CHINA'S FOREIGN AID AND INVESTMENT DIPLOMACY, VOLUME II

History and Practice in Asia, 1950-Present

JOHN F. COPPER

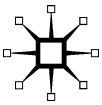
China's Foreign Aid and Investment Diplomacy, Volume II

China's Foreign Aid and Investment Diplomacy, Volume II

History and Practice in Asia, 1950–Present

John F. Copper

palgrave
macmillan



CHINA'S FOREIGN AID AND INVESTMENT DIPLOMACY, VOLUME II

Softcover reprint of the hardcover 1st edition 2016 978-1-137-55182-5

First published 2016 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire, RG21 6XS.

Palgrave Macmillan in the US is a division of Nature America, Inc., One New York Plaza, Suite 4500, New York, NY 10004-1562.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

ISBN: 978-1-349-55593-2
E-PDF ISBN: 978–1–137–53272–5
DOI: 10.1057/9781137532725

Distribution in the UK, Europe and the rest of the world is by Palgrave Macmillan®, a division of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Library of Congress Cataloging-in-Publication Data

Names: Copper, John Franklin.
Title: China's foreign aid and investment diplomacy / John F. Copper.
Description: New York City : Palgrave Macmillan, 2015– | Includes bibliographical references and index.
Identifiers: LCCN 2015020279| ISBN 9781137551818 (v. 1 : hardback) | ISBN 9781137551832
(v. 3 : hardback)
Subjects: LCSH: Economic assistance, Chinese—Developing countries. | Investments, Chinese—Developing countries. | BISAC: POLITICAL SCIENCE / History & Theory. | POLITICAL SCIENCE / International Relations / General. | POLITICAL SCIENCE / International Relations / Diplomacy. | POLITICAL SCIENCE / Public Policy / Economic Policy. | POLITICAL SCIENCE / Government / General.
Classification: LCC HC60 .C66525 2015 | DDC 33.91/5101724—dc23 LC record available at http://lccn.loc.gov/2015020279

A catalogue record for the book is available from the British Library.

To my beloved son Royce Wellington Copper,
to whom I entrust the future

Contents

Preface

The People's Republic of China began giving foreign aid as soon as its government was established in 1949. China helped finance two wars. They were the wars that had the greatest impact of any in the post–World War II period: the Korean War and the Vietnam War. China also financed wars of national liberation in a host of Third World countries. Meanwhile foreign aid helped Beijing negotiate establishing diplomatic ties with a number of developing countries and win support for important tenets of its foreign policy.

To some, China became a model for aid giving: a poor country that generously helped other poor countries and a country that gave assistance expeditiously, efficiently, and without conditions. Some observers said that China made it necessary to reexamine the meaning of the term "foreign aid."

In the 1970s and 1980s, notwithstanding impressive successes in its foreign aid diplomacy, Chinese leaders noted that China's aid program had experienced serious setbacks; more important, they felt China needed capital for its own economic development. China thus became a major recipient of financial aid from international lending institutions while it attracted large amounts of investment money from Western countries and from Overseas Chinese. Giving foreign assistance in this context did not make much sense and China drastically reduced its aid giving.

But China's economy soon boomed, and in the 1990s after it began to accumulate large stores of foreign exchange, Chinese leaders resurrected China's foreign aid giving and increased it several fold calling much of it foreign investments. Investments served many of the same purposes as aid and sounded better. In any event, China "transferred" large amounts of its newly acquired foreign exchange to poor countries. This provided succor for their development. It also expanded China's external influence. Not by accident China's external financial help became a major factor in its global rise.

Providing aid and investment funds to developing or Third World countries, China also hoped to realize strategic military objectives, acquire energy and natural resources to fuel its continued rapid economic boom, and, like capitalist nations before it, find or expand markets for its goods to keep its workers employed. It succeeded in all of these objectives. Meanwhile Beijing improved its global image and its global influence.

China's aid and investments also created a backlash. From the beginning China's policies shaping its aid and investments to poor nations differed from the norms. In the name of not interfering in the domestic affairs of other countries while extending financial help to developing countries, China virtually disregarded local governance; it did not pursue democratic aims, and Beijing did not generally take human rights conditions into account. Moreover, China paid less attention to environmental standards than Western countries. Some countries, especially the United States and in Europe, did not like these policies. Developing countries' leaders, however, approved of China's mode of providing financial help while observers noted that China greatly improved economic conditions in recipient countries. In any case, China's aid and investments presented a serious challenge to the West and to some international financial organizations.

In the last decade, while fast increasing the level of its aid and investments, China has suddenly become a big player in helping Third World countries, often surpassing Western countries' aid and investments and frequently eclipsing the financial help extended by international aid-giving organizations. As a result China presented an existential aid and investment threat.

This study will not focus as much as most analysts on the economic aspects of China's foreign aid. Nor will it examine in any depth the decision process in China that involves extending foreign aid or making foreign investment decisions. Rather the author's primary goal is to assess aid and investments as tools of China's foreign policy, its successes and failures, and its political impact as China seeks world power status.

The author wishes to thank the Smith-Richardson Foundation for financial support to work on this book.

John F. Copper

Preface to Volume II

This volume of *China's Foreign Aid and Investment Diplomacy* affords the reader an assessment of China's financial help to countries in the geographic region where China has been most active: Asia. Asia is large, its population enormous, and it is close; hence it is especially important to China. Therefore Asia is divided into three subareas: Southeast Asia, South Asia, and Northeast and Central Asia.

Chapter 1 covers China's aid and investments to Southeast Asia. Early on China's aid to countries in this region was larger than that to other regions. A war in Vietnam and an effort to challenge the West and later the Soviet Union and a strategy to seek diplomatic recognition motivated Chinese leaders to extend foreign assistance. Later, securing sea-lanes to import energy and resources and increase its exports was critical. Some nations in the region have not been recipients of China's aid or investments; others are among the biggest.

In chapter 2, China's aid objectives in South Asia are examined. Here China's search for secure borders and its competition with India for influence in both the region and in the Third World generally were drivers of China's aid and investments. Pakistan was the largest among China's recipients in the region; in fact, it was, and is, one of the biggest recipients of China's financial assistance anywhere. This included arms aid and even help to build nuclear weapons and a delivery system for these weapons.

In chapter 3, the author assesses China's aid and investments to two proximate Communist countries, North Korea and Mongolia. China pursued bloc solidarity. Financial help also supported a war in Korea. North Korea was and remained China's foremost benefactor of foreign aid. North Korea also got help to build nuclear weapons and missiles to deliver them. It became dependent on China's financial help. After 1991 when the Soviet Union imploded, China purveyed aid and investments to the countries of Central Asia. Beijing

sought energy, natural resources, and markets. It also devised a plan to tie Western China to the Central Asia and link the region to Southeast, South Asia, and Europe and thereby expand its global reach.

Chapter 4 is a "special" chapter devoted to the subject of China's aid and investments contest with Taiwan, specifically its use of foreign assistance to win diplomatic recognition, acquire the China seat in the United Nations, and isolate Taiwan. China won most of the battles and by 2008 its economic prowess had proved decisive. China won the "aid war."

John F. Copper

CHAPTER 1

China's Foreign Aid and Investment Diplomacy in Southeast Asia

Introduction

Among the various regions in the world where it has offered foreign aid and foreign investments, China arguably has regarded Southeast Asia geopolitically as the most important. There are former tribute bearers in the area. There are more Chinese living in Southeast Asian countries than anywhere else in the world. Adjacent sea-lanes have become vitally important to China as it has become a trading giant and as it needs to import energy and natural resources and export its products. Last but not the least the region is booming economically and China and the Association of Southeast Asian Nations (ASEAN) have recently formed the largest economic bloc in the world.

Some background is instructive. When the People's Republic of China came into existence in 1949, Mao and other Chinese leaders viewed Southeast Asia primarily from the perspective of Communist Bloc affairs. Thus China sent large amounts of military and economic help to the Communist movement in Vietnam and to the government after the country was divided in 1954. North Vietnam became one of the two largest of China's aid recipients.

At that time China regarded other nations in the region as enemies. They were viewed as puppets of European and/or American colonialism. But Mao and other Chinese leaders also viewed Southeast Asia as an area that might come under Chinese influence. Chinese leaders even viewed the region as its future sphere of influence, similar to Eastern Europe's relationship with the Soviet Union. But first, after the mid-1950s China sought formal diplomatic ties from nations in the region to break out of its isolation—both

self-imposed and overseen by the United States. Finally, it sought to conclude border treaties.

In the 1960s as Sino-Soviet relations deteriorated, Chinese leaders viewed the Soviet Union as opposing China's strategy for dominating the region and in the 1970s saw Vietnam as the Kremlin's ally. In 1978, China cut its aid to Vietnam; soon after the two countries went to war. Something else changed: Beijing had viewed the United States and the anti-Communist Association of Southeast Asian ions as enemies opposed to China's influence in the area, but no longer.

In the 1980s and after, as China's economy boomed, it sought oil, gas, and some of the other resources present in the region. More important, however, China's "oil lifeline" to the Middle East and Africa passed through maritime Southeast Asia. The US Navy protected that lifeline. China preferred it otherwise; but it could not change that situation easily or quickly. Anyway China needed to stay on friendly terms with the United States, which ensured a friendly global economy wherein China prospered. Meanwhile China came to view India as a strategic competitor, if not an enemy, and vied with India for influence in the region.

In the 1990s, China expanded its efforts to forge economic links with ASEAN now a viable and important regional economic bloc. Links with ASEAN would help China enlarge commercial influence and provide it with a market for its manufactured goods. Yet China made territorial claims to most of the South China Sea, which put it at odds with several Southeast Asian countries. China perceived that foreign aid and investments constituted a means, and important ones at that, to manage this problem.

Beijing also had to deal with the problem of an Islamic movement within China. Three of the countries of Southeast Asia were Muslim; getting along with them would help Chinese leaders deal both with the Islamic problem at home and with countries of the Middle East. In particular foreign assistance to Indonesia proved an effective tool of China's diplomatic efforts to deal with Islamic Southeast Asia.

In the years between 2005 and 2015 China's foreign aid and investments became huge in Southeast Asia. China is now competing successfully with the United States, Europe, Japan, and international lending agencies in aid giving and making investments in the region, surpassing each to most recipient countries. Resultant commercial links and its building transportation and other infrastructure have substantially enhanced China's influence in the region.

Vietnam

China's foreign aid to Vietnam (to Ho Chi Minh and the Vietminh) was the earliest it had given to any country or political movement anywhere. Mao, in

fact, sent military help to the Vietminh in 1949 even before he defeated Chiang Kai-shek and established the People's Republic of China.[1] This added to other evidence that Mao was committed to help the Vietminh defeat the French, and China planned to join the Communist Bloc. It also indicated that Mao earlier on saw military and other aid as an effective instrument of foreign policy.[2]

By early 1950, Chinese aid activity in northern Vietnam was visible to outsiders. Most of it took the form of China providing military supplies and weapons to Ho. This included camps established in China where Vietnamese recruits received political indoctrination and military training. By early summer, 4,000 Vietnamese returned from China with training and Chinese and Soviet weapons and also US equipment that Mao's forces had captured from Nationalist Chinese troops.[3] China's aid clearly had an impact; in fact, it soon became quite apparent that China's help to the Vietminh adversely affected France's efforts to pacify and restore control over the northern part of the country. By the fall, French forces along the Sino-Vietnamese border were suffering major defeats largely attributable to China's military aid.[4]

In 1951, China built a rail line from China into Vietnam to carry war supplies and other goods to Ho. In addition, Chinese troops and aid advisors numbering a few thousand were in the country helping the Vietminh in the war effort. As the Korean War drew down after 1951, China's aid activities increased significantly. By 1953, Chinese heavy weapons arrived. By 1954, China had reportedly trained and supplied 40,000 Vietminh soldiers.[5] Meanwhile, China's shipments of supplies to the Vietminh had increased from 10 to 20 tons monthly in 1951 to 400 to 600 tons in 1953. Then it jumped to 4,000 tons a month.[6]

China's aid proved critical. In fact, there is little doubt it sealed the fate of French forces at Dien Bien Phu leading to France's subsequent call for negotiations to end the conflict, or, more accurately, to "cover its defeat."[7] A Chinese publication later boasted that the Geneva Agreement "would likely not have been possible had it not been for Chinese assistance."[8] That was no doubt true. But it can also be said that China's aid convinced the United States that the war was not just an anticolonial war but also one against capitalism and democracy, prompting Washington to extend more aid to the French than it would have otherwise.[9]

In 1954, the world's powers gathered at the Geneva Convention to resolve the crisis. Beijing was invited. Since China at the time was isolated and its government was seen in some quarters as illegitimate, this constituted a major coup for China diplomatically. China's economic and arms aid made this happen even though its aid did not compare to the value of US and French aid to the other side. The bottom line was that China's aid was very effective, enough to "turn the tide."[10]

Nevertheless some have questioned whether Beijing wanted a complete Vietminh victory. They say China sought to keep Southeast Asia fragmented rather than dominated by Vietnam. Clearly the Vietminh were not pleased with the results of the convention in view of their military victory. But to continue fighting the Vietminh, which were highly dependent on Chinese aid, needed a lot more Chinese help, including troops, which China did not provide. They thus accepted the agreement.[11]

After the Geneva Convention, China made its aid to North Vietnam official while military aid was in large measure replaced by economic aid. In December 1954, Chinese leaders announced pledges of aid to facilitate the improvement of North Vietnam's postal services and telecommunications and civil aviation, and funds for converting a railroad to a common gauge. As usual neither side mentioned the amounts of aid. The next year, however, China published an agreement whereby it would provide grant or nonrepayable aid to the tune of $338 million for reconstruction during the period 1955 to 1957.[12] In response, or in appreciation, North Vietnam adopted the Maoist model in carrying out its land reform and made this publicly known. In 1956 it copied China's tax policies and more. Hanoi even launched a "hundred flowers" movement similar to the one Mao carried out in China.[13]

At this time China likely provided more aid to Vietnam than the Soviet Union and the other Communist Bloc countries combined. However, after 1957 Chinese aid declined both in absolute and relative importance owing to the fact that the Great Leap Forward caused severe economic dislocation in China. In addition, Hanoi sought to industrialize its economy and the kind of aid it needed to do this had to come from the Soviet Union.[14] Yet China's aid continued and seemed generous insofar as China had to sacrifice at home to give it, particularly since much of its aid (and Vietnam's main need) was in the form of food. In 1959, China announced two promises of aid to Vietnam, a gift of $20 million and a loan worth $61 million.[15]

In early 1961, probably in reaction to the Soviet Union cutting its aid to China, Mao decided to give even more foreign aid to Vietnam. China offered a loan worth $157.5 million with no strings or conditions attached.[16] In response Hanoi announced a policy of supporting a war of national liberation in the south (which Mao had propounded) and moved closer to China and away from the Soviet Union ideologically. In 1963, Vietnam supported China's position on the Nuclear Test Ban Treaty.[17]

In 1964, following the Gulf of Tonkin Incident and the US escalation of the war, China stepped up its aid, especially military assistance.[18] China sent military equipment and arms, including 15 or so MiG-15 and MiG-17 jet fighter aircraft, and offered to train Vietnamese pilots in China.[19] China also finished some airfields in south China that were under construction and

began to build more.[20] In doing this China provided Hanoi a "rear base" for use in an expanded war.

By the fall of 1965, Chinese engineers and soldiers operating anti-aircraft guns provided by China were in North Vietnam in large numbers—eventually reaching 30,000 to 50,000.[21] China supplied Hanoi with the needed manpower for reconstruction, infrastructure building, and other purposes during the war reportedly taking great risks during US bombing raids.[22] Chinese troops in North Vietnam during the conflict suffered casualties of around 20,000. It has since been reported that 1,000 of the dead remain in Vietnam.[23] The impact of China's presence and its aid was seen in the fact that the United States fought a limited war and spoke in cautionary terms about the possibility of China getting involved directly in the conflict.[24]

Chinese troops also created a presence-cum-threat across the border to deter an American invasion.[25] Chinese gunners shot down a dozen or so American aircraft that flew over China. China, it was said, provided Hanoi with a reliable "rear base." When the United States escalated the war by bringing in large numbers of troops and sophisticated weapons, Beijing provided more aid to North Vietnam.

Yet China's aid was not enough. After 1964, the Soviet Union delivered more sophisticated weapons to Hanoi, and its arms aid soon became more important than China's. Meanwhile, during the Nixon administration, China reduced its aid to Vietnam in order to pursue a rapprochement with the United States. Alternatively China still opposed a Vietnamese victory that would lead to its dominance of the region. Hence it was mainly Soviet assistance that afforded North Vietnam a victory against South Vietnam and the United States in 1975.

