct trade between the two countries.

Chinese companies began entering into the project contracting business in the Maldives after 1985. By the end of 2001, the accumulated value of their contracted projects in the country reached US\$46.37 million (S\$65.5 million), with turnover of US\$40 million (S\$56.5 million). Hong Kong and Singapore serve as transit ports for most of China's exports to the Maldives. China's major exports to the Maldives consist of rice and consumer goods. For Maldivian exporters, China is fast becoming a market for marine products such as yellowfin tuna and sea cucumber. Before 2012, China tried to make inroads into the Maldives to fulfill its strategic objectives, but was not very successful because the regime of President Mohamed Nasheed was friendly towards India.

During President Xi's visit in 2014, China started discussing cooperation with the Maldives in the framework of MSR. The joint statement issued by President Xi and then-President Abdulla Yameen suggested that the Maldives

would be “prepared to actively participate” in the MSR initiative. More concretely, it states, “We have agreed to jointly build the 21st century MSR and take this opportunity to enhance cooperation in the fields of maritime economy, maritime security, ocean research, environment protection and disaster prevention. We will also try to start some key projects that can yield quick results, at an early date.”²⁹ In December 2014, a Joint Committee on Trade and Economic Cooperation between the two sides signed an MoU for furthering the MSR. The Maldives became the second nation in India’s backyard after Sri Lanka to sign up for the initiative. There are several infrastructure projects proposed under it, including upgrading the Maldives’ international airport, constructing a bridge between the airport and its capital Malé as well as housing and road projects.

At the second meeting of this Joint Committee in September 2015, China and the Maldives signed an MoU to initiate discussions on a free trade area. In 2017, after more than two years of negotiations, the Maldives became the first Sub-Saharan African country to sign a FTA with China. According to statistics from the Chinese Ministry of Commerce, their bilateral trade increased by 34.1 per cent, reaching US\$397 million (S\$561 million) in 2018. By the end of 2017, Chinese direct investment in the Maldives totalled US\$67.43 million (S\$95.2 million), and by the end of 2018, the total contracting projects amount reached US\$4.39 billion (S\$6.2 billion). Completion of the contracted amount during this same year was US\$1.71 billion (S\$2.4 billion).³⁰

During President Xi’s meeting with President Faure in 2018, the former said China welcomed the Seychelles’ active participation in the BRI construction projects by making full use of its favourable geographic location. President Faure said the Seychelles was ready to enhance communications with China on governance, take the joint building of the Belt and Road as an opportunity to conduct more bilateral cooperation, support each other in international affairs and lift bilateral ties to a new height. Following the bilateral meeting, the two countries signed an MoU on ‘Cooperation within the Framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative’.³¹

29. Yang Yi, “China, Maldives Eye Stronger Partnership with All-Round Cooperation,” *Xinhua*, 16 September 2014.

30. “Briefing on economic and trade cooperation between China and Maldives”, Department of Asian Affairs, Ministry of Commerce of the People’s Republic of China, 20 February 2019. <http://yzs.mofcom.gov.cn/article/t/201902/20190202836077.shtml>.

31. The MoU aims to promote socio-economic and infrastructural development between the two countries. This includes opening up trade connectivity, deepening investment and industrial cooperation, and enhancing people-to-people connections in areas such as education, health, and sports.

Until now, Mauritius is one of the 10 African states that have not signed an MoU with China on the BRI. Due to several political and economic factors, Mauritius has adopted a wait-and-watch attitude. Nevertheless, China and Mauritius have established strong economic bonds. In 2015, China became the largest exporter to the country, nudging India from the top spot. Obviously, China will have more African countries on board on the BRI in the future. Mauritius is probably one. During President Xi's visit to Africa in July 2018, Mauritius reached an agreement with China to sign the cooperation accord on the initiative at an early date. According to the Chinese Ministry of Commerce, China's direct investment flow to Mauritius was US\$151 million (\$213.3 million) in 2018. By the end of 2018, China's direct investment in Mauritius was around US\$1.1 billion (\$1.5 billion).