After the war ended China signed an aid agreement with Hanoi, but how much money was involved was not disclosed; there was no joint communiqué. But it was known that China's aid projects included a 100,000-watt power plant, a hospital equipment factory, and a film studio. Chinese aid workers remained in Vietnam. Still Chinese aid was meager compared to the aid China had been giving North Vietnam.[26] Zhou Enlai is reported to have told North Vietnamese representatives that China was unable to provide more aid (while at almost the same time pledging $1 billion to Cambodia).[27] It seemed clear that the US defeat and its retreat from the region made Beijing and Hanoi contenders for influence. Vietnam sought to create a Southeast Asia federation it would control. China wanted to keep the region fragmented to increase its own influence.[28]

In 1977, differences between the Chinese and Vietnamese governments escalated. Nevertheless, China probably delivered at least part of the $150 to $300 million in promised loans.[29] China's aid projects included textile

mills, transportation and power projects, and, more important, a steel complex north of Hanoi and a bridge over the Red River near the capital.[30] The Vietnamese government gave awards to Chinese workers, apparently hoping to keep China's aid flowing to balance the Soviet aid it was receiving. Beijing likely thought it might keep Hanoi from falling completely into the Soviet orbit.[31] In any case, China's aid was terminated before December 1978 when Vietnamese forces invaded Cambodia and expelled the government of Pol Pot, a Chinese ally.[32]

In response to Vietnam's invasion and occupation of Cambodia, in January 1979 China's People's Liberation Army crossed the border of Vietnam and engaged the Vietnamese military causing vast destruction and considerable loss of life. One might say, cynically of course, that China "took away" much of its aid as a consequence of this Sino-Vietnamese War. In any event it cost Vietnam dearly. One observer said that China not only sought to "teach Vietnam a lesson," but also wanted to let it be known that Vietnam had not been sufficiently grateful for foreign aid that China had provided up to 1978.[33] Another writer suggests Chinese leaders may have even been thinking of the historical tribute system, seeing Vietnam as a younger brother that needed to be put in its place.[34] Still another factor may have been opposition in China to spending too much on foreign aid when China needed more capital at home to promote economic growth.[35]

Calculating the worth of China's foreign aid to Vietnam up to this time is difficult. The problems in defining and measuring aid cited in Volume 1, Chapter 1, are encountered in spades in the case of estimating China's financial and other help to Vietnam, especially putting a dollar value on its arms and other military aid. Various Western reports on the subject, which define aid to be economic assistance only, put the value in the "hundreds of millions." It was obviously much more than this. This writer, not distinguishing between economic and military aid, estimated China's aid actually delivered during this period to be between $1.5 and $3.5 billion.[36]

In 1979, China released information on Sino-Vietnam relations during the period 1950 to 1978 and declared that the amount of its economic and other help to North Vietnam exceeded $20 billion. The information supplied at this time included specifics: weapons and military supplies to equip 2 million ground, naval, and air force personnel; more than 300,000 Chinese personnel sent to serve the war effort; hundreds of manufacturing facilities and factories; 30,000 vehicles; hundreds of kilometers of railroads and locomotives and carriages; 5 million tons of grain and 2 million tons of gasoline; a 3,000 kilometer-long pipeline; and hundreds of millions of dollars in hard currencies.[37]

Of course, one may consider China's statements an effort to portray Vietnam as ungrateful and as betraying China. China tried to further

embarrass Vietnam in 1980 when it announced that it had taken 260,000 refugees from Vietnam and had paid $580 million in relief and resettlement costs.[38] Yet it is possible, perhaps even likely, China did provide the amount of aid it said to Vietnam, especially if it valued aid in similar terms, as Western countries do.[39]

In any case, ties between China and Vietnam remained sour for a decade. Then, in 1989, relations between the two changed dramatically. There were several reasons for this. One, Vietnam pulled its forces out of Cambodia, ending its occupation of a Chinese friend and ally. Two, Hanoi supported the Chinese government's interpretation of the Tiananmen Incident for which China was grateful. Three, China was desperately trying to avoid being isolated by the West after Tiananmen and therefore wanted better relations with the countries of Southeast Asia. Four, Beijing wanted to expand trade and other commercial relations with the region. As a consequence, Hanoi and Beijing sought a rapprochement and relations changed markedly for the better.[40]

In 1990 the two countries signed a normalization agreement. In 1994, Jiang Zemin visited Vietnam—the first visit there by a Chinese president. These events led to a border agreement in 1999 and in 2000 a sea boundary and fisheries cooperation agreement that applied to the Gulf of Tonkin.[41] Later Hanoi supported Beijing's one-China policy and approved of China's anti-succession law (aimed at Taiwan) even though it was receiving a considerable amount of foreign investments from Taiwan.[42] According to a Chinese source, the improvement in relations was accompanied by China providing "comprehensive aid" to Vietnam, though this term was not defined.[43]

However, this was soon clarified. In 2002, China announced providing Hanoi with a $120 million low-interest loan. In 2003, China wrote off some of Vietnam's debt and provided $36 million for a steel complex and $40 million for a copper mining project; neither of these projects was labeled by either country as investments.[44] These agreements stimulated trade, which rose markedly, from almost nothing in 1991 to $8.2 billion in 2005. The trade balance favored China and to compensate for that China provided "offset funds," which can be considered aid. In 2003, China's financial help in the form of direct foreign investments to Vietnam reached $146 million and supported 61 development projects. The first eight months of 2004, it was reported that China invested $60 million in 43 projects.[45] Another source, however, put China's investment in joint projects at $330 million.[46] The term "foreign investments" was used to describe most of these projects.

In 2005, China reported providing Vietnam with around $200 million in grants and loans.[47] In 2006, China extended loans to Vietnam for railroads, hydropower, and shipbuilding.[48] Whether this was to be considered aid or investments was unclear. Anyway at the end of the year Beijing suspended

$200 million in financial help to Vietnam because the latter extended a formal invitation to Taiwan to attend the Asia-Pacific Economic Cooperation (APEC) summit meeting in Hanoi that November.[49]

In 2010, a Chinese source reported that China was again giving economic assistance to Vietnam, "investing" in a total of 628 projects valued at nearly $2.2 billion.[50] It was unclear if these investments should be regarded as foreign aid or not, though this source mentioned that China had provided "extensive aid" to Vietnam since 1990.[51] China was apparently motivated to extend aid and/or investment funds to Vietnam to ensure the success of the China-ASEAN Free Trade Area (CAFTA) that was announced on January 1, 2010. Vietnam held the chairmanship of ASEAN, which was critical to the creation of this organization. Finally, there was a conflict with Hanoi over maritime claims in the South China Sea; aid may have been intended to dampen that dispute.[52]

This dispute emanated from China's claim to the entire South China Sea (actually 80 percent of it) made in 2009 at a meeting of the United Nations Convention on the Law of the Seas. Meanwhile China built dams on the Mekong River reducing the water flow into Vietnam, which constituted another source of friction. Vietnam was put in the untenable position of accepting China's economic dominance or risking wrecking its economy or even having to face a military conflict with a much stronger power.[53]

Clearly China's economic influence on Vietnam was large. In the decade leading up to 2011, trade between the two countries increased from $32 million to $28 billion. Vietnam's trade deficit with China was $12 billion in 2010, sustained only by China's aid and investments. China was by far Vietnam's largest trading partner. China was buying 60 percent of Vietnam's coal exports and 17 percent of its oil.[54] Seventy percent of Vietnam's imports from China were labeled essential materials needed in producing Vietnam's exports.[55] The "common market" agreement between ASEAN and China signed in January 2010 seemed to ensure that Vietnam's commercial relations with China would further increase.

Thus, notwithstanding Vietnam's heated disputes with China and Hanoi's efforts to improve relations with the United States, Japan, and India to offset China's influence, Sino-Vietnam economic ties increased and China continued to provide Vietnam with financial help. This included the Aluminum Corporation of China Limited continuing to invest in bauxite mining in the central part of the country.[56] A number of other projects were critical to Vietnam's economic health. China also continued its aid and investments even though Hanoi was competing with China's foreign aid by aiding and investing in Laos, Cambodia, and some other countries that China also provided aid and investment funds to. In fact, it was later reported that Vietnam

had provided Laos with investments totaling $3.4 billion and Cambodia $2.1 billion.[57] While it was clear that Vietnam was vying with China for influence with these two countries China generally ignored this "aid competition."

Sino-Vietnam trade increased 35.2 percent in 2011. This and the fact that 16,000 Vietnamese students were in China suggested that relations remained workable or better.[58] At the end of the year, then vice president Xi Jinping (and soon to be the head of the Chinese Communist Party) visited Vietnam and discussed aid and investments and even spoke of a "strategic partnership."[59] Commercial relations remained strong. Internet businesses were engaging in evermore cooperation.[60] Cross-border business was booming. Clearly economic forces seemed to prevail over other issues leading some to think that there was no serious worry about a backlash caused by China's more aggressive claims to the South China Sea.[61]

However, this did not seem to be the case in May 2014 after China sent a $1 billion oilrig to the South China Sea in an area claimed by Vietnam. Subsequently 20,000 Vietnamese workers protested and set 15 Chinese factories on fire. Some Chinese were killed in the melee.[62] This appeared to be a serious setback for China's foreign aid/investment diplomacy and its relations with an important Southeast Asian country.

But for a host of reasons economic forces prevailed. Prior to the incident China's investments were on the rise and Vietnam's economy was slowing due to a number of mostly internal factors.[63] Trade with China had just passed Vietnam's trade with America and was probably much more than the data reflected due to underground trade across the border. Vietnam's economy was further linked in a deep dependency relationship with China due to the fact that many of the raw materials used in its factories producing commercial goods came from China. Finally, China's investments in building infrastructure, especially electricity, were critical to the economy.[64]

Other facts mirrored Vietnam's critical economic links to China. In the Vietnam Communist Party there was an important pro-China faction. The United States had been making overtures to Hanoi and relations had improved; but Washington was preoccupied with problems in the Middle East and Europe and did not have extra money to help fill the gap if China's funds declined. Secretary of State Kerry said he "deplored the situation," but he was not prepared to do anything meaningful.[65] Neither was ASEAN.[66]

After the crisis subsided, it was estimated that Vietnam would suffer a 1 percent drop in its gross domestic product in 2014 because of it. The 2 million Chinese tourists who had visited Vietnam in 2013 (25 percent of the total) decreased in number markedly. There were delays in infrastructure projects. The United States lifted its embargo on selling lethal weapons to Vietnam as a signal it wanted to pursue closer relations with Hanoi. Indeed

Vietnam wanted better relations with Washington to use as leverage against China; yet it could not ignore a double-digit billion-dollar trade deficit with China offset by China's aid and investments that reportedly accounted for 50 percent of its GDP.[67] Also Vietnam's business community wanted peace and cordial relations with China.[68] Finally, Vietnam could not ignore China's huge loans to ASEAN (discussed later in this chapter) and the regional infrastructure projects that China was financing. Thus Sino-Vietnamese relations did not deteriorate further, and it seemed unlikely they would.

In 2015 Sino-Vietnamese relations remained strained and in some ways worsened. Hanoi sought to purchase more and better arms. But the Soviet Union, due to its close relationship with China, did not offer good prospects. The United States was reluctant to provide much more. Anyway Vietnam was not a match for China militarily and it and other nations in the region put economic development above balancing power in their foreign policies. Last but not the least Vietnam remained as much attached to China economically as ever.

Myanmar (Burma)

China first extended economic help to Myanmar (called Burma until mid-1989) in l954.[69] The Chinese government purchased 150,000 tons of Burmese rice at above the world market price as part of a trade agreement between the two countries.[70] China's intent was probably to show sympathy toward Burma due to the United States giving food aid (including rice) to countries in the region, thus pushing down the market price of rice, an important Burmese export. This hurt the Burmese economy. Another reason was the fact that Burma's government was at odds with the Taiwan government and the United States for not acting to resolve the presence of Nationalist Chinese soldiers who had been chased out of China in 1949 and who remained in Burma and exercised virtual control over certain areas of the country.[71]

In 1958, China made its first official promise of aid in the form of a $4.2 million loan at an interest rate of 2.5 percent to help Burma's textile industry.[72] Some observers noted that the offer coincided with China's decision to cut or at least reduce its support for the Burmese Communists and try to establish cordial relations with the government and negotiate a border agreement between the two countries.[73] The Sino-Burmese border was not officially demarcated. In any event, China's foreign aid appeared to have little political impact either because it was small or because China's image was hurt by its harsh handling of events in Tibet (a Buddhist country like Burma) at that time.[74] On the other hand, Sino-Burmese trade increased, no doubt helped by China's aid.[75]

In 1961, China made another aid promise, this one for US$84 million—the largest Chinese pledge of assistance to a non-Communist country up to this time.[76] This donation coincided with China and Burma reaching a final agreement on their border and signing a treaty of mutual friendship and nonaggression. Beijing may have also been motivated to give this aid by its concern about political change in Laos that concerned Beijing and/or Japan's renewed aid to Burma.[77]

But China soon experienced economic travails at home as a result of the failure of Mao's Great Leap Forward and very little of this aid was delivered—probably less than 5 percent and less than to any nation China had promised aid to in Asia. More than just China's economic setbacks (likely only an excuse since China was giving aid to other countries at the time), Beijing was displeased with Burma's siding with India during the Sino-Indian War in 1962 and likely held back the aid deliveries for that reason. Two other factors related to China not delivering its promised aid: Chinese troops had made incursions into Burma and China continued to provide arms and other aid to the White Flag Communists (the most important Communist organization operating in Burma); both actions angered the Burmese government and affected Sino-Burmese relations. In 1962 Burma severed diplomatic relations with China and expelled Chinese aid workers.[78]

In 1964, Sino-Burmese relations improved once again and China began delivering aid. Work proceeded on a bridge and a number of other projects.[79] However, in 1967, the Cultural Revolution in China marred relations with a number of foreign countries when Chinese embassies abroad were ordered to promote revolutions locally. China's interference in Burma's domestic politics was quite blatant. Anti-Chinese riots resulted and Chinese-owned warehouses where rice was stored were looted.[80] The Burmese government recalled its ambassador and expelled Chinese technicians working on aid projects.[81]

In 1971, notwithstanding the fact that China had stepped up its arms and other aid to the Burmese Communist Party, including sending volunteers and establishing a clandestine radio station in China known as the Voice of the People of Burma, or maybe because of it, relations turned for the better. China announced that the 1961 aid promises, which were now mentioned as having been suspended, would be revived in the form of a ten-year interest-free loan. Burma soon began buying Chinese goods, indicating the loan was being used.[82] However, China, observers said, was practicing what some called "dual track diplomacy"—aiding both an insurgency movement opposed to the government and the government itself.[83]

After Mao's death in 1976, Beijing made a special effort to cement closer relations with the Burmese government including putting aid relations back on track.[84] In 1978, China made mention of several of its aid projects

underway in Burma, including making an announcement that it finished a textile mill and then signed an agreement to expand it.[85] China also signed an aid agreement promising to build a 10,000-seat indoor stadium in Rangoon.[86] In 1979, China made a new pledge of aid to Burma said to be worth between $67 million and $80 million.[87] This aid may have "bought" Burma's withdrawal from the nonaligned movement and Rangoon's support for China during the Sino-Vietnam War of 1979 as well it favoring the China-friendly Pol Pot regime in Cambodia.[88]

In 1986, "border trade areas" were established in northern Burma and China's Yunnan Province whereby people from the two countries could travel "conveniently" and do business.[89] Meanwhile, Burma supported China on major Chinese foreign policy issues, including human rights and environmental issues, and condemned First World nations for "interfering in poor countries' domestic politics."[90]

Late in the decade, after the Myanmar government's crackdown on prodemocratic activities, Japanese and Western aid slowed. A Western weapons embargo against Myanmar was then put into place. In 1988, a military coup in Myanmar, which was followed by army rule, further alienated the West and Japan, not to mention international aid-giving organizations active in country.[91] China was thus provided an even better chance to improve relations with Rangoon.

Border trade between China and Myanmar, which had been illegal (much of it smuggling), was regularized and Chinese consumer goods began showing up in Myanmar in significant quantities.[92] Trade between the two countries reportedly increased tenfold in 15 years.[93] The large volume of Chinese exports to Myanmar and much smaller amounts of imports indicated that China was giving Burma trade credits.[94] In any event, China soon began to provide Myanmar with "very substantial aid" in the form of grants and preferential loans, while Beijing cancelled a substantial debt it was owed. However, because of Western criticism of China's actions neither country provided figures or any concrete information about China's assistance.[95]

Another reason for China not publicizing its foreign aid to Rangoon was that much of it was arms aid. In fact, Chinese Type-62 and Type-63 tanks were seen in Myanmar around this time. So were various kinds of missiles, patrol boats, transport aircraft, and radars.[96] Some observers connected this with Beijing's efforts to reach an agreement to use Burmese ports and to compete with India for influence in the region.[97]

In 1990, it was reported that China pledged a whopping US$2 billion in aid to Myanmar for the purchase of arms and military equipment. Included in China's arms aid were advanced weapons and weapons systems that Myanmar had never possessed, including surface-to-air and air-to-air

missiles, supersonic jet fighters, and electronic warfare and signal intelligence equipment. All of this greatly enhanced Myanmar's military's capabilities.[98] Indicating that this aid was actually delivered and had an impact, observers noted that Myanmar's military was being quickly modernized.[99] Shortly after this it was reported that China promised an additional $400 million in arms aid though it was not disclosed whether or not this was new aid.[100]

Suggesting there was a quid pro quo, in late 1992, Western spy satellites photographed a new 150-foot antenna on a naval base on Burma's Coco Island in the Indian Ocean close to vital sea-lanes there. The facility that used the antenna was an intelligence base built and was operated by China. Meanwhile the Chinese press referred to Myanmar as part of the "Great Golden Peninsula" that extends from China's Yunnan Province to Singapore, which had strategic significance to Beijing.[101] Clearly China saw a vital geopolitical interest in Myanmar based on its location close to China's oil lifeline to the Middle East and its proximity to India.