Table 8: Main projects in Mauritius engaged with Chinese companies

Projects	Description
Tianli Spinning (Mauritius) Co., Ltd.	The total direct investment was 250 million yuan (about US\$31.25 million [S\$44.2 million]). The company has about 340 employees (including 120 Chinese employees), with a production scale of 50,000 spindles and an annual production capacity of 12,000 tons of standard cotton yarn.
Mauritius Economic and Trade Cooperation Zone between Shanxi and Africa	The Cooperation Zone is a comprehensive development zone for tourism, real estate industry, education, business catering, green energy and logistics. Enterprises entering the zone enjoy preferential policies such as duty-free, value added tax-free and income tax rate of 15 per cent.
New Terminal in Mauritius Airport	The amount of the project is US\$305 billion (S\$431.5 billion).
Real Estate Project	More than three companies, including Beijing Construction Engineering Group, are involved in investing real estate projects.
Huawei	Huawei established its African headquarters on the island. Its market share among the three major local operators accounts for more than 90 per cent. Through the national broadband project, it helps Mauritius to achieve fiber-optic connection for all users. Meanwhile, Huawei has created numerous job opportunities. It is also actively involved in public welfare undertaking, in which they put in about US\$100,000 (S\$141, 499) per year.
Bagatelle Dam	The Bagataylor Dam was partly supported by the Chinese government's preferential loans. The length of the dam crest is 2.6 kilometres, the maximum dam height 48 metres, the dam crest elevation 400 metres, and the storage capacity 14.2 million cubic metres. At the end of 2016, the main body of the dam was completed and water began to be stored. At the end of June 2017, the dam was filled and officially delivered, with a one-year warranty. It will meet the water demand of Port Louis and Vagua area.
Comprehensive Sports Centre	Started in October 2018, the Centre was funded by a number of countries, including Mauritius and China. The construction project was contracted to China State Construction Engineering Corporation. It is the first international standard stadium and by far its largest sports centre. The project was completed and put into use in 15 July 2019.

Source: Compiled by the author

To sum up, with the materialisation of future BRI plans, these four small states will have stronger trade and investment linkages with China.

Military and Security Engagement

China's military and security interactions with the small states remain limited, especially in comparison with India's engagement on this front. Among them, Sri Lanka maintains the most active military and security engagement with China; the latter is also one of the largest suppliers of arms to the former

since the 1950s. These transactions have included small arms, ammunition, landmines, naval vessels and aircrafts. China and Sri Lanka's defence and security cooperation intensified during the Sri Lankan civil war, in which China's support came in several forms. In 2007, the then-President Rajapaksa's visit to China led to a US\$37.6 million (S\$53.1 million) deal to purchase Chinese Jian-7 fighter jets, anti-aircraft guns, JY-11 3D air surveillance radar, armoured personnel carriers and other weaponry.

China and Sri Lanka regularly engage and engender confidence through traditional annual military exercises, like the multinational Cormorant Strike exercise.³² The two armies also held Exercise Silk Route in 2015.³³ Military engagement between China and Sri Lanka has mostly manifested itself in the form of ad hoc goodwill port calls or refueling stops. Non-traditional security adds to the pre-existing cooperation. China has provided disaster relief to Sri Lanka through maritime routes, training to Sri Lankan military personnel and built an auditorium at the Sri Lanka Military Academy last year. In 2014, Sri Lanka allowed two Chinese submarines and a warship to dock at its port in Colombo on the way to and from a counter-piracy deployment. This was the first-ever port visit by a Chinese submarine in the Indian Ocean. From an Indian perspective, although this does not imply that Chinese submarine deployments are provocative in nature, it does cause anxiety and can be viewed as diminishing India's naval superiority in the region.³⁴

According to a senior colonel at the Chinese Embassy in Colombo, Xu Jianwei, the Chinese military attaches great importance to improving relations with the Sri Lankan military, and over the past few years, the two militaries have witnessed active cooperation in the areas of personnel training, joint training and maritime security. "China wishes to boost the development of the BRI to strengthen the pragmatic cooperation between the two countries and the two militaries."³⁵ However, in terms of the level of military and security

32. Cormorant Strike exercise is one of the notable annual projects of the Sri Lanka army. Last year, "Cormorant Strike X – 2019" kicked off for the 10th consecutive year with 2,400 army personnel, 400 sailors and 200 airmen, including 80-plus foreign military participants and observers from 10 countries.

33. 'Exercise Silk Route 2015', organised by the Directorate of Training at the Army Headquarters of China and Sri Lanka under three phases focuses largely on weapon handling, VVIP protection study, live firing, lane firing, sniper firing, body protection drills, backup vehicle movement and training, body protection formation, ambush drills, reconnaissance techniques, skill firing, special mission planning, combat tracking techniques, situation training exercise, jungle warfare and basic battle skills, vehicle ambush drills, aircraft and building option training, etc.

34. Shantanu Roy-Chaudhury, 'India-China-Sri Lanka Triangle: The Defense Dimension', *The Diplomat*, 12 July 2019. <https://thediplomat.com/2019/07/india-china-sri-lanka-triangle-the-defense-dimension/>.

35. "China, Sri Lanka vow to strengthen defense ties", *Xinhua News*, 24 July 2018. http://www.xinhuanet.com/english/2018-07/24/c_137345307.htm.

engagements, the US and India have far deeper and more comprehensive engagements with Sri Lanka.³⁶

As part of its engagement with the Maldives, the single Chinese platform promised to the Maldives National Defence Force (MNDF) – a sea ambulance for medical evacuation – finally arrived in July 2018, after a six year wait. Three Chinese naval ships docked in Malé in August 2017. The officers of the frigates also held special training sessions with MNDF soldiers before the warships departed. In December 2017, when President Yameen visited China, an agreement was signed to set up a ‘Joint Ocean Observation Station’ at the Makunudhoo Island. China engages with Mauritius and the Seychelles by cooperating in the fields of anti-piracy, countering illegal fishing and tackling climate change.

Culture and People-to-People Exchanges

People-to-people bonds are a booster to the construction of the BRI since it laid a solid foundation for public awareness in countries along the BRI. President Xi proposed that the countries’ trust and cooperation lies in the people-to-people bond. To ensure policy coordination, facility connectivity, unimpeded trade and financial integration, enhance mutual understanding and lay a solid foundation for business, China must get the support of all countries and strengthen the friendship with the people. Cultural exchanges play an important role to enhance people-to-people bonds between China and the BRI countries. For six years, China has actively promoted the spirit of friendly cooperation and carried out extensive cultural, educational, tourist, health and medical cooperation as well as scientific and technological collaboration with the four states.

In Sri Lanka, two Confucius institutes and two Confucius classes have been set up. China is now working with Velaa academy in the Maldives to open a Chinese studies centre. In September 2015, the Confucius class in the Seychelles was upgraded to a Confucius institute. China also set up the first Confucius institute in Mauritius on December 2016. Besides these institutional cultural organisations, the Chinese Ministry of Education also significantly increased the scholarship awards to these island countries. China believes these people-to-people bonds will boost economic and trade cooperation, enhance strategic mutual trust, facilitate sharing of ideas and will help foster a better understanding of China’s increasing footprints in these countries.

36. Priyanka Moonesinghe, ‘Playing both sides of the fence: Sri Lanka’s Approach to the BRI’, South Asian Voices, 9 May 2019. <https://southasianvoices.org/both-sides-of-the-coin-sri-lankas-approach-to-bri/>.

Tourism is also an important field of cooperation. China is Sri Lanka's second largest market and attracted 265,965 tourists in 2018.³⁷ With the Easter Sunday setback, the Sri Lankan government had hoped to attract at least 50 per cent of that number by the end of 2019. China now has over 150 million outbound tourists, and the number is increasing by 14 per cent yearly.³⁸ Sri Lanka has the potential to attract and host even more Chinese tourists once it restores internal stability and safety.

The Maldives Ministry of Tourism revealed that, in 2019, the highest number of tourist arrivals from a single country was from China. As per the report, 284,029 tourists arrived from China in 2019, which was a 0.3 per cent increase compared to that in 2018. Meanwhile, the second highest number of arrivals were from India. With 166,030 tourists in 2019, this was an 83.5 per cent spike.³⁹ Statistics indicate that the number of visitors from India continues to increase over the years.⁴⁰ The Maldives is seeking more direct flights from China to attract up to a million tourists annually (triple the current number) by 2023.

The two remote island states – Mauritius and the Seychelles – are still uncharted territories for most Chinese tourists. These countries are too far and very expensive for most Chinese tourists to travel to even though tourism is a hot topic of discussion during official occasions. During the meeting between President Xi and President Faure in September 2018, the former talked about cooperation in enhancing people's livelihood, infrastructure, tourism and maritime economy.

Table 9: Strategic value of the four small island states

Country	SLOCs	Political	Economic	Balancing	Partnership
Sri Lanka	High	High	High	High	Strategic cooperative partner
Maldives	High	Medium	Medium	Medium	Future-oriented all-round friendly and cooperative partner
Mauritius	Medium	Medium	Medium	Low	New cooperative partner
Seychelles	Medium	Low	Low	Low	Blue partner

Source: Compiled by the author

37. "Sri Lanka tourism named a top travel destination for 2019", Oxford Business Group, <https://oxfordbusinessgroup.com/overview/time-shine-all-eyes-are-sri-lanka-world%E2%80%99s-top-destination-2019>.

38. "China still No 1 outbound tourism market: Report", *China Daily*, 13 March 2019. <http://www.chinadaily.com.cn/a/201903/13/WS5c88f6aca3106c65c34ee74c.html>.