Sino-Myanmar foreign relations continued to improve. China's Premier Li Peng visited Myanmar in late 1994 and, when there, stated that all countries "should have the right to freely choose their own social system and road to development according to their traditions, culture, historical background, and popular aspirations."[102] Myanmar supported China's position on Taiwan and its statements on the US bombing the Chinese embassy in Belgrade. It was said at this time that China sought close ties with Myanmar because it was the "weak link" in America's efforts to contain China.[103]

One writer stated that due to the fact that China's arms deliveries had not affected Myanmar's foreign exchange reserves, this aid was obviously given in the form of grants. He also suggested that five new ports constructed on Myanmar's Indian Ocean and a nearby bridge were built using Chinese aid, indicated that China's strategic interests in the Indian Ocean were being advanced.[104]

In the 1990s, China extended more aid to Myanmar. In 1998, China provided Rangoon with $250 million in the form of a concessional loan for the construction of the country's largest hydroelectric plant.[105] In 2000, China made a pledge of $120 million for a hydroelectric plant.[106] There were likely numerous other aid promises and deliveries at this time that were not announced. By the end of 2002, it was reported that Chinese construction companies had invested in 800 projects worth a total of US$2 billion. By late 2005 this had increased to a total of US$2.2 billion.[107]

Following the imposition of US trade sanctions against Myanmar in 2003, Beijing announced a loan of $200 million.[108] In 2004, China reached an agreement with the Myanmar government giving it tariff-exempt status on some of its exports to China.[109] In 2006, China made another aid promise

of $200 million.[110] In 2007, the Chinese government signed an agreement whereby natural gas from Myanmar would be piped to southwestern Yunnan Province.[111]

China's aid to Myanmar from 1988 to 2007 was said to total between $1.4 billion plus $2 billion in military assistance and $5 billion in pledges of other aid.[112] This made China Myanmar's biggest aid contributor and Myanmar one of China's largest recipients of foreign aid. This no doubt explains (together with China's support for Myanmar in other ways) Myanmar's decision in 2007 to favor China over India when deciding on the builder and the route of a major gas pipeline. It also explains Myanmar supporting China's foreign policy goals and its strategic interest in establishing a naval presence in the Indian Ocean in competition with India.[113]

The China-Myanmar aid relationship was, of course, not without problems. Officials in Myanmar expressed concern that a significant number of Chinese had moved to Myanmar semi-permanently.[114] In addition, the trade relationship was so large and unbalanced it created dependency. Finally, Chinese consumer goods flooded the Burmese market in such quantities they stifled the growth of local industries.[115]

In any case, China continued to supply financial help to Myanmar. In 2009, an agreement was signed between China and Myanmar providing for $2.9 billion in Chinese funds to build two pipelines.[116] The pipelines were to carry oil and natural gas from the Middle East and Africa via the Bay of Bengal to Kyaukpyu Port and on to Kunming in South China. This would afford China a secure source of oil and gas that did not have to pass through the Malacca Strait. The pipelines were to be completed in 2012.[117] At that time it was reported that 26 of China's multinational companies were active in Myanmar and China was working on more than 62 hydropower, oil, gas, and mining projects.[118]

In 2010, China's huge economic assistance to Myanmar became even bigger. It was reported that China had "pumped" $8.17 billion in aid and investment funds into Myanmar in the past year, including $5 billion in hydropower, 2.5 billion into the oil and gas sector, and $997 million in mining.[119] It was also said that Myanmar had received a total of $20 billion in foreign funds since 1988, $12.32 billion of which came from China—making it by far the biggest contributor of aid and investments to Myanmar.[120]

In 2011, however, events occurred that appeared to adversely affect Sino-Myanmar relations. The government took a big step toward democratization and the United States moved to improve relations with Myanmar. Work was suspended on the $3.6 billion Muyitsone Dam project funded by the China Power Investment Corporation. The cancellation of the dam happened because of a public outcry generated by the perception that China had too

much economic influence in Myanmar. Also, environmentalists in Myanmar with support and encouragement from abroad opposed the dam.[121]

Some were thus predicting a serious downturn in Sino-Myanmar relations. The shift to a more democratic government meant that Myanmar might again attract foreign aid from the United States, other Western countries, and international organizations. The US change in policy toward the Myanmar government indeed indicated the United States would likely again offer aid and investment funds. China's close relations and its huge aid to Myanmar had, it was thought, happened mainly because Myanmar was isolated and had few friends and aid providers other than China.

In any event, China's reaction was measured and relations between the two countries were apparently not seriously affected. Comments from the two governments as well as trade and other economic data confirmed this. China's premier Wen Jiabao visited Myanmar and officials on both sides praised each other and spoke of the scope of their economic ties and close future relations. Nobel Laureate Aung San Suu Kyi (whom the United States supported) praised China. Reportedly trade between the two countries increased by 35.2 percent in 2011 and of the new foreign investment in Myanmar, 70 percent was from China, Hong Kong, and Thailand (mostly from China). The United States accounted for only 1 percent.[122]

Work continued on the pipelines, which were scheduled to be finished by 2013. A road was also under construction as were a number of other aid projects. China remained Myanmar's number one aid provider and investor and its number two trading partner. There were 16,000 Myanmar students in China. The United States, as it improved relations with Myanmar, announced that it did not seek to undermine Chinese influence there, some said because America was not capable of providing meaningful (compared to China's) economic help either in aid or investments to Myanmar.[123]

In 2013, as a result of political change in Myanmar spelling the end of authoritarian military rule, Western countries and international institutions resumed the flow of foreign aid and investments. The Japan Bank for International Cooperation extended a $900 million "bridging loan" to repay debts to the World Bank and the Asian Development Bank. The World Bank subsequently extended a credit of $440 million to support financial reforms. The Paris Club of 19 nations forgave $6 billion in debt. The Asian Development Bank pledged $512 million for social and economic projects.[124] All of this made it seem as if China's dominant aid, trade, and investment relationship with Myanmar might be in trouble. Local resentment of China's influence and what some called its "unbridled expansion" plans supported this view.

In early 2014 local workers seized two Chinese employees at a copper mine in Myanmar.[125] In mid-year China cancelled the $20 billion railroad project

(to parallel the gas and oil pipelines) cited earlier in the face of local protest over its environmental impact and because it was negotiated without the approval of local people it would affect.[126] To some degree Sino-Myanmar relations were affected by the new government's better relations with Western countries, and also by the troubles Beijing experienced with Vietnam and the Philippines. Some observers predicted a decline in relations between the two.

Yet some facts suggested otherwise. China remained the largest investor in Myanmar with investments to the tune of $14 billion in the fiscal year 2013–14, followed by Thailand and Hong Kong. During that period Myanmar reportedly earned $3.2 billion from exports of natural gas (most of which went to China) and this provided its biggest source of foreign exchange. China remained Myanmar's paramount trading partner.[127] In mid-2013 the gas pipeline discussed above was completed and soon gas started flowing. In August 2014 the oil pipeline under construction was finished. Meanwhile the United States expressed disappointment about reforms and the human rights situation after President Obama's visit there in 2012. Obama visited again in late 2014, but it was reported he would not have made the trip had it not been for the fact Myanmar was the host to the Southeast Asia summit meeting.[128] US aid had again been cut or restricted due to Washington's disappointment with the Myanmar government. New American aid of any meaningful sort was not forthcoming by the summer of 2015.[129]

Cambodia

In June 1956, China signed an agreement with the Cambodian government pledging aid in the form of a grant for $22.5 million; the money was earmarked to facilitate Cambodia's 1956–57 development plan.[130] By the end of the year mixed Sino-Cambodian commissions were established and some of the aid was being used to buy construction materials and equipment. Shortly after this, it was decided that some or most of the money would be spent to build four factories.[131] China also signed a protocol agreement with the Cambodian government at this time agreeing that China would not interfere in Cambodian politics and that Chinese laborers and technicians would not be sent to Cambodia—to alleviate fears among the people in the country about this.[132]

China was apparently motivated to give this aid because of Cambodia's neutral foreign policy stance, Mao having changed his view about uncommitted countries while seeing an opportunity to establish diplomatic ties with Cambodia. Chinese leaders no doubt also sought influence with Cambodia in the context of China providing vast economic and military aid to North Vietnam. For its part, Cambodia sought to balance its pro-Western foreign policy and aid it was receiving from France.[133]

In 1958, China announced another grant to Cambodia, this one worth $5.6 million.[134] China gave this aid to bolster its anti-imperialist image since Cambodia was locked in dispute with Thailand (a formal US ally). Another interpretation is that China was at the time providing financial assistance to Chinese newspapers and schools in Cambodia and may have wanted to be seen as helping the government as well as in-country Chinese. In any case, some of this funding, or earlier aid, was used to build a radio station, the most powerful one in Southeast Asia and one that promoted tenets of China's foreign policy.[135]

In late 1960, China signed a third aid agreement with the Cambodian government. There were conflicting reports on the amount, whether it was $11.5 million or $26.5 million. In any case, the aid took the form of a grant.[136] The timing suggested it was linked to a treaty of friendship that the two countries signed at this time, which precluded Cambodia from joining the Southeast Asia Treaty Organization (that China viewed as a US effort to contain China). Beijing may have also sought support for several tenets of China's foreign policy. If so, it worked: Cambodia supported Mao's statements on the "Taiwan Question" and voted for China's admission to the United Nations.[137] In 1963, Cambodia asked the US aid mission to leave and took China's position on the Nuclear Non-Testing Agreement. In 1964, Cambodia supported China's nuclear test. In 1965, Cambodia broke diplomatic ties with the United States.[138]

China seemed to get a lot for a little. Up to 1964, Beijing had pledged only 10 percent of the aid the United States had given to Cambodia and delivered only part of what it had promised.[139] Furthermore, some of China's projects floundered.[140] In addition to Cambodia supporting China's foreign policy, China attained a base from which to conduct radio broadcasts that included Chinese propaganda and made a convincing public case that its aid to Cambodia was useful, generated local jobs, and was beneficial.[141] China's foreign aid to Cambodia was praised by some observers and even called a model.[142]

In 1966, China made another aid promise to Cambodia for $43 million.[143] However, due to the Cultural Revolution launched at this time, it is uncertain how much, if any, of this aid was delivered. Nevertheless, in 1967 and 1968, China made several promises of military aid to Cambodia and delivered aircraft, anti-aircraft guns, and some other equipment. China sought to gain influence with the Cambodian military or offset aid it had given to the Khmer Rouge. Beijing may also have sought to balance the aid it was giving to North Vietnam.[144] In 1968, China made another pledge of aid to Cambodia for $30.8 million in the form of a grant, though it was uncertain whether this was new aid or China formalizing aid given over the previous seven years.[145]

In 1970, the Cambodian government of Prince Sihanouk was overthrown, after which the prince took up residence in Beijing. China promptly stopped its economic aid to the Cambodian government and increased arms aid to the Khmer Rouge.[146] Beijing also provided aid to the Sihanouk government in exile, though no amounts were cited.[147]

In the fall of 1975, after the country was seized by the Khmer Rouge, China's aid assumed a new and very different scope: China pledged $1 billion in the form of a loan without interest to Kampuchea (the name for Cambodia from mid-1975 to 1979), plus $20 million as a gift.[148] This was the biggest single pledge of foreign aid China had ever announced. Deputy Prime Minister Khieu Samphan traveled to Beijing at the time and signed a joint communiqué with the Chinese government condemning both superpowers and lauding China as the "steel bulwark" in the world socialist movement.[149] Kampuchea had become a Communist country and aligned with China, as Beijing wanted—unlike what happened in Vietnam.

In March 1976, an economic pact was signed between the two countries that presumably included details on the aid. Refugees from Kampuchea subsequently said they had seen considerable Chinese aid activity, including the building of factories, roads, and other construction.[150] Later it was reported that Chinese aid personnel were repairing a railroad linking the capital of Phnom Penh with a deepwater port in the south, that locomotives had arrived from China, and that the airport serving the nation's capital was being put back into operation.[151] Later in the year China delivered some jet aircraft to Kampuchea.[152] This assistance prompted, or made it possible for, Pol Pot to mount offensive operations against Vietnam the next year, which eventually led to war.[153]

In 1977, China's aid delivered to Kampuchea probably exceeded $200 million and may have been as much as $500 million judging from the fact that there was considerable aid to be drawn from the 1975 pledge and Kampuchea received little or no aid from traditional donors yet continued to show a deficit in its balance of payments.[154] In addition, citizens who fled the country said they had observed large numbers of Chinese aid personnel and the continued delivery of military equipment and aircraft.[155] The Chinese government reported helping Kampuchea's industrial sector, specifically mentioning an acid factory, a vehicle repair plant, and a shipyard.[156]

In ensuing years more of China's large aid pledge was being made available as evidenced by reports of Chinese technicians working on various projects, including a cement factory, a phosphate factory, glassware and tire factories, and a power station.[157] But most of China's aid took the form of arms. In early 1978, China accelerated its shipment of military aid to Kampuchea in response to Vietnam's ill-treatment of Chinese residents there and Hanoi

signing a treaty of alliance with the Soviet Union.[158] It was even reported that Chinese soldiers were in Kampuchea in significant numbers.[159] In November, China sent more aid but declined to provide more "Chinese volunteers" to help Pol Pot in his conflict with Vietnam.[160] At the time, Vietnam declared that China had given Kampuchea extensive military aid—enough to "help them build and equip overnight a dozen divisions armed with long-range artillery and warplanes."[161]

China's deputy premier Chen Xilian said that China would "always support the Kampuchean army."[162] Western sources reported seeing tanks, armored vehicles, and large artillery in Cambodia.[163] Chinese instructors were observed in Western Kampuchea training pilots to fly MiG-19 fighter planes while China's aid personnel were seen building an airfield near Phnom Penh capable of handling jet fighters and bombers.[164] It was rumored that there were 20,000 Chinese aid advisors and technicians in Cambodia.[165]

After Vietnam's invasion of Kampuchea in February 1979, China rendered aid (ironically, along with the United Nations and the United States and with the help of Thailand) to Khmer Rouge forces in Kampuchea and other opposition groups that had fled to Thailand and that opposed Vietnam's occupation of the country.[166] Much of China's aid went through Laos (which China was also helping with foreign aid). China's aid to the Khmer Rouge and its allies made it very difficult for Vietnamese forces to pacify the country.[167]

In the early 1980s, there were numerous reports of China providing arms to the Khmer Rouge and to the other resistance groups fighting Vietnam's occupation forces. It was said China's arms aid was "lavish." There were also reports that China planned to help the Kampuchean opposition by attacking Vietnam again (as it had done in 1979).[168] According to one observer, China provided aid amounting to $100 million per year to the Khmer Rouge to fight Vietnam's occupation.[169]

During the late 1980s, China's aid to the opposition forces fighting against Vietnam's occupation was slanted to help Pol Pot and the Khmer Rouge. Yet China wanted to prevent the Khmer Rouge from dominating the opposition, and it was able to do that. In fact, China's foreign aid ensured it had influence with all members of the opposition. According to Vietnamese officials, China's aid to Cambodia at this time was "huge" and included military advisors—some of whom were captured, including one general.[170] Another source stated that China had furnished arms for 10,000–15,000 Khmer guerrillas (of a total force of 30,000).[171]

Beijing complemented its aid to Kampuchea by putting political pressure on Vietnam. China dispatched a large contingency of troops to the Sino-Vietnamese border to create tension there and make Vietnamese leaders fret about another Sino-Vietnamese conflict. China also made the withdrawal

of Vietnamese troops from Cambodia one (the first one) of the three conditions for improving Sino-Soviet relations. In 1989, when a settlement was finally reached, Soviet aid to Vietnam had diminished and China played a paramount role in bringing about a peace that resulted in the end of the Vietnamese occupation and control of Cambodia.[172]

During the 1990s, China's aid to Cambodia declined—though aid in the pipeline was sufficient (along with trade and other economic ties) to maintain close relations.[173] Complicating China's relationship with Cambodia, in 1997 a coup scared off foreign investors, allowing Taiwan an opportunity to try to make some meaningful contacts with the government of Cambodia. (For details see Volume 2, Chapter 4.) Notwithstanding, China maintained cordial relations with the post–Khmer Rouge regime; hence, at the close of the decade relations were said to be better than that with any other government in the region in large part because of Beijing's military and economic support.[174]

In 2002, China's premier Zhu Rongji announced that China had cancelled all of Cambodia's debt, though he did not say how much that amounted to.[175] It was later reported to be $200 million.[176] It was also said that China tripled its military aid to Cambodia at this time.[177] In addition, China signed an agreement with the Cambodian government giving it zero tariffs on certain exports to China.[178] In 2003, Chinese investments in Cambodia increased and the following year the Cambodian government reported it had gotten more investment help from China than from any other country.[179] China's renewed interest in Cambodia was in part related to its efforts to build better relations with ASEAN, especially given China's desire to finalize work on the China-ASEAN Free Trade Area.[180]

In 2004, China extended a "preferential loan" to Cambodia to purchase seven patrol boats, one landing craft, and a floating dock worth $60 million.[181] In 2005, China approved investments in Cambodia worth $448 million, including a hydropower station valued at $280 million said to be the largest single instance of foreign investment ever in Cambodia.[182] The scope of Chinese aid at this time reportedly reduced Japan's influence and prompted Japan to increase its aid.[183]

In 2006, Premier Wen Jiabao promised Cambodia $600 million in aid and loans, $200 million of which was allocated for bridges spanning the Mekong and Tonle Sap rivers.[184] In 2007, according to the Chinese press, China provided Cambodia economic help worth $601 million—an amount that surpassed the combined pledges of all other donors at the time.[185] This aid no doubt helped China in bidding for rights to explore for Cambodia's offshore oil.[186] That same year, China for the first time (and very unusual for China) provided aid through the Consultative Group for Cambodia, a group of countries

that jointly gave aid. China's contribution was $91.5 million.[187] In 2008, it was reported that China promised $1 billion in aid for two hydropower projects. Later, however, it was said the aid was used mainly for dams.[188]

In 2009, China's vice premier, Xi Jinping, visited Cambodia and signed economic agreements worth a total of $1.2 billion. The funds were for infrastructure and construction projects and consisted of both grants and loans.[189] Critics said Chinese funds influenced the Cambodian government to repatriate 20 Uighurs who had fled China during violence in Xinjiang Province months earlier.[190] This action by the Cambodian government, it was said, undermined the UN High Commission for Refugees work in Cambodia. The United States subsequently suspended aid to Cambodia saying it was deeply disturbed over Cambodia's decision to send the Uighurs back to China without a process for determining their refugee status.[191] A Cambodian government spokesperson replied that the US decision was "nothing to worry about," apparently meaning that Cambodia had in hand sufficient financial assistance due to China's largesse.[192] In other words, China's huge amount of aid to Cambodia made US aid irrelevant.