39. The State Council Information Office of the People's Republic of China, op cit.

40. Nafaahath Ibrahim, 'China dominates Maldives' tourism market in 2019', *The Edition*, 29 January 2020. <https://edition.mv/business/14663>.

Implications of China's Increasing Engagement

China has gradually increased its engagement with the small island countries in the Indian Ocean, which will ostensibly continue to develop in future with the promotion of the BRI. There are several trends we have witnessed that will become more explicit.

Geopolitical Implications

Most observers often write about the challenges China's engagement with these countries pose to India's interest in the region. China's naval interest in the Indian Ocean is growing alongside its maritime trade, which requires establishing a naval presence in several Indian Ocean ports. In the long-term, China may increasingly regard itself as a resident power in the Indian Ocean, not just as an extra-regional power.⁴¹

Anxieties over the control of ports are again at the forefront of strategic thinking about the Indian Ocean. Since the turn of the century, Chinese companies have been involved in the construction, expansion or operation of numerous commercial port facilities in the northern Indian Ocean. Port facilities at Gwadar (Pakistan), Hambantota and Colombo (Sri Lanka), Kyaukpyu (Myanmar), Lamu (Kenya), Bagamoyo (Tanzania) and several others (such as Sonadia in Bangladesh) have also been proposed. Back in 2011, according to both governments, China also considered a proposal from the Seychelles for Chinese navy ships to use its ports to rest and take on supplies while participating in anti-piracy patrols. The Seychelles has proposed also that China base military reconnaissance aircraft and personnel at its main airport, from where the US operates surveillance drones. This was stated by the Seychelles' Foreign Minister, Jean-Paul Adam, in an interview with *The Wall Street Journal*.⁴² This has resulted in concerns from the US and India. Finally, China shifted its attention to Djibouti and built its first overseas support base. Entered into service in August 2017, "[t]he base has provided equipment for the maintenance of four escort task groups, offered medical services for over 100 officers and sailors on board, conducted joint medical exercises with foreign militaries and donated over 600 teaching aids to local schools."⁴³

41. David Brewster, "The MSRI and the Evolving Naval Balance in the Indian Ocean", in *China's Maritime Silk Road Initiative and South Asia*, edited by Jean-Marc F. Blanchard, Palgrave Macmillan, 2018, pp. 55-79.

42. Jeremy Page and Tom Wright, 'Chinese Military Considers New Indian Ocean Presence', *The Wall Street Journal*, 14 December 2011. <https://www.wsj.com/articles/SB10001424052970203518404577096261061550538>.

43. The State Council Information Office of the People's Republic of China, op cit.

China's port projects in the Indian Ocean are the subject of several competing narratives which alternatively emphasise their political, strategic or economic significance. Some security analysts claim that China is following what has become known as the 'String of Pearls' tactic. This is essentially a Mahanian strategy of building a chain of naval bases across the northern Indian Ocean that would be used by the Chinese navy to protect its trade routes and potentially dominate the area. China offers its own 'de-securitised' narrative of economic development, as part of the MSR, which is different from the 'String of Pearls' debate. Beijing argues that, as part of its "peaceful rise", Chinese companies are building ports in the IOR for the economic benefit of all concerned. China claims to be building an economic and not a military pathway across the Indian Ocean as part of a policy to promote peaceful trade and development. Chinese scholars recognise the far-reaching strategic significance of these projects for the success of the MSR. As of 2018, Chinese companies have participated in the construction and operation of a total of 42 ports in 34 countries under the MSR scheme. Shipping services have reached all coastal states along the BRI.⁴⁴ Chinese enterprises have already gained sufficient port construction capacities and have established a strong foothold in the Indian Ocean port system.⁴⁵

China does have strategic and security concerns besides these economic ones. However, these objectives are more defensive than offensive. As clearly illustrated by the latest defence white paper, 'China's National Defense in the New Era', which was released in 2019, one very significant mission and task of China's armed forces in the new era is to protect the country's overseas interests,

"Overseas interests are a crucial part of China's national interests. One of the missions of China's armed forces is to effectively protect the security and legitimate rights and interests of overseas Chinese people, organisations and institutions. The People's Liberation Army (PLA) actively promotes international security and military cooperation and refines relevant mechanisms for protecting China's overseas interests. To address deficiencies in overseas operations and support, it builds far seas forces, develops overseas logistical facilities and enhances capabilities in accomplishing diversified military tasks. The PLA conducts vessel protection operations, maintains the security of strategic SLOCs

44. "Jointly build ports, realizing maritime connectivity", *People's Daily*, 13 May 2019. http://www.gov.cn/xinwen/2019-05/13/content_5390958.htm.

45. Sun Degang, "The situation of China's participation in Indian Ocean port projects and risk analysis", *Contemporary International Relations*, Vol. 7, 2017.

and carries out overseas evacuation and maritime rights protection operations.”⁴⁶

China’s presence in the Indian Ocean and its growing engagements with these states should be interpreted more from a defensive rather than an offensive angle. The creation of special diplomatic relationships and modernisation of military forces actually aim to diversify China’s basic energy supplies, facilitate bulk-cargo transportation and defend the Chinese people and assets abroad. The strategy is not concerned with shaping China’s sphere of influence in the IOR as the vast majority of Indian analysts assert.

The Indian Ocean is already geopolitically crowded with the US in Diego Garcia and the Indian navy on the Mauritian archipelago of Agalega. China’s growing footprint will naturally make the region more crowded in the future. As predicted by some American analysts, China’s navy will be the world’s largest in 2035.⁴⁷ China’s naval presence in the Indian Ocean is relatively small and is likely to remain so for some time. In the long-term, however, national capability to protect the SLOCs on the Indian Ocean will grow stronger and become more reliable. This might give rise to more maritime competition among the US, India and China in the IOR. However, from the Chinese perspective, “competition does not mean confrontation”. “Since the three countries face similar security challenges and share common interests in the IOR, it is necessary for them to compete to a reasonable extent while pushing forward with functional cooperation”.⁴⁸ China will stick to its defensive military strategy, focus on the cooperative dimension and try to avoid getting involved in geopolitical competition with other major countries in these small island states.

Economic Implications

When interpreting China’s economic engagement, many Indian and western analysts refer to the narrative of ‘debt traps’. Indian scholar Brahma Chellaney is regarded as the first to make use of the term ‘debt trap diplomacy’ to describe China’s economic approach towards developing countries like Sri Lanka. He explains that Chinese loans are collateralised by strategically important natural assets with high long-term value (even if they lack short-term commercial viability). The heavier the debt burden on the smaller

46. The State Council Information Office of the People’s Republic of China, op cit.

47. Michael A. McDevitt, ‘China’s Navy Will Be the World’s Largest in 2035’, *U.S. Naval Institute*, February 2020. <https://www.usni.org/magazines/proceedings/2020/february/chinas-navy-will-be-worlds-largest-2035>.

48. Lou Chunhao, ‘US–India–China Relations in the Indian Ocean: A Chinese Perspective’, *Strategic Analysis*, July 2012.

countries, the greater China's own leverage becomes. Some countries, which in this argument are overwhelmed by their debts to China, are forced to sell stakes in Chinese-financed projects back to it or hand over their management to Chinese state-owned firms.⁴⁹ The 'debt trap' narrative has, from then on, grown wider in global media, and numerous 'experts' routinely assert that China is using the BRI to achieve its diplomatic and strategic aims through debt diplomacy.⁵⁰

Many Chinese scholars have actively responded to this 'debt trap' narrative. The Chinese academic community has put forward three arguments to counter this narrative.

First, the promotion of the BRI has gradually brought about a big impact on global governance. "China for the first time proposes a comprehensive vision on global order, and tries to reform the current global governance institutions through promotion of the BRI, which are widely regarded from the western world as revision to the current 'rule-based international order'; the 'debt trap' narrative is thus just another expression for 'China threat theory'".⁵¹ Second, from the geopolitical perspective in South Asia, the narrative of the 'debt trap' has been woven from the Indian logic of power politics.⁵² Third, a group of Chinese scholars regards the 'debt trap' as a new kind of political criticism of China.⁵³ There is no systematic evidence, however, that the BRI, in fact, causes 'debt traps'. According to a framework analysis of the World Bank, debt dynamics over the long-term will worsen in 11 countries (or 37 per cent of the 30 countries considered) due to the BRI, but debt vulnerability will remain limited. Of the 30 countries included in the long-term debt dynamic simulations, 11 will experience a higher debt-to-GDP ratio under the BRI compared to the baseline. In only in two countries, the BRI debt financing will result in increasing debt dynamics, with the public and publicly guaranteed

49. Brahma Chellaney, 'China's Debt-trap Diplomacy', *Project Syndicate*, 23 January 2017. <https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01>.