In early 2010, Cambodia's foreign minister Hor Namhong said that China had "donated" 250 trucks and 50,000 uniforms to the Cambodian military and that China's president, Hu Jintao, had personally promised more military assistance.[193] Later in the year the Western media reported that China had pledged $1.6 billion in aid or investments to Cambodia for infrastructure projects.[194] One observer stated that China had extended foreign aid in the form of grants and loans to Cambodia from 2005 to 2009 worth $1.7 billion, with no strings attached and designated mainly for infrastructure projects such as bridges, roads and dams, plus $5 billion in investments that went chiefly into the manufacturing sector.[195] Another source put China's "funding" to Cambodia at $8 billion by mid-2010—making China by far Cambodia's largest aid benefactor.[196]

Prime Minister Hun Sen at this time assailed Western donors for their unsolicited advice about governance, corruption, and human rights.[197] The Cambodia government subsequently reported that the large amounts of foreign aid and investment money it received were such that it expected the country's economic growth (GDP) to be 6 percent.[198] It was also predicted that Sino-Cambodia annual trade, largely because of Chinese aid, would double by 2017 to $5 billion.[199]

In early 2011, China announced providing Cambodia a grant of $39.6 million and a low-interest loan for $31.7 million. It was said that the loan was specifically to get Cambodia to mediate in China's favor on the South China Sea dispute.[200] Another donation followed for $7.9 million to construct and equip an office building.[201] China's total investment in Cambodia in 2011

was put at $1.9 billion—more than double that of all of the other ASEAN countries and tenfold that of the United States.[202]

In mid-2012, at the ASEAN foreign ministers' meeting hosted by Cambodia, Cambodia took China's side on the dispute in the South China Sea between China and both Vietnam and the Philippines, saying that the meeting did not go well because of those who want to "condemn China." Some observers at the time attributed Cambodia's support of China to the $10 billion-plus in aid and soft loans it had received from China over the past 18 years.[203] Prime Minister Hun Sen stated that Cambodia's strong economic growth owes a great deal to China's assistance.[204]

Later in the year it was reported that China had extended $523 million to Cambodia in grants and loans specifically to help Beijing "maintain friendly relations with ASEAN."[205] It was also reported that China's financial aid maintained the legitimacy of the Cambodia People's Party (the ruling party) and caused the United States to shift its policy of promoting democracy and human rights to combating drug and human trafficking and terrorism.[206]

In 2013, China signed a $1.67 billion memorandum of understanding to finance an oil refinery in Cambodia. Meanwhile Chinese companies announced providing a stunning $11.2 billion in investment funds for iron ore mining and a rail project in Cambodia. During the year observers in Cambodia reported seeing a number of new dams and rail lines built by Chinese companies; also mentioned was a military academy and Chinese-built helicopters purchased via a $195 million loan.[207]

In late 2014 Cambodia's prime minister, Hun Sen, visited China and was promised annual developmental loans in the range of $500 to $700 million. The government reported that China had furnished Cambodia a total of nearly $10 billion in investment money as of 2012.[208] Together with the large pledges in 2013 mentioned in the previous paragraph and the money just promised, according to one source Cambodia was the beneficiary of more than $22 billion and counting. It was therefore not surprising that Cambodia was called *the* ally of China in Southeast Asia.[209]

China's generous and untied financial help contrasted sharply with US aid of $70 million annually, the continuation of which was brought into question by American accusations of corruption and election irregularities prompting Prime Minister Hun Sen to say that a cut in US aid would not have much impact in any case.[210]

Laos

China reportedly provided foreign aid to Laos in the 1950s indirectly through North Vietnam. However, no details were provided on the nature of this aid

or its value. China apparently sought to facilitate bloc relations by helping North Vietnam's neighbor.[211]

In April 1961, leading up to the Second Geneva Conference on Laos, China promised Laos economic help, ostensibly to gain influence with the Laotian government at the conference. The aid was for building a road that China hoped, if done, would give it better access to this border country. During the conference another aid pledge was made, again for road building. No further details such as its value were provided, except that it was a grant.[212]

In 1962, China made another aid promise, this time for the extension of a road in northern Laos going to China.[213] Chinese policy makers were probably thinking of gaining better physical access to northern Laos. But soon China withdrew its engineers and workers as their presence violated the Geneva Convention signed that year. Alternatively China feared a US reaction or chose to help the Communist Pathet Lao movement instead of the government. In any case, it appeared that not much, if any, of China's "official" aid was used.[214]

In1963 a stretch of road in Laos was finished by Chinese aid workers. Construction, however, slowed and may even have stopped after the Gulf of Tonkin Incident in 1964. This reflected China's caution in the face of the US escalation of the war in Vietnam. By 1968, the situation had changed and Chinese aid personnel were reported working on nine roads while also providing training for Pathet Lao troops. China, in addition, built a radio station in southern China to broadcast programs into Laos.[215]

In 1971 it was reported that there were several thousand Chinese laborers working on roads in country and that some were finished. Though it was believed Chinese aid to Laos was designed to undercut America's grand strategy to surround and contain China, one expert said the roads made more sense if seen as an effort to balance Hanoi's influence in the region.[216]

By 1973, over 20,000 Chinese workers were in Laos and they had completed a road that extended almost to the Mekong River.[217] China also provided help to protect this road, including supplying (presumably to the Pathet Lao) radar-controlled anti-aircraft guns. In 1974, China announced aid to the coalition government in Laos worth $25 million. Chinese leaders apparently perceived that the Pathet Lao would win the war and Moscow and Hanoi would otherwise hold sway with the Pathet Lao.[218]

In 1975, China promised Laos more aid in the form of an all-weather road to the ancient capital at Luang Prabang, houses, a meeting hall, and a hospital. China also provided funds for the purchase of Chinese goods and rice imported from Thailand. In June, the Laotian government reported that it had reached an agreement with China for an additional $20 million for

road building and $8 million for unspecified "goods."[219] China apparently wanted to have a greater presence in Laos when the Communist Pathet Lao took control of the country, which happened in December 1975.

In 1977, China reportedly delivered between $5 and $20 million in aid to the new communist government of Laos.[220] A water works and a printing factory were subsequently opened, and China provided technical training and scholarships to Laotian students to study in China. Chinese engineers continued to work on two or three roads in Laos that linked up with roads in China.[221]

However, the Soviet Union took a special interest in Laos at this time and its aid overshadowed China's. As a result, in 1978 the Laotian government supported Vietnam's invasion and occupation of Cambodia causing relations with China to turn south. In fact, Lao-China relations remained strained for more than a decade during which time China did not offer or provide aid to Laos.

In the early 1990s when Soviet aid declined the Laotian government realized that it needed to end its hostility with China. A comprehensive trade agreement was signed between the two countries, which included technical and other cooperation between Laos and China's Yunnan Province. China at that time agreed to build an airfield in Lao's northern province and invest in tin mining, electricity, roads, and projects that had not been finished when relations earlier deteriorated between the two countries.[222] All of this signaled a major shift in relations between China and Laos.

In 1991, China and Laos signed a border demarcation treaty, and in 1992 it was reported that China was providing more economic and military aid to Laos.[223] In 1997, China proposed and signed agreements with ASEAN and the Asian Development Bank to build a "pan-Asian" railroad from Singapore to Kunming in China, which would pass through Laos, and agreed also to build a large cultural complex in downtown Vientiane. Neither side, however, provided details on the amount or conditions of China's financial help.[224]

During the 1997 Asia financial crisis China helped prop up Laos's currency. No mention, however, was made of the cost of this effort. In 2000, President Jiang Zemin visited Laos (the first time for a Chinese head of state) and China provided more funds to the Laotian government.[225] China also apparently pledged and delivered a considerable, in fact huge, amount of aid that was not announced. Later, according to China's official news agency, China had provided Laos with $1.7 billion in aid from 1988 to 2001.[226] This marked a big increase in China's financial help to Laos.

As a condition of this aid Chinese enterprises won a number of substantial contracts in Laos. In 2002, the Van Vieng cement plant was finished. The project was honored by the Laotian government putting its picture on the

5,000 kip (Laos's currency) note.[227] That same year Beijing promised to cancel much of Laos's debt.[228] Meanwhile it was reported that China was the second largest provider of aid to Laos during the period 2001–02.[229] In 2003 China financed what some called a "marvel of a road" in Vientiane, Laos's capital. The year also saw the completion of the Sino-Lao Friendship Hospital. Finally, it was reported that Beijing cancelled much of Laos's $1.7 billion debt owed to China.[230] In 2004, China signed an agreement with the Laotian government to exempt certain imports from Laos from Chinese tariffs.[231]

In 2006, China agreed to build a Lao Cultural Center in Vientiane and a hydropower station in the northwest part of the country. Also mention was made in the media of Chinese aid to Laotian agriculture.[232] President Hu Jintao visited Laos the same year and promised $45 million to finance economic and technical cooperation and debt forgiveness.[233]

In 2007, it was reported that cumulatively China was the sixth largest aid donor to Laos and currently was its the largest investor. Specifically, it was said China accounted for 41 percent of the foreign investment in Laos and that almost a third of this was in hydropower, with the rest in mining, rubber plantations, telecommunications, construction, and hotels and restaurants.[234]

In 2008, it was said that Chinese investment in Laos had risen markedly, reaching $3.6 billion. China was providing funds for various projects, including help to the Laotian military and scholarships for government officials to attend leadership programs and universities in China. On the less positive side, it was reported that there was fear in Laos of a "Chinese invasion" linked to rumors that 50,000 Chinese families were moving into northern Laos to work in a "development area."[235]

Chinese aid and its physical presence in Laos also related to Special Economic Zones underway in the northeast and northwest part of Laos. In fact, Chinese investors attained leased land to build a casino in the northeast and a tourist resort (and more) in the Golden Triangle area in the northwest. While this created some problems, especially the casino, and it was subsequently virtually closed, the government of Laos liked the idea of the zones as a means of promoting economic development and favored Chinese investments in them.[236] Meanwhile, in mid-2010 it was reported that in total China surpassed Thailand to become the largest investor in Laos.[237]

In 2011, it was announced that Chinese banks had offered loans worth $3 billion and that China had promised to build a $7 billion high-speed rail line.[238] This was part of China's plan to control rail and other transportation facilities in Southeast Asia and integrate the area economically with China. Some linked this financial help to Laos also to Laotian support for China at the upcoming ASEAN meeting in 2012 that was to include talks on the South China Sea dispute.[239]

In 2012, China provided the lion's share of foreign investment in Laos amounting to $1.34 billion or more than a third of the total, with local investment and Thai investment following, in that order.[240] This money facilitated getting on track the building of the high-speed railway between the two countries and the decision to go ahead with the Xayaburi Dam project.[241] In 2013 China extended some relatively small grants and loans to Laos and delivered some aircraft and finished some projects started earlier.[242] In 2014, China and Laos signed seven agreements on Chinese aid or investment dealing with energy projects and efforts to fight cybercrime.[243]

The Philippines

When Mao established the People's Republic of China in 1949, he did not pursue formal or otherwise meaningful ties with the Philippines owing to its close and cordial ties with the United States and the large and important American military bases there. Later Manila joined the Southeast Asia Treaty Organization (SEATO)—an alliance system targeted at China.[244] China was also at odds with the Philippine government over its discrimination against the Chinese living there, including a law that did not allow aliens (other than US citizens) to pass on their property to heirs.[245] There were other sources of antipathy. Hence China did not seek official relations with the Philippine government and instead provided aid to anti-government insurgency groups in the Philippine countryside.[246]

It wasn't until 1975 that China established ambassadorial ties with Manila. This came after China was admitted to the United Nations and had secured diplomatic links with most countries in the world. At the time Philippine leaders may have hoped they could persuade China to cease its support of Communist insurgency in the Philippines since China now had good relations with the United States.[247] Chinese leaders were receptive as they wanted to establish cordial relations with more countries and in particular sought to expand China's influence in Southeast Asia. But Beijing did not consider this important enough to extend aid to the Philippines,

However, as China's relations with the United States further improved, Chinese leaders pursued different approaches to improving relations with Manila. In 1977, top Chinese leaders made statements to the effect that some countries that were close to the United States could be included in China's united front strategy against the Soviet Union, suggesting Beijing may have wanted to give aid to the Philippines.[248] Yet, up to the early 1980s Philippine leaders still viewed China with suspicion even though Chinese leaders made continued efforts to change this and thought of aid as a means to do this.

In 1981, this situation began to change. That year China and the Philippines signed an agreement on technical cooperation, and Beijing pledged some economic help. Specifically, China agreed to purchase Philippine coconut oil to reduce the trade imbalance that favored China.[249] In the mid- and late-1980s, Chinese companies, especially some in Hong Kong, began to make meaningful investments in the Philippines.[250]

But, in the 1990s, relations between the two countries worsened as a result of conflicting territorial claims in the South China Sea. After 1992 China openly asserted that essentially all of the South China Sea, including islands claimed by the Philippines, belonged to China. Thus relations deteriorated. In 1995 the two countries became very hostile following the Mischief Reef Incident, when China seized a small island near the Philippines that was claimed by the Philippines. This led to several years of bad blood between Beijing and Manila. Philippine leaders responded by calling for more US military involvement in the area and tried to enhance strategic ties with the United States.[251]

Meanwhile China wanted to avoid appearing as if it were seeking hegemony in the region and sought to calm other countries in Southeast Asia that feared the rise of Chinese military power. For its part, the Philippines was not in a position to take military action over Mischief Reef. The United States having closed is bases in the Philippines, Philippine leaders knew they could not rely as much as it hoped for on Washington. As a result the Philippine government sought a rapprochement with China and the two signed a code of conduct agreement regarding the deployment of forces in the area. They also agreed to recognize the ASEAN Declaration on the South China Sea and international law, including the Law of the Seas Convention, to deal with their territorial dispute.[252] After this Chinese warships generally stayed away from disputed maritime territory.

Nevertheless, relations deteriorated again in 1997 when the two nations' navies engaged in a face-off after it was reported that China had upgraded the structures it had built on Mischief Reef. The Philippine defense secretary spoke publicly of China's "creeping assertiveness" and a policy of "talk and take" in the area.[253] Thereupon the Philippine government offered Washington the use of former US bases under the rubric of a "visiting forces agreement." In the context of growing concern among Southeast Asian nations over China's "aggressive intentions" Beijing sought to convey the view that China wanted peaceful relations with the Philippines. In May 2000, China signed a joint statement with Manila on "bilateral cooperation in the 21st century."[254] China soon after announced a $1 million loan to the Philippines for agricultural development.[255]

Following the US declaration of war against terrorism in 2001 and China joining that effort, Beijing provided the Philippines with $2.5 million in military equipment followed by $1.75 million in "non-lethal aid."[256] Using this context China sought to build a new and cordial relationship with Manila. Chinese leaders were also influenced by their desire to build a regional economic organization (ASEAN plus China) linking China commercially with the countries of Southeast Asia and needed the Philippines cooperation in making this work.

In 2003, China reportedly offered the Philippines a huge loan, said to total $2 billion for use over three years, putting the value of China's economic help to the Philippines at thrice that from the United States.[257] The report did not, however, provide detailed information about this pledge. At the time it appeared it might be only a trial balloon or a signal of what was perhaps to come.

In any event, in 2005, following a trip by President Arroyo to China and a state visit by President Hu Jintao to Manila, the Chinese government promised specific aid and investments worth a total of $1.62 billion.[258] Of this, $400 to $500 million was money to finance building a stretch of railroad plus aid to Philippine agriculture.[259] Soon after this, China offered an additional $500 million in soft loans for the construction of a dam, an elevated highway, and an airport. This made China the largest provider of concessionary loans to the Philippines.[260] It was reported at this time that China also committed $200 million for work on another railroad.[261] Due to lack of clarity about these transactions it is not known how much of the money China promised was foreign aid as opposed to investment funds or if the distinction made a difference.[262] It was also unclear if the 2005 promise included the aid announced two years earlier.

Anyway, in early 2007 Chinese premier Wen Jiabao and Philippine president Gloria Macapagal-Arroyo signed 20 economic agreements including a contract for a Chinese company to build and renovate railroads and an agreements for China to invest in agriculture and provide nonspecific loans for rural development.[263] Socioeconomic planning secretary Romulo Neri elaborated saying that China had agreed to provide the Philippines with funding that amounted to a whopping $6 to $10 billion over the next few years.[264] Cited were the railroad projects; a sewage project; low-cost housing and 20 agribusiness agreements; a 1 million hectare project for hybrid corn, rice, sorghum, sugarcane and cassava; ethanol plants; two bio-ethanol joint ventures; and a fishery project.[265] Late in the year China's defense minister visited the Philippines and offered a grant worth $60 million for military equipment, machinery, Chinese language training, and other items.[266]

All of this had a marked impact on China-Philippine trade. From 2000 to 2005 trade increased 433 percent making China the Philippines' fourth

largest trading partner. By 2007 the total volume of trade reached over $30 billion, indicating China's financial assistance was being used.[267]

What did China get for its money? Beijing was able to mute the dispute with the Philippines over Mischief Reef and, by extension, to some degree claims by others in the South China Sea. It won support from a founding member of the ASEAN for China's upgraded ties with that organization, in particular for the idea of the ASEAN-plus one (meaning China) economic bloc that Beijing had been promoting. It helped China promote its New Security Concept, mitigated the perceived threat of China's military expansion, and helped create the impression of a win-win situation regarding China's foreign policy in the region. It helped counter US and Japanese influence in the Philippines and the region as a whole. The Philippines hosted a number of meetings that China participated in, giving Beijing a favorable venue to put forth its views to nations in the region. It dramatically changed the Philippine government's relations with Taiwan.[268] Finally, in late 2010, Manila declined to send a representative to Oslo where the Nobel Peace Prize was awarded to dissident Liu Xiaobo against Chinese wishes.[269]

Subsequently, however, China's aid relationship with the Philippines turned less cordial, even hostile in some respects. The immediate cause was China again asserting its claim to the South China Sea after the Philippines sent a survey ship to the Reed Bank east of the Spratly Islands. The conflict continued and the Philippine government suggested it would evoke the 1951 US-Philippine Mutual Defense Pact. In mid-2011 Secretary of State Clinton sided with Manila and promised Manila the United States would honor the treaty and would support the Philippines.[270]

There were also a number of other causes for the flow of Chinese aid to the Philippines to be put on hold and for projects promised not to materialize. One was corruption, which plagued the Philippine government and aid projects in particular. There was public concern expressed that this was the reason efforts to eradicate poverty in the Philippines had failed.[271] There were other public outcries directed at China's aid projects. Another important factor was that the Philippine government was badly in debt because of too much foreign aid in the form of loans it could not repay.[272] Finally, there were unstable and unpopular governments in the Philippines, a growing gap between rich and poor, concern about the environment, local insurgent groups that sought to disrupt the economy, and disagreements with China over some unrelated issues that anti-Chinese elements and opponents of the government could exploit.

Observers meanwhile began to note that some of the negative aspects of China's foreign aid were more apparent in the Philippines than with China's aid elsewhere: bloated project costs, lack of competitive bidding, misuse of natural resources, lack of transparency, environmental risks, no regard for

sustainability, and tied aid.[273] Adding to these problems was that China-Philippine relations had improved markedly during the first decade of the new century causing Chinese companies and the government to feel too confident about the relationship. Offsetting these problems China was negotiating an agreement with ASEAN to create a huge and important regional trade bloc; this allowed the Philippines fewer choices in seeking economic relations in the region. China was also giving the Philippines certain advantages in trade (a kind of additional aid) making the Philippines become even more dependent on economic relations with China.

But there was still public concern about China's aid and investments that the political opposition exploited. One item was the fact some China's big projects were not doing well due to the fact they were poorly planned, unduly delayed, and plagued by cost overruns, corruption, and various other problems. Projects to improve telecommunications, explore for oil, and develop mining all ran into difficulty and were stalled or put on hold.[274] The North Rail project, China's biggest and one of its largest in Southeast Asia, was a specific case in point. The project was approved in 2004; six years later not a mile of the railroad had been built. The original loan was for $400 million and the project was to ferry 150,000 passengers a day in and out of Manila. Later another line was added to connect Manila with the large former US Air Force base in central Luzon—now a special economic zone. This added $673 million to the cost.[275]

The loan was very concessionary: a 20-year repayment period at an interest rate of 3 percent and a 5-year grace period, with which other nations and even international financial organizations could not compete. The result was no competitive bidding and overcharges for many goods and services by the Chinese companies involved became a problem. The Chinese involved in the project did not speak English; the Filipinos did not speak Chinese. Thus all talks needed interpreters. There were not enough engineers for the project and another loan had to be negotiated to resolve this matter. Because of other problems, including corruption, a negative image of the project, and an angry public, former president Gloria Macapagal-Arroyo chose not to activate the loan. When her successor, Benigno C. Aquino III, became president in June 2010 several of his advisors filed suit challenging North Rail contracts.[276]

In February 2012, it was reported that the completion of North Rail had been postponed to 2013 (2007 being the original date it was to be finished, which had been extended to 2012) and the cost of the project had grown to $1.8 billion, while Sinomach, the Chinese contractor, asked for even more money. The project clearly had and was still experiencing serious problems.[277] Subsequently, the Philippine secretary of transportation said the rail line "has been scrapped."[278] Shortly after this the Philippine government put the

project on hold pending a leadership change in China. Philippine officials declared that it might replace China as the main financier of the project.[279]

The seriousness of the disputes between the Philippines and China and the difficulties involved with most of the big projects brought into serious question China's aid to and investments in the Philippines. So too did the fact the Philippines did not lack investor interest, that its credit rating was good, and that it was bringing in a lot of money through remissions.[280] However, in view of the United States, Japan, and Europe not coming to the Philippines' rescue and owing to the success of China's aid and investments elsewhere in the region, plus the economic links between China and ASEAN and growing trade ties between China and the Philippines, not to mention substantial Philippine investments in China, all seemed to suggest that the problems might be resolved. Meanwhile the Philippines government pledged the project would be resumed within the term of President Aquino III.[281] Clearly the Philippines government is still keeping its options open in consideration of China's financial clout and what China can do to help the Philippine economy.[282]

Indonesia

China first provided foreign aid to Indonesia in 1956 in the form of a moratorium loan for $16 million to compensate for the imbalance in trade between the two countries.[283] At the time China sought greater influence in Indonesia in view of its importance in Southeast Asia (by far the largest nation in the region) and to support the growing Communist movement there. Beijing may also have hoped, on account of the Sukarno government being staunchly anticolonial and anti-imperialist, to negotiate some kind of mutual alliance.[284] In addition, Chinese leaders saw Indonesia as important for its leadership of non-aligned and Third World countries. Finally, China had been talking to Indonesian leaders about an agreement regarding the nationality of Chinese living in Indonesia (where there were more than in any country in Southeast Asia and where they controlled much of the economy, engendering local ill feelings and straining relations between the two countries).[285]

In 1958, China offered Indonesia another loan worth $11.5 million at an interest rate of 2.5 percent.[286] This aid seemed aimed at helping the Sukarno government cope with opposition rebel groups that were allegedly receiving money and other forms of support from Taiwan and the United States. In any event the funding helped ingratiate China with President Sukarno. In 1959, Beijing extended another loan for $30 million earmarked to finance the building of six textile mills and a spare-parts factory.[287]

Unlike its aid to Communist countries and a number of non-Communist nations at the time, all of China's foreign aid to Indonesia was given in the

form of loans rather than grants. Probably Chinese leaders calculated they could not compete with Soviet and Western aid to Indonesia and lacked complementary means to influence the Indonesian government. Still Mao and other Chinese leaders considered Indonesia to be anti-neocolonial and anti-imperialist and an important country in Southeast Asia where China sought to expand its presence and, therefore, giving aid was worth the risk.[288]

In 1961, China promised Indonesia $30 million more aid, again in the form of a loan. This was apparently intended for budget support. In any event, China got something for its aid: The next year the Indonesian government refused to label China an aggressor in the Sino-Indian War. In 1963, Indonesia took China's stand on the Nuclear Test Ban Treaty and did likewise in 1964 regarding China's first nuclear weapons test.[289]

In 1964, China pledged another loan to the Indonesia government worth $50 million, said to replace United Nations aid lost after Indonesia withdrew from that organization.[290] Beijing also wanted to help Indonesia in the context of its declining relations with the United States and its difficulties in getting loans from the World Bank and various Western countries.[291] Finally, Beijing hoped to win Indonesia's support for China's position at the upcoming second Afro-Asian Conference.

However, in September 1965 there occurred a Communist-led coup in Indonesia followed by the military seizing of power and decimating the Indonesian Communist Party. The military blamed China for instigating the initial coup and relations soured badly between the two countries. The new government reestablished close relations with the United States and regarded China as unfriendly to Indonesia or worse.[292] In that milieu China's aid to Indonesia ceased. Relations remained strained for more than a decade.

In the 1980s, China renewed its efforts to improve relations with Indonesia. In 1985, China and Indonesia reestablished trade that had been cut in 1967. Shortly after this China made a pledge to purchase $200 million in Indonesian goods to redress the trade deficit Indonesia had with China.[293]Formal relations, however, were not reestablished.

In 1990, Premier Li Peng visited Indonesia and President Suharto visited China. China and Indonesia subsequently reiterated their support for the Five Principles of Peaceful Coexistence and the Ten Principles of the Bandung Conference as a means of finding common ground for improving ties.[294] Soon after the two countries established formal diplomatic relations. As part of the agreement Indonesia agreed to repay $84 million in loans received from China before 1965.[295]

At the time China wanted to buy Indonesian oil and sought Indonesia's support (or at least restrained opposition) for Chinese claims in the South China Sea and Beijing's one-China policy. Indonesia sought better relations

with China in the context of fast-improving ASEAN-China relations. Finally, Indonesia wanted to expand its list of trading partners and sought to be seen as less beholden to the United States.[296]

In 1997 the Asian financial crisis gave China a nice opportunity to help Indonesia and win support from the government and the people while improving its image there and in neighboring countries. Indonesia's financial sector was weak, in part precipitating the crisis there. The International Monetary Fund (IMF) came to the rescue, but its tight credit and higher interest rates policies precipitated bankruptcies and caused capital to flee the country, both of which created panic. It was estimated that in Indonesia bad debt rose from 9 percent to 50 percent and inflation looked to rise to 80 percent. Indonesia was in dire straits.[297] Local Chinese money fled in larger quantities than the IMF could replace it.[298] In this milieu China pledged $3.12 billion in financial support to Indonesia.[299] This was a very large sum and and proved critical to dealing with the economic crisis. Indonesia was very grateful.

In 2001, China proposed strengthening trade and economic cooperation and in 2002, when Indonesian president Megawati visited China, Beijing extended new preferential loans totaling $400 million.[300] In 2002, China also reached an agreement with Indonesia to buy $12.5 billion in natural gas over a 25-year period.[301]

In 2004, China pledged $63 million in disaster relief following the December tsunami that did serious damage in Indonesia.[302] In 2005, Chinese president Hu Jintao visited Indonesia and promised low-interest loans worth $300 million.[303] In early 2006, China extended a $33 million grant to Indonesia and an $800 million loan for infrastructure projects.[304] China provided another $2 million in cash for disaster relief in mid-year following a severe earthquake in Indonesia.[305]

In 2010, the signing of the China-ASEAN Free Trade Agreement (CAFTA) hurt Indonesian exports to China so Beijing agreed to pursue trade balancing. To offset the trade deficit China pledged almost $2 billion in "export buyers' credit."[306] At almost the same time China Railways Group signed a $4.8 billion contract to build a coal transportation network in South Sumatra.[307] These two agreements put Indonesia on the list of the major beneficiaries of China's financial help.

China won acclaim and support from the Indonesia government and its population. The media reported that Indonesians, who for decades harbored suspicions toward China, were amazed by China's economic development. Many inside and outside of government noted that China was financing mega projects that the World Bank, Asian Development Bank, Europe, Japan, and the United States used to do.[308] Meanwhile trade between the two countries grew very fast, doubling between 2006 and 2011 while reaching $49.2 billion

annually making China Indonesia's number two trading partner. Trade was projected to grow to $80 billion by 2015.[309]

In early 2011, Chinese premier Wen Jiabao visited Indonesia and promised a mammoth $19 billion in financial help: $10 billion in export credits and $9 billion in soft commercial loans. Wen also said China would "give" Indonesia $154 million for maritime cooperation. China was interested in Indonesia's resources, its markets, and its support for China's relations with ASEAN. Hence China extended the largest pledge of aid (or investments) to any one country ever.[310]

China's aid made a difference. The funds helped China cement much closer ties with Indonesia, including getting Jakarta's assistance in dampening criticism of China in the region over its aggressively pushing its claims on the South China Sea.[311] Indonesia took measures to resolve maritime issues with China and to help improve relations between China and ASEAN.[312] Even military relations, lagging behind other ties, between China and Indonesia showed improvement with joint military exercises and officer exchanges.[313]

In October 2013 China's president Xi Jinping visited Indonesia and signed several agreements including a currency swap deal. He also upgraded the two countries' relationship to "comprehensive stratetic partnership" status.[314] By early 2015 two-way trade between the two countries had quadrupled to $66 billion (from 2005 when China and Indonesia became "strategic partners"). Indonesia joined China's Asia Infrastructure Investment Bank and President Jokowi even linked it to his "maritime fulcrum doctrine." In the not so positive category Indonesia evoked a fishing agreement to resolve a conflict with China and expressed an interest in mediating territorial claims in the South China Sea that China didn't like. Finally, it was reported that only 6 percent of China's investments have materialized. While this is obviously an understatement it does suggest China was waiting for reforms and "implementation measures" before delivering its money.[315]

In the spring of 2015 Indonesia's president visited Beijing and witnessed the signing of $ 63.4 billion in commitments by Chinese companies, mostly dealing with infrastructure. It is uncertain how much of this represented new investment; much of it may have been the finalizing of earlier promises. Yet the amount suggests some earlier commitments not announced or some new ones. In any case the amount was quite stupendous.[316]

East Timor or Timor-Leste

China's foreign aid to East Timor (or now known as the Democratic Republic of Timor-Leste) has not been large when compared to its aid to other countries in the region. But Timor is small and China's aid has been sizeable when

taking into consideration its size and the population. China's first aid to East Timor happened in 1975 when it offered financial help to the East Timorese resistance movement, Frente Revolucionaria de Timor-Leste Independente, or FRETILIN, right after its declaration of independence. Beijing provided equipment for a light infantry division of 8,000 men, including anti-aircraft guns, artillery, mortars, and anti-tank weapons.[317] This aid accorded with Mao's efforts to foment wars of national liberation abroad.

Mao's plan, however, backfired as Indonesia used China's involvement with the East Timor opposition as a pretext to send the Indonesian navy to blockade the island and subsequently annex it; thus little or none of the arms aid China offered got through. China subsequently sent aid to FRETILIN in Mozambique, where it had set up a government in exile.[318] But soon it was apparent FRETILIN had little or no chance of returning to East Timor. In the late 1970s China connections with FRETILIN further waned as Beijing sought to improve relations with ASEAN and wanted Indonesia's support and also its backing to oppose Vietnam's occupation of Cambodia.[319]

In 1997, China was reported to have given some financial assistance, through a Hong Kong businessman, to Mari Alkatiri, who later became East Timor's first prime minister.[320] However, in 1999, when East Timor voted for independence, China did not support international intervention seeing it as a precedent that might apply to Tibet, Taiwan, or Xinjiang Province. Also Beijing sought to keep good relations with the government of Indonesia. In 2000, however, China sent policemen to the UN Transitory Authority in East Timor, the first time it ever sent civilian police as a part of its support for UN peacekeeping.[321] China likewise contributed to UN Peacekeeping in East Timor. In fact, this was only the second time China had contributed to a UN peacekeeping operation.[322]

In 2000, China pledged $10 million in grants and other aid to East Timor. In May 2002, East Timor became independent (known as Timor-Leste) and China immediately granted diplomatic recognition—the first country in the world to do so. After this China granted $6 million more in aid.[323] China continued to provide foreign aid. In 2004, China's aid amounted to $3.7 million; in 2005 it was $5.5 million; and in 2006 it was $2.7 million. From 2000 to 2009, China's foreign assistance totaled $34 million.[324] This would not be considered very meaningful given the much larger amounts of aid provided to Timor-Leste by the United States, Japan, Australia, and even Portugal, except that China maintained close business and military ties with the country. Thus China's aid had impact.

The assistance that China provided Timor-Leste went mainly toward government buildings, including a Ministry of Foreign Affairs building, a presidential palace, a large office complex, and buildings for the Ministry

of Defense and Security.[325] China also gave money to improve the country's human resources. It helped train civil servants, especially those involved in administration, economic planning, health, construction, agriculture, and technology. Finally, Beijing sent doctors and financed plantation projects.[326]

In addition to its economic aid, China extended military assistance as well to Timor-Leste. Beijing supplied the Timor military with uniforms, equipment, and spent $6 million on buildings for officers.[327] China provided training and weapons. Some of this was grant aid; some was sales. One sale, a deal worth $25 million done by Poly Technology, a defense company that is linked to China's People's Liberation Army, included two patrol boats. This aroused the attention of Timor-Leste's friends and created some controversy due to the cost.[328]

Another Chinese sale to Timor-Leste generated even more controversy. In 2008, the Timor-Leste government signed a deal with the Chinese Nuclear Industry 22nd Construction Company to electrify the country. The project was budgeted to cost $375 million to be paid for over four years. Questions arose about the bidding process, its environmental impact, its quality, and even its legality since the funds to pay for it would come from a sovereign wealth fund built on money from the sale of energy resources wherein there were legal provisions that it be spent conservatively.[329]

China put other monies into Timor-Leste's energy resources. In 2005, Petro China paid $1.6 million for a large seismic study to assess the country's offshore reserves.[330] Nothing materialized from this in terms of China buying oil, but natural gas appeared to be promising. At the time it was uncertain which other countries would be involved in this.[331]

China was motivated to provide aid to Timor-Leste, first because it was seen as a country where a war of national liberation might succeed. Beijing also wanted to win diplomatic support and be sure that Taiwan did not establish meaningful relations. Subsequently China's motives related to its general interest in Southeast Asia and to its need for energy. The good relations built up with Timor-Leste resulted in an influx of Chinese who served to market Chinese products there. The criticism of China's aid relates to its arms sales, the fact its aid work does not cooperate with other donors, and concerns about Chinese moving in, many of them illegally.[332]

China's Financial Assistance to ASEAN

In addition to the foreign aid and investments China has extended to the various countries in Southeast Asia, Beijing has also pledged and delivered significant financial help to an important regional organization, the Association of Southeast Asian Nations. It was, and is, unusual for China to do this; however, Chinese leaders had special reasons for this.

ASEAN was formed in 1967, comprising five nations (Indonesia, Malaysia, the Philippines, Singapore, and Thailand). It was a group of capitalist nations that responded to a collective worry about the threat of Communism, especially from Vietnam and China, though ASEAN members also envisioned it being an economic and political regional organization that would help facilitate nation building in the context of regional economic cooperation. Beijing was unfriendly toward the group because of its negative views of China and because its member nations were close to the United States. Beijing also eschewed dealing with regional organizations.[333]

China's attitude toward ASEAN began to change with Deng Xiaoping's reforms that created a common interest with ASEAN in the realms of free market economic development and expanding trade relations. Forming better connections was also helped by the expansion of ASEAN to include more members, some of which held different views from the original members and maintained close ties with China. Finally, the world changed with the drawing down of the Cold War in the 1980s.

China's interest in ASEAN grew in particular in the aftermath of Tiananmen when its important trading partners, the United States and Europe, raised human rights issues and became, in general, hostile toward China. The ASEAN nations were different. Also they sought new and more trading partners and were enamored with China's economic boom.[334] In 1991, China formally expressed an interest in ties with ASEAN when Foreign Minister Qian Qichen took the initiative to begin a dialog with the organization. Shortly after this China attended the ASEAN Ministerial Meeting in Kuala Lumpur. In 1994, China participated in the ASEAN Regional Forum and cofounded the "framework" or early proposal for ASEAN+3 (China, Japan, and South Korea). In 1997 China's positive actions during the Asia financial crisis, for which Thailand, Malaysia and Indonesia were especially grateful, helped support China's proposals.