50. For Example, Maria Abi-Habib, 'How China Got Sri Lanka to Cough up a Port', *The New York Times*, 25 June 2018. <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>; Kemel Toktomushev, 'The Belt and Road Initiative: The March of White Elephants?', *China & U.S. Focus*, 22 February 2019. <https://www.chinausfocus.com/finance-economy/the-belt-and-road-initiative-the-march-of-white-elephants/>; John Pomfret, 'China's Debt Traps around the World Are A Trademark of Its Imperialist Ambitions', *The Washington Post*, <https://www.washingtonpost.com/news/global-opinions/wp/2018/08/27/chinas-debt-traps-around-the-world-are-a-trademark-of-its-imperialist-ambitions/>.

51. Xie Laihui, The Interaction Between the Belt and Road Initiative and the Current Global Governance System: A Typology Analysis, *World Economics and Politics*, No. 1, 2019, pp. 34-58.

52. Yang Siling and Gao Huiping, "Debt trap theory": India's logic of power politics and implications, *South Asian Studies*, No. 1, 2019, pp. 55-81.

53. Chu Yin, Qin Shuai and Ma Tiantian, "'Debt Trap' cannot hold ground", *HongQi WenGao*, No. 23, 2018, pp. 34-35.

debt increasing above 50 per cent of GDP in 2030.⁵⁴ The BRI host countries and their regional political environments, on the other hand, have played a key role in the production and diffusion of the ‘debt trap’ diplomacy allegations.⁵⁵ Generally speaking, the entirety of the Chinese academic community refuses to accept the allegation and recognises it as a reflection of the biases against China’s rising international stature.

Among the four small island countries, Sri Lanka was the first to be claimed a ‘victim, of the ‘debt trap’ diplomacy. Its government endures a long-standing debt problem. Although neither China nor Chinese loans were the main cause, international public opinion and even some researchers fabricated the accusation without solid evidence.⁵⁶ Even some Sri Lankan scholars openly argued “it is a story based more on fiction than fact”.⁵⁷ According to the 2017 annual report issued by its central bank, Sri Lanka’s total foreign debt is over US\$50 billion (\$70.6 billion). Chinese debt only accounts for about 10 per cent of this. Plus, over 60 per cent of Chinese loans are concessional loans, with an interest rate much lower than that of the international level.

Figure 4: Sri Lanka: Sources of foreign debt



Source: Central Bank of Sri Lanka, Annual Report (multiple years)

54. Luca Bandiera and Vasileios Tsiropoulos, A Framework to Assess Debt Sustainability and Fiscal Risks under the Belt and Road Initiative, the World Bank, Policy Research Working Paper, June 2019, p. 29.
55. Zhong Feiteng, Zhang Shuai, Regional competition, election politics and BRI debt sustainability—An analysis of the “debt trap diplomacy” allegation, *Foreign Affairs Review*, No. 1, 2020, pp. 20-64.
56. Brahma Chellaney, “China’s Creditor Imperialism,” Project Syndicate, 20 December 2017; “The ‘New Great Game’: China’s Debt-trap Diplomacy,” European Foundation for South Asian Studies, October 2017.
57. Dushni Weerakoon and Sisira Jayasuriya, ‘Sri Lanka’s debt problem isn’t made in China’, *East Asia Forum*, 28 February 2019. <https://www.eastasiaforum.org/2019/02/28/sri-lankas-debt-problem-isnt-made-in-china/>.

Sri Lanka has issued a large number of sovereign bonds to attract American and Western investors. Government financing thus constitutes a major source of market lending, which takes up 39 per cent of the total external debt. The country has also borrowed from other sources – the Asian Development Bank (ADB) 14 per cent, Japan 12 per cent and the World Bank 11 per cent as seen in Figure 4. As aforementioned, China only accounts for about 10 per cent. According to two distinguished Sri Lankan economists, “Why Sri Lanka is so widely showcased as an example of the dangers of Chinese debt diplomacy, despite the fact [that] Chinese loans are clearly not the primary cause of Sri Lanka’s debt imbroglio, has more to do with global politics than the real facts of the Sri Lankan case.”⁵⁸

Another widespread rumour is Sri Lanka’s handover of the Hambantota port because it borrowed too much from China which it is not able to repay. Chinese Vice Foreign Minister Le Yucheng addressed the issue in an interview with the *Financial Times*,

“About the Hambantota port, the project was built and run at the request of the Sri Lankan side. For years, Sri Lanka had hoped to make good use of its geographical location and build the country into a logistic and warehouse hub in the Indian Ocean. In the past, because of civil war and conflict, they were unable to do so. Now the situation is stable, to build an international port is back on their agenda. And they looked for help from China.

The idea of the operation right also came from the Sri Lankan side. The Chinese company was hesitant at first because they were not familiar with such [a] situation. After careful studies and rounds of consultation and negotiation, the Chinese company overcame difficulties and reached [an] agreement with the Sri Lankan side to set up two joint ventures, and had acquired corresponding stakes.