In 2001, at an ASEAN-China summit meeting, China's premier proposed to ASEAN members a mutual free trade agreement.[335] It was called the ASEAN-China Free Trade Area and promised to become the largest free trade area in the world once put into effect. It generated considerable hope in ASEAN countries and reduced concern among them about China's rise and especially its growing economic strength.[336]

The next year China burnished its reputation for sincerely seeking good relations with the ASEAN countries when it signed an agreement called the Declaration on the Conduct of Parties in the South China Sea. This helped reduce tensions generated by territorial disputes in the region and between China and two or three ASEAN members.[337] China reassured ASEAN of its peaceful intentions and its desire to deal with border problems. In 2008

China clearly demarcated its land border with Vietnam as well as the northern part of the Gulf of Tonkin.[338] All of these agreements were accompanied by China's large and generous foreign aid to countries in the region.

In response to the 2008–09 global recession, China stepped up to the plate and took positive actions to help stave off its effects on Southeast Asia. In August 2009, China pledged $15 billion to ASEAN in aid and investments and another $10 billion in the form of an emergency fund to help cope with future economic crises—a total of $25 billion. Much of the $15 billion was allocated to improve transportation facilities and telecommunications in the region.[339] This aid was promised almost simultaneously with the two sides finalizing the ASEAN-China Investment Agreement that China had proposed and had been in the negotiating process since 2003. Most of this aid focused on mainland Southeast Asia inasmuch as it involved cooperative projects while China made separate large bilateral pledges of aid to Indonesia and the Philippines.

Included in China's aid pledges was $1.7 billion in preferential loans for "cooperation projects." China at this time also promised $39.7 million in "special aid" to Cambodia, Laos, and Myanmar. Beijing even pledged funding for the ASEAN-plus three that included 2,000 scholarships, training for 1,000 agricultural technicians, and 300,000 tons of rice to an emergency East Asia reserve.[340] At this time China's foreign minister, Yang Jiechi, said: "As always, China backs ASEAN integration and community building." This coincided with reports that China's aid to the region overall had surpassed US foreign aid.[341]

As part of the 2009 China-ASEAN Investment Agreement, the Exim Bank of China created a private equity fund, the China-ASEAN Development Fund, with the goal of raising $10 billion to finance infrastructure development in Southeast Asia. These funds were to go toward projects in mainland Southeast Asia, such as the construction of harbors in the Mekong River subregion and railways and highways that connect Vietnam and southern China.[342] China also had plans to develop the Nanning-Singapore Economic Corridor, which would begin in Nanning in southern China and run through Vietnam, Laos, Cambodia, Thailand, and Malaysia to Singapore and could be connected by railways, expressways, waterways, and air routes. As part of this effort, in December 2010 China announced the construction of a $7 billion high-speed rail line in Laos, to be mostly constructed by Chinese firms, which was expected to be completed by 2015. In January 2011 the construction of another part of the corridor, a $3.05 billion rail line from Singapore to China, running through Vietnam, was also announced. These projects were intended to further interconnect and integrate Chinese and Southeast Asian markets.

China's aid to ASEAN, not to mention it giving large amounts of bilateral aid separately to ASEAN members, laid the foundation for the ASEAN-plus one (or, later, plus three) plan to build a common market linking China and ASEAN (and Japan and South Korea) that would create a huge regional economic bloc. According to a group of experts that studied the arrangement, it would boost the economies of the countries participating by 1.3 percent in gross national product terms.[343] For China it meant linking south China's economy to Southeast Asia while helping China to promote exports, increase employment, and enhance its security ties in the region.[344]

In January 2010 the China-ASEAN Free Trade Association (CAFTA) went into effect.[345] The scope of the agreement was huge: 1.9 billion people and $4.5 billion in trade. CAFTA was compared to the European Union and the North American Free Trade Area. Some said it bested the European Union. It was the largest free trade area (FTA) among developing countries anywhere in the world. Under provisions in the agreement China pledged to reduce tariffs to member states on average from 9.8 percent to 0.1 percent. At the time the original six members of ASEAN agreed to slash tariffs on Chinese goods from 12.8 percent to 0.6 percent. A 90 percent reduction was expected on Chinese goods entering the newer members (Cambodia, Myanmar, Laos, and Vietnam).[346]

In late 2014 China made a startling announcement of a $20 billion loan to ASEAN in addition to a $3 billion contribution to the China-ASEAN Investment Cooperation Fund and $480 million to fight poverty in Southeast Asia. The large loan was described as aimed at building infrastructure and "boost connectivity."[347] It may have had more political motives, which were to deflect attention from territorial disputes, especially maritime ones, between China and countries in the region. China and ASEAN had declared 2015 the "ASEAN-China Year of Maritime Cooperation." Certainly Beijing wanted to diffuse tension over opposing claims in the South China Sea and it seemed to hold the cards to do this.

Chinese leaders also sought to expand trade and other commercial ties and specifically sought to link ASEAN countries to China's efforts to expand on the new Silk Road (through Central Asia and to the Middle East).[348] The offers appeared connected too to a Chinese proposal to help finance a railroad in Thailand that would cost $10.6 billion.[349] At almost this same time China announced a proposal for the Asian Infrastructure Investment Bank (AIIB) to facilitate the development of roads, railroads, etc. focusing on poorer countries in Asia. Beijing pledged to provide most of the $50 billion in funding and invited 20 other countries to join the organization. Chinese leaders talked of increasing AIIB's funding to $100 billion in coming years. Through AIBB China promises to provide further financial help to Southeast

Asian countries in coming years. (The nature of the Bank, China's objectives and challenges and more are discussed in the volume three of this book.)

Conclusions

During period one of China giving foreign assistance, because of its history, its strong geopolitical interests in the area, and for a variety of other reasons, Beijing pledged and delivered more foreign assistance to Southeast Asia than to any other region in the world. There is a caveat, though: China provided aid to North Korea the amount of which is difficult to calculate, as is discussed in Volume II, Chapter 3. This may change the calculation, especially if military aid is counted as are the sacrifices made to provide it. In any case, Southeast Asia was the largest recipient of Chinese assistance during period two of its purveying aid and investments if considering the smaller number of recipient nations in the region and the fact that several nations were not included because of their high level of economic development and/or they were major recipients of Western aid.[350] (Singapore and Brunei due to their high per capita incomes and Thailand and Malaysia due in part for that same reason and also because of their close ties with Western countries—though the latter two benefitted from China's financial help during the 1997 Asian financial crisis.)[351] Also, Southeast Asis is a bigger recipient if the large amount of aid and investment pledges made to ASEAN are included.

A brushstroke estimate of China's foreign assistance (including all of the facets, permutations, and equivalents of aid cited in this chapter plus foreign investments) to the countries of Southeast Asian looks like this: $25 to $30 billion to Vietnam (a considerably larger figure if early aid is translated into current dollars); $7 billion or more to Myanmar; $10 billion-plus to Cambodia; in the range of $5 billion to Laos; $30 billion or more to Indonesia (much more if pledges not yet fulfilled are counted); and $5 billion to the Philippines.[352] Timor received a much smaller amount. China has extended another $50 billion or so in aid, loans, and investments to ASEAN. This brings the total to more than $120 billion—a much larger figure if early aid is translated into current dollars and all investments negotiated but and still pending are counted.

Many analysts will consider this figure large, even inflated, because of the broad or all-encompassing definition of foreign aid (to include arms aid, tariff benefits, etc.) and because of conflating investments with foreign aid.[353] This writer regards the estimate as overstated in the sense that China's investments in Southeast Asia are counted, while Southeast Asian nations' investments in China, which were considerable (especially from Overseas Chinese as mentioned in Volume 1, Chapter 3) are not subtracted from that figure.[354]

In addition, some of the investments were probably just that, for-profit and are not likely to be forgiven, and should, therefore, not be seen as foreign assistance. Probably $10 billion or more (much more if it is assumed that contracts signed represent investments that will be repaid) of its investments to Indonesia may be viewed as a for-gain transactions that will be repaid given Indonesia's very good economic performance of late. This also applies to a lesser degree to some other countries in the region. Finally, much of the aid and/or investments pledged to the Philippines have not been delivered. On the other hand, the estimate may be considered an understatement of China's financial help in view of the fact that many facets of China's aid are not counted as noted in Volume 1, Chapter 1, and China gave considerable aid that it did not announce and neither did the recipient. Also, most studies on foreign aid and foreign investments consider it done when the deal is announced, not when it is fulfilled.

This being said some generalizations about China's foreign aid to Southeast Asian countries are in order. As noted, the largest portion of China's aid given during period one was military or military related aid. Little of this aid was announced; in fact, most was kept secret. Most of China's aid went to Vietnam. It was very large. Later Cambodia was a big recipient of arms aid. The largest portion of China's nonmilitary aid during period one was given in the form of infrastructure projects (especially roads and railroads) and small factories that could be completed fairly quickly. Laos was a major beneficiary of China's transportation building efforts. As noted during period two of its aid and investments in Southeast Asia, a very large share went to infrastructure and public works. The second largest amount went to resource development. The former reportedly has accounted for over 40 percent of its aid giving, the latter somewhat less than a third.[355] Both afforded China with strategic advantages not to mention the fact it helped China improve relations with recipients.

China early on gave much more aid to the continental countries in Southeast Asia as opposed to the island nations of the region. Proximity in part explains that. Circumstances do also: an anti-Communist coup in Indonesia followed by a pro-Western, anti-China government and the close relationship between the Philippines and the United States. China also gave significantly more aid to former tribute states. The former tribute nations in Southeast Asia share a border with China and that was, and is, no doubt also relevant. Most of China's aid was given to poorer countries. China pledged more aid to less democratic countries, though this has not been the case in recent years.[356]

To make an effective assessment of the effectiveness, or the wins and losses, of China's foreign assistance to Southeast Asian countries it is necessary to first

delineate Beijing's major foreign policy goals. Then, connecting its foreign policy objectives to aid and investments one must ask: How did aid serve as a tool of foreign policy and what were its major successes and failures? And now?

China's foreign assistance diplomacy was quite successful in helping cement close relations with North Vietnam, bringing it into the Communist Bloc, and in promoting Communism in Laos and Cambodia. Later Beijing successfully pursued winning diplomatic recognition and membership in the United Nations, while isolating Taiwan. China's successes and setbacks in accomplishing these goals were assessed above; in large measure they were accomplished and foreign assistance played a major role.

Beijing was also successful in reaching border agreements with adjacent countries in the region and aid, as noted, played an essential part. This was important for a number of reasons. The borders with Vietnam, Laos, and Myanmar are hilly and/or jungle and were troubled by problems involving minority groups, refugees, drugs, crime, and public health. In short, they were areas that were difficult to penetrate and were unstable. There were threats to China there. China, it was demonstrated, could handle these problems more easily when foreign assistance facilitated the processes.[357]

Later China used foreign aid quite effectively to divert the Sino-Soviet conflict to less-conflict-prone areas, including Southeast Asia. To China's advantage, differences with Moscow were to a considerable extent played out in Vietnam, Cambodia, and Laos.

One can say that the outstanding example of the success of China's foreign aid diplomacy during period one was Vietnam. As observed China's aid was instrumental in the Communist defeat of France in 1954 and the creation of the state of North Vietnam. Chinese aid subsequently facilitated North Vietnam's defeat of South Vietnam (and the United States).[358] America's sterling reputation as the world's foremost power and its reputation as a "good nation" largely ended with the Vietnam War, a war sponsored and financed mainly by China, in the early years at least. In addition, China, directly through its aid, made possible Communist victories in Cambodia and Laos.

China also suffered "aid failures." Beijing experienced two colossal setbacks in its foreign aid giving in Southeast Asia during period one: in Vietnam and in Indonesia. Vietnam was a stellar success that turned into a colossal failure. The main reason was because China's national interests in Southeast Asia were ultimately at odds with Hanoi's: Vietnam wanted to exercise control over what was formerly French Indochina (Vietnam, Cambodia, and Laos), and beyond. China sought to control Southeast Asia directly, not through Vietnam. Sino-Soviet relations in large part helped explain the course of events. In the case of the Vietnam War, Soviet aid proved more vital. Vietnam was China's biggest aid defeat anywhere in terms of the money it spent.

In Indonesia, China's aid efforts came to naught owing to the fact Communism did not appeal to a Muslim nation and because of the latent fear in Indonesia of local Chinese (seen as China's "fifth column") and a negative view of in-country Chinese economic influence. China's control of events in Indonesia was, of course, also limited by distance and Indonesia's size and large population, not to mention that it had not had meaningful historical ties with China. Finally, China's misdirected efforts to spark a war of national liberation there, if that is what it was, was another reason.[359]

Judging from its failures (though not much in money in the case of Indonesia), it is reasonable to conclude that China's foreign aid efforts in Southeast Asia were ultimately not as successful as the setbacks it rendered the United States made it seem.[360] On the other hand the passage of time renders a different story. The book on this matter is not yet closed.

In period two of its giving foreign assistance, China has done and is doing much better. This is largely a matter of its economic aid being much larger; China has outspent its competitors. But its successes connect also to the fact China has employed effectively other elements of its soft power. A huge increase in China's trade with the region is especially important. Simultaneously China's hard power has increased markedly.

There is another important factor: The United States, the Soviet Union, and Japan became less formidable competitors. Some even say the United States has lost the "aid game" to China. In certain years and to specific countries China's aid and investments have far surpassed America's. For example, in 2002 China's assistance to Indonesia was double that of America. In 2006, China's aid to the Philippines was four times US aid and to Laos three times.[361] In Burma and Cambodia the situation is similar. Given America's huge debt and China's large and growing foreign exchange reserves this situation may become permanent.

The same may be said of Japan. Japan became a major player in the game of aid and investments in Southeast Asia in the 1960s and 70s and the dominant player in the 1980s. In the 1990s, however, Japan's economic downslide made it difficult for Tokyo to keep its earlier commitments and even harder to sustain, much less increase, its level of aid and investments. It is still a player, but, as in many countries, its economic assistance has been eclipsed by China's.[362] Likewise for the Soviet Union. The Soviet Union cut its aid considerably in the 1970s and 80s as its economic growth stalled. Since its collapse in 1991, Russia has not been much of a foreign aid player.

The years 1997–98 were a turning point in China's successful Southeast Asia aid and investment policies. China changed its image in the region dramatically by its good deeds during the "Asian financial crisis." China pledged not to devalue its currency when other nations were doing just that; this may

well have saved the region from a currency devaluation war. China pledged emergency financial aid and budget support to Southeast Asian countries that were in crisis—to the tune of $1 billion to Thailand and $3 billion to Indonesia.[363] (Thailand was not an aid recipient of China before this.[364]) The performances of the United States, the International Monetary Fund, and the World Bank were found wanting. Asians saw many of their policies as inflexible and counterproductive and/or policies that helped rich foreign countries more than those that needed help, and racist (for helping Russia more). China's financial help looked look very good in this context.[365]

China's foreign minister Tang Jiaxuan said about China's financial help to Southeast Asia at this time that it was a "major sacrifice" and he asserted the reason for China providing such financial help was that China was a member of the "Asian family" and because China was willing to "sacrifice for the greater good of Asians."[366] People in the region took notice. Thai and Indonesian leaders were very grateful, as were top officials in other countries in the region. Malaysian prime minister Mahathir said that China spared the region from the terrible consequences of a big economic crisis.[367]

Subsequently China further improved its image by providing disaster aid to nations in Southeast Asia. This was new for China and marked a change in policy for Beijing. Thus Chinese leaders moved slowly: China provided small amounts of financial help, especially compared to the US and Western countries, following the December 2004 Indian Ocean tsunami. Beijing did not match other donors in dealing with the avian flu problem. But, in early 2006, Beijing sponsored a conference on the issue of the avian flu. The meeting resulted in substantial global aid to resolve what might have been a serious problem.[368] Recently China has been much more forthcoming in providing emergency aid and, according to its leaders, plans to do much more.

China's policy of not making democratization a criterion for aid and its non-interference, no-conditions-on-aid policies have in terms of effectiveness facilitated its aid efforts in the region. China disregarding human rights situations locally also proved to be appreciated, especially in the case of Myanmar. Even Washington admitted this. Soon after she assumed office as US Secretary of State, Hillary Clinton declared that US pressure on Myanmar has not worked.[369] One analyst noted that a decade of US and European sanctions against Myanmar failed because of Chinese aid.[370]

In the 2000s and especially after 2005 (because of its fast-growing foreign exchange), China's foreign assistance to Southeast Asian nations accelerated. Chinese investments in Southeast Asia grew annually for several years by more than 60 percent. In 2006, China announced it would provide more than $5 billion in favorable loans to countries in the bloc. That year the first expressway

linking China with Southeast Asia was built, a major port to expand trade was under construction and several rail lines were reaching completion.[371]

Specifically, how has China's foreign assistance served as an important instrument of foreign policy? It has proven to be a very effective tool of its security policy. It has helped China project power. As noted it has enabled China to challenge the United States. It has also helped China compete with India for influence in the region. One writer notes that China's aid to Southeast Asian countries, especially to Myanmar, links up with Beijing's strategy in South Asia: to weaken India's influence in that region, protect China's oil lifeline, and expand the Chinese navy's projection of power.[372] (This issue is discussed at length in the next chapter.)

China's foreign assistance has helped China expand its influence generally in the area in competition with the United States. China, in fact, has been fairly successful in convincing local leaders to resist US calls for American-style political and other reform.[373] This shows up in public opinion polls. China has notably become more popular than the United States in the Muslim countries in the area—Brunei, Malaysia, and Indonesia. But it goes beyond that. The other countries in Southeast Asia have generally viewed China with more respect and America with less. A noted American scholar has thus suggested that the United States should "pay more attention" to the balance of soft power in Asia.[374]

China's financial help has been vital to it resolving other security concerns. By supporting ASEAN China has been able to frame the debate on security issues to its regional context and to some degree exclude the United States from involvement. (The United States is not a member of ASEAN or its affiliate organizations.) China has been better able to deal with the problem of its oil lifeline going through a chokepoint, the Malacca Strait. China has built ports that give its navy access. It has provided funds to build pipelines that go through Myanmar to South China. It has been able to acquire more energy and resources from and through Southeast Asian countries.

China's aid and investments in Southeast Asia have greatly expanded trade and other commercial relations with the region. The China-ASEAN linkage has, it is said, created a global international juggernaut. The gross domestic product of the two amounts to over $2 trillion; this has real consequences.[375] From 2001 to 2010 China's trade with the ASEAN nations increased from $41.6 billion to $292.8 billion. Incidentally China carried a trade deficit with ASEAN every year during that period, which some have said is another kind of Chinese foreign aid to ASEAN.[376] China became the number one trading partner of most ASEAN countries during this period. In 2010 this resulted in negotiating ASEAN-plus one or ASEAN-plus three (which brought in Japan

and South Korea) into a huge regional common market agreement. China's trade with ASEAN is expected to reach a trillion dollars by 2020.[377]

There are, of course, some negative consequences too about China's recent economic involvement in the region. In the 1980s and 90s, China's large increases in aid to countries in the region were motivated in some part by the fact that China grabbed so much financial help from international institutions and Western countries that nations in Southeast Asia were hurt economically. One study estimated that Southeast Asian countries suffered a loss of $400 billion in international aid lost and the cost of Chinese goods saturating their markets and hurting local industries.[378] Also China's neighbors have seen an influx of Chinese products threatening the countries' local businesses and their export-led growth policies and hence their economic health.[379] Some see this as economic imperialism and say that it depresses local development.

Chinese leaders have stated that China has provided help to resolve these problems.[380] It is important, perhaps critical, that China has allowed the region to have a favorable balance of trade with China (which is in a sense paid for with China's advantageous trade situation with the United States). This constitutes a kind of aid in the sense that it helps local development through market access. But it is uncertain how long this can persist. One wonders whether the realization will dawn soon that the United States is ultimately providing the market.

Then there is the matter of China's claims to the South China Sea and conflicts that it has evoked with Southeast Asian countries, notably Vietnam and the Philippines. Although not often mentioned in discourse about the dispute, while China's claim to almost the entire area has been regularly cited, Beijing has pledged not to claim sovereignty if other countries do not.[381] This, while it appears compromising, would give China an advantage in view of its growing economic and military strength. It would also amplify the impact its aid and investments to countries in the region and to ASEAN.

The United States has entered the conflict by making moves to improve relations with Vietnam and the Philippines in an effort to "push back" China. In 2010, Washington announced it had a "national interest" in freedom of navigation in the South China Sea and offered to mediate territorial disputes there.[382] America thus challenged China's policy of keeping the United States out of regional matters and resolving disputes with bilateral negotiations. When it announced the Asian pivot the next year, Washington seemed to make a commitment to balance China's growing influence in East Asia. Yet America's declining military spending, its continued need for good relations with China (to resolve serious global problems such as world financial stability, proliferation, terrorism, global warming, and more), and uncertain

support from Asian countries all suggest that the pivot may not seriously undermine China's relations with the countries of Southeast Asia.

Meanwhile the huge expansion of trade (and China "suffering" a deficit with Southeast Asian countries) and the fact that commercial relations continue to grow between China and the two countries with which it has a territorial dispute, Vietnam and the Philippines, suggest economic ties will dominate the relationship and may ameliorate the displeasure seen over China's claims in the South China Sea.[383] Some observers predict that China's efforts to build the Maritime Silk Road, which make it likely that China's trade with the countries of Southeast Asia could reach $10 trillion by 2020 plus the greater Chinese influence of other kinds in the area will ease the disputes over sea territory.[384]

CHAPTER 2

China's Foreign Aid and Investment Diplomacy in South Asia

Introduction

When the People's Republic of China came into being in 1949, China's national interests in South Asia were clearly secondary to its interests in both Northeast Asia and Southeast Asia. Still, China's leaders saw good reasons to seek cordial relations with and/or improve ties with countries in South Asia. With time China's interests there increased markedly.

China's early diplomatic efforts were directed primarily toward the smaller and proximate countries in the region that bordered China and were related to Beijing's security concerns, its rule of Tibet, and negotiating border agreements (Ceylon being an exception). China's interest in South Asia later grew with its efforts to break out of its isolated condition, win diplomatic recognition, and attract Third World countries to Beijing's anti-imperialist, anticolonial policies. Winning the diplomatic war with Taiwan was also a factor.

China was initially friendly to India, but soon came to view New Delhi as a competing Asian power, if not an enemy. New Delhi vied for influence with China in the region and among Third World countries elsewhere. This became much more significant for China after the Dalai Lama fled to India in 1959 with India providing a haven where he set up a government in exile. It became even more salient after 1962 when the two countries engaged in a war on their common border. China subsequently pursued a policy of countering India's influence on the subcontinent by giving economic and military assistance to and/or aligning with India's neighboring countries—basically every other country in South Asia. Aid became a part of China's "surround India" or "balance India" policy.

The Sino-Soviet rift also influenced China's policies vis-à-vis South Asia. China sought, especially after 1960, to compete with the Soviet Union in South Asia. Close Soviet-Indian relations became a special concern and a sensitive point for China: some of the aid funds the Soviet Union saved when it cut its aid to China (and money that China repaid), the Kremlin provided to India.

Both to balance India's influence and reduce the Soviet Union's presence in South Asia China provided a large amount of military and other assistance to Pakistan. Almost unique in China's foreign aid and later its foreign investments, this included help in building nuclear weapons and a missile delivery system. China's financial help to other nations in the region was generally motivated by its hostility toward both India and the Soviet Union.

In recent years, China has perceived the Indian Ocean to be a weak link in China's energy and resources lifeline to the Middle East and Africa and a "risk area" for its merchant ships going to both regions in search of markets for its goods. South Asia is of even greater concern than Southeast Asia as it is farther from China's shores and more difficult for the Chinese navy to protect. Thus South Asia has risen markedly in strategic importance to China; aid and investments have thus been used to acquire accesses to important ports.

Finally, South Asia is an area Beijing still connects in security terms to its Western region, Tibet and Xinjiang. In other words, China providing foreign aid and investments to nations in the region were, and are, linked to domestic problems in these two places. Since 1991 China's assistance to South Asia has been driven by China's economic and diplomatic offensives toward countries in Central Asia due to the connections between the two.

China's aid to South Asian countries has focused largely on building roads, railroads, ports, oil and gas pipelines, and other infrastructure projects. Beijing wants to integrate South Asia with both China and areas beyond the region in ways that help China's efforts to control or manage regional and global commerce.

Aid to Sri Lanka

While neither a former tribute country nor a border nation, China extended foreign aid to Ceylon (Sri Lanka's name before 1972) as early as 1952 in the form of a barter deal whereby China exchanged rice for Ceylonese rubber at prices that were lower than world market prices for the rice and higher than the market price for the rubber.[1] Similar deals were negotiated in subsequent years, which impacted Ceylon's traditional patterns of trade and, on China's part, provided it some strategic materials at a time when China was under a UN boycott and the United States and NATO countries embargoed them

from going to China. By 1957, 10 percent of Ceylon's exports (mostly rubber) went to China.[2]

In mid-1957 China made a formal aid promise to Ceylon in the form of a grant worth $15.8 million for improving its rubber plantations.[3] Judging from its timing, the aid was linked to establishing diplomatic relations; but it seemed also to reflect early aid competition with the Soviet Union.[4] In 1958, China made another aid pledge in the form of a loan for $10.5 million. This money was allocated for flood relief.[5] In 1960, China made yet another aid promise, this one for $10.5 million; in 1961 details were worked out for China to build a cotton mill in country.[6] China's motives for giving more aid to Ceylon related to its efforts to balance India's influence in the area and challenge New Delhi's leadership of the Third World and the non-aligned nations blocs. China also favored the new leftist government in Ceylon.[7] Sino-Soviet competition was likewise relevant.[8] In any event, China's commitment to Ceylon seemed to be serious as Beijing subsequently followed up the above-cited aid with an extension of its 1957 donation, a new loan for flood relief, and some new projects.[9]

In June 1964, China converted its earlier loan to Ceylon into an interest-free one and announced another loan for $4.2 million.[10] This likely connected to Beijing seeking to maintain good relations with Ceylon in the aftermath of the 1962 war with India and the upcoming Afro-Asian Conference where China sought votes to exclude the Soviet Union.[11] China's aid at this time surpassed that given by the Soviet Union.[12] As no doubt intended, China's financial help to Ceylon had the effect of increasing trade dramatically—from $8.5 million in 1951 to $50 to $60 million in the early 1960s, growing to $83 million in 1966. China's foreign aid at this time may have also been intended to help Ceylon economically in view of the United States temporarily cutting aid in 1963 after the Ceylonese government nationalized some American companies.[13] China at this juncture became the largest foreign purchaser of Ceylon's rubber.[14]

In 1970, China signed an aid agreement with the government of Ceylon to build another textile factory.[15] A few months later, China sent rice to Ceylon and some other goods, probably in the form of gift aid, the value totaling $8.3 million.[16] The next year China came to Ceylon's rescue during difficult economic times with an interest-free loan in foreign currencies to the tune of $31.5 million.[17] In May 1972, China made another aid pledge for $5 million to help Sri Lanka (Ceylon's new name) cope with a foreign exchange shortfall.[18] Within a month China allocated another $52 million in the form of an interest-free loan to build a textile mill and some construction projects.[19] Shortly after this China agreed to send Sri Lanka two cargo ships worth $1.7 million through an interest-free loan, plus five patrol boats,

which were apparently a gift. In 1972, China delivered five gunboats to Sri Lanka for coastal defense.[20] That year China's foreign aid reportedly covered three-quarters of the Sri Lankan government's budget deficit.[21]

In 1973 and 1974, China delivered Sri Lanka more rice via a barter agreement.[22] Beijing was likely prompted to give this aid to offset India's growing influence in the area after the breakup of Pakistan in 1972 and to help Sri Lanka during a time of need while building its reputation for helping a poor country with food aid (providing more than half of Sri Lanka's needs and more than to any other country at that time).[23] According to one source, China's aid to Sri Lanka to 1974 totaled $155 million and exceeded its aid to any country in South Asia except for Pakistan.[24]

In 1977, China pledged more aid to Sri Lanka, including funds for a hydroelectric power system.[25] In 1978, China announced new aid promises including a spinning mill said to be the largest in the country. China also offered another rice-for-rubber deal.[26] Beijing sought to maintain good relations with Sri Lanka in view of its role in the non-aligned movement and China's continued efforts to balance India's influence in the region.[27] It is worthy of note that China ignored the fact that the Sri Lankan government had recently shifted to the right politically.[28]

In 1979 Sri Lankan president Premadasa traveled to China and was promised new aid worth $32 million. Since aid giving was not popular at the time in China, Beijing did not announce the aid. It was later said to be a loan repayable over 20 years and was for a marketing complex, a water facility, and housing.[29] Beijing viewed Sri Lanka as important given its chairmanship of the Non-Aligned Nations Movement, especially as that related to the "Kampuchea issue."[30] In 1980, China provided two fast gunboats to the government of Sri Lanka.[31] China also extended a loan to Sri Lanka for something over $3.5 million.[32] China's leaders were apparently moved by concern over an increase in Soviet influence in the region and its war in Afghanistan.[33]

In ensuing years, in fact throughout the 1980s and 90s and into the new century, China reduced markedly its aid to Sri Lanka. One of the reasons was that China cut its foreign aid giving in the context of needing capital for its own development. Another, especially apropos in the case of Sri Lanka was an increasing amount of Western aid and loans and grants from international institutions that Sri Lanka received. Third, there was civil conflict in Sri Lanka; India intervened and became heavily involved.

China continued giving assistance to Sri Lanka, but it was not competitive and China gained little from it. In 2004, China's aid constituted but 2 percent of what Sri Lanka received that year. Most of Sri Lanka's aid was obtained from the Asian Development Bank, the World Bank, and Japan (34, 20, and 25 percent respectively).[34]

The situation, however, changed dramatically in 2005. The civil conflict in Sri Lanka entered a new phase and Indian influence diminished. This gave China an opportunity and Beijing stepped up to the plate. Also China now had plentiful foreign exchange. Chinese leaders thus offered Sri Lanka a whopping $1 billion in aid.[35] Much of this was in the form of arms and other support to the military, which enabled the Sri Lankan military to increase its budget by 70 percent and add nearly 3,000 troops per month between 2005 and 2008.[36] In 2008, it was reported that the Sri Lankan government had terminated a five-year long ceasefire with the Liberation Tigers of Tamil Eelam that opposed the government and had decided on a strategy to gain a complete military victory.[37]

During 2007–08, China further increased its aid and other economic help to Sri Lanka. In early 2007, China signed a "friendship city relationship" that included help to build the Hambantota Development Zone, which included building a major harbor. The estimated cost was $1 billion.[38] The first phase of the construction began in October 2007 at an estimated cost of $450 million. However, no other details were revealed on the financial arrangements in this deal.[39]

It was obvious China would be advantaged by the project in a number of ways. It would provide China use of a deep water port for its commercial and military vessels (including submarines), afford a site for electronic monitoring of sea traffic in the Indian Ocean (including the US base at Diego Garcia and an Indian nuclear facility in the Bay of Bengal), and possibly give China space communications capabilities relevant to controlling its ballistic missiles. As a result India's Minister of State for Defense expressed concern about China's "String of Pearls" strategy of building close relations with countries along sea-lanes from the Middle East to the South China Sea that challenged India.[40]

In 2008, China pledged even more foreign aid to Sri Lanka; though details were not disclosed a figure of $1 billion was mentioned.[41] In any event, China became the largest aid donor to Sri Lanka, surpassing Japan and the United States (which provided only $7.5 million to Sri Lanka in 2008).[42] Sri Lankan Foreign Minister stated that his nation's traditional aid donors, the United States, Canada, and the European, had "receded into a very distant corner" to be replaced by countries in the East.[43] He further said that the new donors are neighbors and are rich and they "don't go around teaching each other how to behave."

In 2009, China pledged another $1.2 billion in aid to Sri Lanka, more than what the World Bank and the Asian Development Bank together allocated to Sri Lanka. It was reported that $279 million of this was in the form of an outright grant. Most of this money was earmarked for building roads, a power plant, and a port.[44]

Meanwhile experts said that China's motives for providing large amounts of financial help to Sri Lanka related closely to the Hambantota port project that would provide refueling and docking for the Chinese navy. It was further stated that the port, along with ports in Pakistan, Bangladesh, and Burma gave China a real presence in the Indian Ocean and that India was the big loser. This being important to China, Beijing, according to one source, provided Sri Lanka with all of the arms, aid, and diplomatic support it needed to defeat the Tamil Tigers in exchange for the guaranteed use of the port. Meanwhile, China blocked Western efforts in the UN to orchestrate a cease-fire or condemn the Sri Lankan government for its aggressive (some said inhumane) efforts to put down the insurgency. It was noteworthy that Sri Lanka ignored American entreaties to end the fighting, probably because the United States had recently provided Sri Lanka with only paltry aid.[45]

The impact of China's foreign aid was the Sri Lankan government's victory over the Tamil Tigers that had been waging a separatist struggle in the country for 25 years. It, according to most observers, was very much the product of China's huge amounts of military aid provided to the Sri Lankan government. From 2006 on the Sri Lankan military registered annual budget increases of 40 percent as a result of China's aid.[46] China's arms aid to Sri Lanka, which had already been significant, increased markedly in the months before the final battles and more than offset European and the US cuts in military sales to Sri Lanka.[47] In fact, it was said that the Sri Lankan government's decision to seek a final victory over the Tamil Tigers hinged on a secure supply of weapons, which China provided.[48]

Later the Sri Lankan ambassador to China declared in a public interview that the Liberation Tigers of Tamil Eelam were defeated and terrorism was no longer an issue in Sri Lanka. He went on to say that in the past three years China had provided Sri Lanka with around $3.5 billion in development assistance that went for, among other things, harbors, ports, airports, and roads. He also cited an uptick in trade.[49]

In the wake of the war the media and the government in Sri Lanka frequently referred to China's "positive contributions" in bringing peace to their country. Both praised China's aid, mentioning the new seaport at Hambantota, an oil storage facility, an airport, power plants, and expressways. It was said China financed nearly all of Sri Lanka's recent infrastructure projects. The government reported that China provided $1.2 billion in aid in 2009, which amounted for more than half of all of the aid Sri Lanka received.[50]

In 2010, as the Hambantota port project neared completion, it was said that China had provided 85 percent of the funding for the project: $550 million in the form of a soft loan for the first phase and $200 million in the second phase. China also financed a second international airport near Hambantota,

a $248 million expressway connecting the capital of Colombo with the airport at Katunayake, and an $855 million coal power plant. China's total aid to Sri Lanka from 2006 to 2010 was put at $3.05 billion.[51]

When finished the Hambantota complex was projected to have a liquefied natural gas refinery, aviation fuel storage facilities, three separate docks (giving the port transhipment capabilities), dry docks for ship repair, and bunkering and refueling capabilities.[52] One writer described the project as "emblematic of China's budding yet exquisitely elusive empire, built on soft power."[53]

In late 2010, the Mahinda Rajapaksa port at Hambantota was inaugurated in a widely publicized ceremony that marked the beginning of President Rajapaksa's second term in office. The president praised the project. A government spokesman said it marked a "new era of peace and prosperity." Indian commentators said it was part of the "pearls" China erected to encircle India. There was speculation in India that China (contrary to its stated policy of not acquiring military bases in other countries) may obtain a base there.[54] It was also said it was China's intent to safeguard its access to oil, China importing 200 million tons a year 80 percent of which travels across the Indian Ocean.[55] (Giving salience to this Hambantota port is just several miles from a sea-lane where 36,000 ships cross annually.)