I want to stress that the sovereignty over and ownership of the Hambantota port belongs to Sri Lanka throughout the process. When it is done, if it so needs, Sri Lanka can repurchase part of or all stakes from the Chinese company until it takes it all back.”⁵⁹

A similar fallacy is applied to the Maldives. The Center for Global Development considers the Maldives to be one of eight countries highly vulnerable to debt

58. Ibid.

59. Transcript of Vice Foreign Minister Le Yucheng’s Exclusive Interview with the *Financial Times*, 26 September 2018, Ministry of Foreign Affairs of the People’s Republic of China.

accumulation under the BRI.⁶⁰ Several allegations of land grabbing were made against Chinese companies in the name of carrying out infrastructure projects there. These projects are also seen to have the ability to drag the country into a 'debt trap'. "China's cooperation with the Maldives aims to promote the well-being of the Maldivian people without political intentions and without seeking geopolitical interests", Chinese State Councillor Wang Yi said when meeting the Maldivian Foreign Minister Abdulla Shahid. Councillor Wang added, "China provides what help it can to the Maldives without attaching political preconditions, and does not interfere in its internal affairs." It is totally without basis to say "the Maldives is mired in a Chinese debt trap", he said.⁶¹

China's Ambassador to the Maldives, Zhang Lizhong, added that investments in the Maldives' resorts are "completely normal". He rejected the claims of land grabs and 'debt traps'.⁶² In July 2019, Ambassador Zhang cited figures from the Chinese central bank, explaining that out of the total debt of US\$3.2 billion (\$\$4.35 billion), the debt owed to China was only US\$1.5 billion (\$\$2.01 billion) and that the remainder amount – constituting the bulk of the cost – was grant aid from China.⁶³ This suggests that, like Sri Lanka, the Maldives' debt problems go far beyond China.

Actually, from the Chinese perspective, China's loans are much welcome and needed, and they are provided with no political pre-conditions. Ahmed Nihan, a senior figure in President Yameen's Progressive Party of the Maldives, argued, "We have never betrayed our sovereignty, and Chinese loans would produce a strong return on investment. Which other country came with an offer to put a bridge here?" He asked, "Can any of these people talking about transparency come with the answer to my question? Our big brother India, did they come? No."⁶⁴

In the future, while synergising the BRI with the development strategies of African countries like Mauritius and the Seychelles, some media and so-called

60. Hurley, Morris, and Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," Center for Global Development, Policy Paper, March 2018, p. 28.

61. Ben Blanchard, 'China says Maldives is not 'mired in a Chinese debt trap'', *Reuters*, 21 September 2019. <https://www.reuters.com/article/us-china-maldives-idUSKBN1W6012>.

62. "China defends 'completely normal' Maldives investments", *Maldives Independent*, 14 July 2018. <https://maldivesindependent.com/business/china-defends-completely-normal-maldives-investments-139354>.

63. "Foreign minister extols China-Maldives partnership", *Maldives Independent*, 22 July 2019. <https://maldivesindependent.com/politics/foreign-minister-extols-china-maldives-partnership-146729>.

64. Simon Mundy and Kathrin Hille, 'The Maldives counts the cost of its debts to China', *Financial Times*, 10 February 2019. <https://www.ft.com/content/c8da1c8a-2a19-11e9-88a4-c32129756dd8>.

analysts will probably hype the ‘debt trap’ narrative. China is paying special attention to debt suitability and has formulated the ‘Guiding Principles on Financing the Development of the Belt and Road’ and published the *Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative* to provide guidance for the BRI financing cooperation. It is also a learning process for China in order to improve the development of the BRI and the quality of economic cooperation with these countries.

Internal Implications

Last but not least, the ‘China factor’ has been frequently discussed in the island states’ domestic politics, which has also created challenges for China’s cooperation with them. During the 2015 Presidential election in Sri Lanka, topics related to Chinese projects were hotly debated among the candidates. Then opposition candidate, Sirisena, criticised then President Rajapaksa’s pro-China policy. After taking office, President Sirisena suspended the Colombo Port City Project, citing a problem with the project’s environmental impact assessment. Although the Port City project later regained the approval of the government, the political risks revealed by this case are clear.

In 2018, Ibrahim Mohamed Solih defeated Yameen in the Maldivian presidential election. President Solih’s attitude towards Chinese projects is critical. He shifted his predecessor’s ‘pro-China’ stance and reaffirmed an ‘India first’ policy. President Solih has alleged that the Chinese loans are likely to push the Maldives into a ‘debt trap’ and, soon after coming to power, made it clear that his government planned to pull the country out of a FTA with China. President Solih’s Maldivian Democratic Party in recent months increased scrutiny over Chinese-backed projects, and is likely to ask China to reduce the sums owed as well as to seek to amend the interest rates and repayment schedules, arguing that the project costs and associated loans were significantly inflated.

In the far west of the Indian Ocean, Mauritius and the Seychelles are also experiencing the emerging ‘China impact’, which has shifted their traditional linkages with their ‘big brother’, India. Mauritius has close economic relations with India, as much of India’s in-bound foreign investment is channelled by its offshore financial centre. The island nation, which has a population mainly of Indian origin, also plays a part in India’s maritime dominance of the Indian Ocean, as India patrols Mauritian waters on the island’s behalf and some Mauritian vessels are serviced in Mumbai. Mauritius’ ties with India are historic but China is the key to its future. The island has to “play its diplomacy

very carefully” in a region superpowers see as strategic.⁶⁵ On the other hand, relations with New Delhi and Beijing appear to be pulling Mauritius in different directions. The island aims to maintain political and security links with India and have China play a very important part in plans to re-orient its role as a financial centre towards Africa.⁶⁶

The Seychelles is on a similar page with Mauritius. Currently, the Seychelles seems to be benefiting from both China and India with increasing investment in the country that will likely lead to opportunities for infrastructure development, trade and financing and will be beneficial for the country’s growth outlook. However, in the long term, the Seychelles’ government may face a challenging balancing act in its relations with the two countries. The drifting in foreign policy may also affect its domestic political agenda. For example, in January 2018, the Seychelles and India signed an agreement to build military facilities on the remote island of Assumption but the project quickly attracted criticism from opposition members of the Seychelles parliament and led to public protests. The Seychelles parliament then blocked the pact and the project did not move forward. In recent years, some of the Chinese projects are also facing challenges caused by local protests.

Generally speaking, these small countries are trying to balance ties with China and India. In terms of economy, China remains the biggest development partner for these countries, with Chinese companies increasingly involved in constructing key flagship projects in the framework of the BRI. At the same time, these countries still see India as the dominant power in the Indian Ocean and do not have the political will or capability to cross this rising power. In this context, while China’s deeper financial resources relative to India will ensure that Beijing remains a major source of investments and finance in the coming years, these countries are likely to limit defence cooperation with China in deference to Indian security concerns.

65. Hilary, Clarke, ‘In ‘Asia’s gateway to Africa’ Mauritius, rivals China and India compete for the upper hand’, *South China Morning Post*, 8 December 2018. <https://www.scmp.com/news/world/africa/article/2176883/asias-gateway-africa-mauritius-rivals-china-and-india-compete>.

66. Joseph Cotterill, ‘Is Mauritius big enough for China and India?’, *Financial Times*, 5 October 2017. <https://www.ft.com/content/bb658580-8434-11e7-94e2-c5b903247afd>.

Conclusion

The four small island countries are each at different stages in their engagement with China and are learning both from history and one another's experiences. As China's interaction with Sri Lanka becomes more frequent with its growing prosperity, Sri Lanka's significance as a symbol of success for the BRI will grow, which highlights its strategic position. The major powers are competing to enhance their influence in Sri Lanka and this will only intensify in the years to come. The Maldives is also trying to explore its strategic value in the great power game. However, it still lacks sufficient experience to successfully navigate these powers. The unexpected foreign policy shift from President Yameen to President Solih provides a good example of this. For countries like Mauritius and the Seychelles, in the face of intensifying contention between the major powers, they will, sooner or later, face a dilemma regarding whether to continue the balancing act or shift to alignment.

In China's view, the BRI will remain the main platform through which it will interact with these countries. Currently, the joint promotion of the BRI has entered its second stage which emphasises quality development. With BRI 2.0, China will embed a broader framework of comprehensive engagement with the small island states and more tangible benefits will accrue that will have a positive impact on these partnerships.

At the same time, China should further collaborate with the other big powers by enhancing third market cooperation in these small countries and making its projects more transparent and inclusive. It is also critical to address and mitigate India's legitimate security concerns, work together with India and other maritime powers on non-traditional security collaboration and gradually build trust through joint operations. The US, India and other shareholders in the IOR should also accept China's growing presence to demonstrate that their intention in the Indo-Pacific is not aimed at encircling China and should not undermine its security interests. Last but not least, these small island countries should be careful not to choose sides among the big powers since a new strategic equilibrium with the big powers in the Indo-Pacific is key to their development and prosperity in the long run.

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