Sri Lankan analysts argued that China had no interest in buying or controlling the port, but simply wanted access, as was the case of Gwadar in Pakistan and other ports China was helping build on the Indian Ocean. China, they said, wanted to increase commerce with Sri Lanka. Indeed trade and other commercial relations boomed.[56] This being the case, China seemed to have in mind building an economic empire rather than obtaining foreign bases. As a sideline, it is interesting to note that Hambantota was a port of call for Chinese admiral Zheng He in the early 1400s.[57]

In 2011, the Sri Lankan government announced that it was inviting more Chinese investors to visit. Meanwhile, it was reported that Sri Lanka's GDP growth was over 8 percent and was expected to be 9 percent in 2012 and 2013.[58] China's aid and investments were considered an important factor in Sri Lanka's impressive economic growth. In 2012, China pledged another $1.1 billion in concessional loans for the Hambantota port and railroad facilities.[59]

In 2013 it was estimated that China had provided Sri Lanka with a total of more than $6 billion in construction and development loans—much more than any other country of comparable size—and that China's current line of credit was $3.4 billion.[60] Trade grew fast as a result. Sri Lankan president Rajapaksa said his country was happy to be one of China's "string of pearls" and had itself become a "pearl" in the resurrection of the old Silk Route.

Meanwhile Sri Lanka took China's side on human rights, Taiwan, and a number of other issues while China voted against motions against Sri Lanka in the UN Human Rights Commission.[61]

In 2014, President Xi Jinping visited Sri Lanka, the first for a Chinese president. During the visit China signed 20-plus agreements with the Sri Lankan government, many dealing with commerce and China's financial help. Mentioned in this context was China's new "Maritime Silk Road" designed to increase China's presence in Asia and the Middle East.[62] At the time it was reported that China's banks were funding around 70 percent of Sri Lanka's infrastructure projects.[63] China, in addition, stated that a free trade agreement between the countries would soon be negotiated.[64] President Xi inaugurated the first phase of a power plant funded by China, as noted earlier. The media also mentioned an artificial island to be a commercial hub and Columbo's port, both benefitting from China's investments and the fact China is the country's largest investor and recently surpassed the United States to become its second largest trading partner. Moreover, Sri Lanka's impressive economic growth, more than 7 percent, was all the result of Chinese financial assistance.[65]

Aid to Nepal

China's first formal foreign aid (not counting the favorable trade agreements with Sri Lanka) to a South Asian country went to Nepal in 1956 in the form of a loan of $12.7 million repayable over three years. Approximately one-third of the money was in cash and was allocated for budget relief; the other two-thirds was given in credit for the purchase of Chinese goods.[66] China's main motive in extending the loan was to convince the Nepalese government to nullify an old treaty that gave it special rights in Tibet. Beijing at the time also had geopolitical reasons for seeking closer ties with Nepal: to weaken Nepal's ties with India. (Nepal's foreign relations at the time were handled by India; in fact, many observers labeled Nepal an Indian client state.)[67] Another of China's concerns was that India harbored Tibetan refugees in Nepal who had fled after China took control of Tibet in 1951 and were fomenting anti-Chinese feelings. China also sought Nepal's support among Third World countries.[68] Finally, Chinese leaders may have had in their mind the fact that Nepal was once a tribute state where China exerted considerable influence and something resembling this relationship might be reestablished.[69]

In any event little of the aid was drawn as China's policy toward uncommitted nations changed shortly after this aid agreement was made.[70] Alternatively China did not dispense the aid for another reason: In 1958 China became engaged in a border dispute with Nepal after Chinese mountain climbers

reached the top of Mt. Everest—the peak being claimed by both Nepal and China. They suggested that the top of the mountain belonged to China. This soured relations between the two countries. Another incident occurred in early 1960 after Chinese soldiers killed a Nepali police officer on the border. This led to the first ever anti-Chinese riot in Nepal.[71]

But soon China again sought better relations with Nepal. Thus, in the spring of 1960 China made an aid pledge of $21.2 million while at the same time extending the time for using aid previously granted.[72] The agreement contained a provision for Chinese technicians and workers to help with the aid projects, thereby giving China a presence in country. The deal also stipulated that Chinese personnel would live in the same conditions as the local citizens, which China subsequently used as a public relations or propaganda tool when talking about its aid.[73]

Deteriorating Sino-Soviet relations and strained Sino-Indian relations likewise motivated China's aid giving. In addition, Beijing wanted to create a positive environment for negotiating a permanent border treaty. Another factor was that China had just won diplomatic relations from Nepal. Thus the aid may be seen as a kind of reward for that. Finally, China sought to help the Nepalese government to deal with the political instability it was facing.[74]

In the fall of 1961, China made another aid promise to Nepal in the form of a $9.8 million grant to build a road between Lassa (in Tibet) and Nepal's capital of Kathmandu.[75] China's main objective was to increase trade with Nepal and, thereby, reduce the latter's economic dependence on India.[76] The road had a special significance since it helped China counter an Indian ban on the trade in strategic goods going to Tibet.[77] It also had military value in that it gave China easier access to the area in the event of a conflict; therefore this move was seen in India as a threat.[78] Some observers saw special salience in the fact the road was reinforced for use by vehicles weighing 60 tons (the weight of China's heaviest tank).[79] In any case, Chinese engineers and workers gave the project high priority and work proceeded quickly.

After the Sino-Indian War in 1962, China shifted the focus of its aid work in Nepal even more to road building. Chinese policy makers saw that this would give China more direct access to the Indian border, which might be useful in the event of another conflict. China also promised aid for other projects. According to one source, China even took over a project started by the United States and India.[80]

In 1964, China signed an aid agreement extending the timeframe for using its past aid, indicating that the focus of its aid remained on road building and that at least some of its aid was gratis aid.[81] The route of one road was changed, however, due to pressure from the United States and India.[82]

There was also concern expressed by the Nepalese government that Chinese influence was growing too fast and that it had more than balanced Indian influence, which Nepal originally thought was a good thing but concerning which it was now having second thoughts. Therefore, Nepal requested more US and UK aid to offset China's aid influence.[83]

Notwithstanding Nepal's concern about China's growing influence, during 1965–66 China announced more aid agreements. No details were provided though the figure $28 million for extending a road east of Kathmandu was mentioned.[84] In any event, China maintained its influence in Nepal. Ironically, at one point the government let it be known that China's assistance helped Nepal get more aid from the United States and India, though it also admittedly gave China influence with local groups and even national leaders in Nepal.[85]

China's foreign assistance to Nepal continued in spite of the Cultural Revolution launched in 1965. Aid agreements were announced for machinery, medicine, etc. Road building stayed on China's agenda. Other projects were added such as building warehouses and factories.[86] China managed to compete with the Soviet Union by besting its aid as well as that given by the Eastern European communist countries.[87] In fact, Sino-Soviet aid competition was very apparent in Nepal. At one point, the Soviet Union complained that China had sabotaged its aid projects in Nepal (reminiscent of the charges made by China against the Soviet Union in 1960s when its aid personnel left China).[88]

In 1972, the Chinese media reported that a power station costing $14.4 million had been completed along with a bridge.[89] Meanwhile China made new promises of aid that included another road and a textile mill.[90] This increase in aid activity probably mirrored China's desire to maintain its presence in Nepal in the face of Pakistan's defeat in a war with India in 1971.[91]

In the early 1970s its foreign assistance helped China expand its influence in Nepal as US aid decreased. Interestingly, the United States did not seem to mind China's growing presence in Nepal. On China's part, Beijing wanted to ensure its influence in Nepal at a high level, particularly to counter India's presence there. It also sought to project its image as a Third World leader and a contender for leadership of the international Communist movement.[92]

In 1975, a trolley-bus system was opened in Nepal, built with China's aid at a cost of $4 million.[93] In 1977, Chinese aid personnel started construction on another road.[94] The Chinese side did not provide any information on the value of these promises, though Nepal noted that China extended $49 million in aid for a sugar refinery and a paper mill.[95] In 1978, Deng Xiaoping visited Nepal and promised funds to build industrial projects and complete

factories.[96] In 1979, Chinese technicians arrived to do survey work on a mill, though this probably was not new aid (rather fulfilling the promises made in 1978). During 1979 and 1980, several of China's aid projects were completed and put into operation, though no new aid was announced.[97] In return, China obtained Nepalese support for its policies vis-à-vis Vietnam and Cambodia.[98]

In 1984, China pledged new aid to Nepal for the construction of the Pokhara-Baglung road, though neither side provided figures on the amount of money China would give.[99] The next year China signed an agreement to provide Nepal with 54 million Yuan (around $7 million) to build an international convention center in Kathmandu.[100] In 1987, it was reported China had also delivered arms to Nepal. It was not clear, however, if they were sold or the transaction was part of its aid program.[101] India expressed concern about Nepal's "buying" Chinese weapons.[102]

In any case, China's economic and military aid deliveries got results. In 1990, the government of Nepal stopped allowing Tibetans to register as refugees, even Nepalese-born children, a decision likely influenced by China.[103] In 1996, Nepal's prime minister visited China and was offered aid worth approximately $10 million. According to one observer the aid was "appreciation" for Nepal's policy of seeing Taiwan and Tibet as integral parts of China.[104]

In 1999, China offered to "invest more in Nepal's economy." Mentioned specifically was financial assistance for rural development. At this time a Chinese firm signed a contract with the Nepal government to build a hydroelectric project.[105] China was evidently motivated in giving this aid (or investment?) by a desire to close access to Tibet to Tibetan dissidents outside the country; anyway, in response to China's largesse the Nepal government established a "belt" on the Nepalese side of the border to check people going across.[106]

Early in the twenty-first century China became Nepal's largest provider of foreign investment. Not unrelated to this, in 2008, during the outbreak of unrest in Tibet, the Chinese government charged that Tibetan demonstrators in Nepal were insulting China and the border with Nepal had become a security risk to China. Soon the number of refugees from Tibet going to Nepal dropped from 2,000 per year to 500 and Nepalese police arrested large numbers of "fugitives."[107] The Nepalese government's response to China's complaints seemed clearly linked to China's financial help. In fact, India said that Nepal was "appeasing" China due to the influence of China's aid and trade and that it had arrested more than 10,000 Tibetans.[108] One writer concluded that Nepal, once India's traditional ally, was clearly in the "Chinese camp" on the issue of the Tibetan movement in exile.[109]

Meanwhile Nepal's prime minister Pushpa Kamal Dahal visited China for the Olympic Games. Some interpreted this as a major diplomatic victory for China as the prime minister did not visit New Delhi first as had been the practice.[110] In 2009, leading up to the prime minister's second visit to China, Beijing reportedly increased Chinese foreign aid to Nepal by 50 percent to an annual amount of $21.9 million, most of which was used to advance tourism, science and technology, agriculture, and water resources.[111]

In 2010, China pledged $19.8 million in military aid to Nepal, which included heavy equipment, medical supplies, and logistics for rescue operations. It was said that the deal would facilitate the "maintenance of peace, stability and development in the region."[112] As with its previous aid to Nepal, China was motivated by it wanting to offset Indian influence, which it may have seen as now easier to do in view of the fact India had stopped its military aid to Nepal in 2005.[113]

The next year China's foreign aid to Nepal, large given Nepal's size and population, saw a significant increase when China's Three Gorges International Corporation (which had built the world's largest power station as part of the Three Gorges Dam) proposed building a large hydroelectric dam in Nepal.[114] The following January China's premier Wen Jiabao visited Nepal and during his visited promised aid to the tune of $1.18 billion to be used over a period of three years.[115] Shortly after this Nepal's parliament approved the offer whereby China would build a hydroelectric plant in Nepal said to cost $1.6 billion. It was projected to be completed in 2019 and would ease Nepal's shortage of electric power.[116]

In 2012 and 2013 more Chinese funds poured into Nepal making China a larger provider of foreign assistance than India while causing foreign trade to grow several-fold.[117] Most of China's investments were in hydropower, agriculture, and various kinds of infrastructure.[118] In response the Nepalese government stated that its territory cannot be used against China and continued to patrol the border with Tibet to stop the flow of people into Nepal.[119] In mid-2014 Beijing announced plans to build a railroad in Nepal extending to the Nepal-India border.[120] In December 2014 China announced that its aid to Nepal would be increased fivefold (from $24 million annually to $128 million) and would focus on infrastructure, and $24 million would be used to build a police academy. The end of the year it was reported that China had overtaken India to become Nepal's biggest investor and that since 2006 trade had surpassed India's 17-fold.[121] China's goals in increasing its aid remained its security concerns over the border, but also Beijing wanted to counter vastly increased Indian aid allotted mainly in response to China's investments.[122]

In 2015 in the wake of a devastating earthquake in Nepal that registered 7.8 on the Richter scale affecting more than a quarter of the population, creating 2 million refugees and the need for $1.8 billion to rebuild the country, it was reported that China would provide more funds and that Nepal would be the first recipient of money from China's newly proposed Asian Infrastructure Investment Bank that was to be established formally by the end of the year.[123]

Aid to Pakistan, I

In the 1950s and early 60s, Chinese leaders viewed Pakistan as a close US ally and, therefore, a country unfriendly to China. This was evidenced by the fact Pakistan was a member of the Southeast Asia Treaty Organization and the Baghdad Pact (which later became the Central Treaty Organization) and became a signatory to the Mutual Defense Assistance Agreement with the United States. All of these actions China viewed as hostile and as abetting US efforts to contain China. Chinese leaders early on thus sought good relations with India, which was at odds with Pakistan over territorial claims and a number of other issues. Finally, China was concerned about Muslims in China finding a source of support abroad and perceived Pakistan's government to be unfriendly for that reason.[124]

Beijing's perception of Pakistan changed in 1962 as a result of China's border war with India. Conflict had been festering for some time owing to the Sino-Indian boundary having been demarcated unfairly by the British, large territorial claims made by each against the other, and China's need to build transportation links between its southern areas and the Sino-Soviet border given its increased tensions with Moscow.[125] Also, as noted earlier China deeply resented the fact Moscow increased its aid to India (using funds China repaid the Soviet Union) after it cut its aid to China. Finally, China perceived that India had designs on Tibet or at least favored its separation from China.[126]

Chinese leaders soon came to regard Pakistan as strategically important to China and thought it critical for China to have good relations with Pakistan in the context of strained Sino-Indian as well as deteriorating Sino-Soviet relations. Beijing thus viewed Pakistan as a case of "my enemy's enemy is my friend." Helping my enemy's enemy made sense.

China's first aid pledge to Pakistan came in 1964 and consisted of a $60 million interest-free loan designated vaguely for the purchase of industrial equipment and commodities, to be repaid in Pakistani goods over a period of 20 years.[127] China's decision to extend foreign aid to Pakistan appears to

have been connected immediately to a border agreement that demarcated the 300-mile frontier between the two countries and an agreement to build a road linking China with Pakistan.[128] China sought to conclude border agreements at the time and resolving the boundary with Pakistan was especially important.[129] The road connected to the border agreement insofar as the road was important once the national boundary had been fixed. The road also facilitated commerce between the two countries and had strategic importance for both. Its military value was reflected in the fact India objected to it and the United States suspended disbursements of aid to Pakistan in protest.

The background to the agreement is also telling: The talks leading to the border agreement had begun in 1961 and continued during the Sino-Indian War.[130] China was grateful for Pakistan's stance in siding with China during that conflict. China won the war, but was not the victor in terms of regional or global public opinion. Thus Pakistan's stance was uniquely valuable to China. In fact, observers said Pakistan took a more-than-expected pro-China position.[131] China had still other possible objectives, including countering Soviet-Indian efforts to isolate China, rewarding Pakistan for its position on Taiwan, and thanking Pakistan would help China improve relations with other Muslim countries.[132]

While the loan specified some ordinary items China would provide to Pakistan, much or all of it appears to have been for arms. Chinese-made tanks and MiG aircraft plus other weapons and Chinese advisors were seen in Pakistan the next year. In any event, the provision of weapons aid to Pakistan indicated China's motives were to support Pakistan if a conflict broke out with India (or help provoke one), which would have undermined India's portrayal of itself as a peace-loving country and its so far successful appeals to lead the Third World and in particular the non-aligned blocs of nations.

In fact, in late 1965, Pakistan and India engaged in war. Pakistani president Ayub Khan had been to China early in the year and received China's support for a plebiscite in Kashmir as a show of China's friendship.[133] Clearly China was on Pakistan's side and expressed a willingness to help Pakistan with arms and possibly more. Some observers believed that Pakistan would not have engaged in the conflict had it not been for China's financial help and Beijing's "tacit endorsement" of Pakistan's policies vis-à-vis India.[134]

However, Chinese aid did not prove critical during the conflict. The distance and the arms it could provide set limits on China's help.[135] There was another explanation for China's inaction: the Great Proletarian Cultural Revolution was being launched at this time and China's leaders were preoccupied with internal politics. In any case, Beijing did not take any forward actions to help Pakistan.[136] In fact, Beijing did little other than issue statements of support for Pakistan, though it moved some troops to the

Sino-Indian border to alarm or intimidate India.[137] In any event China's help, it was feared, would serve as an excuse for the Soviet Union or Western countries to help India.

The war ended without much consequence, though to some extent India was seen as the aggressor (as China hoped). Notwithstanding China's inaction during the conflict Beijing found Pakistan much more receptive to its efforts to build better relations between the two countries. Anyway China continued to provide Pakistan with foreign aid. The already-signed accord with the Pakistan government on economic and technical cooperation provided the framework for more aid.[138]

In late 1965, China pledged a credit of $60 million to Pakistan.[139] In addition, China is reported to have separately provided Pakistan with $67 million in loans to buy arms.[140] There was ample evidence that China delivered on its promises and may even have provided more assistance than was announced. A large paper plant was opened soon after this. Within a few months the Pakistan government announced that it was equipping its military with tanks and jet planes made in China. Foreigners subsequently saw Chinese-made T-59 tanks and MiG-19 fighter jets displayed in public. The media reported at this time that China might also build an arms ordinance factory in Pakistan.[141]

In early 1966, China made a number of strong, even bellicose, statements in support of Pakistan and condemnations of India that some considered commitments to Pakistan. China's president Liu Shaoqi said at this time that China supported Pakistan "in its righteous fight against aggression."[142] China's support for Pakistan also ignored and in some ways even repudiated the Soviet-backed Tashkent Declaration that had ended the 1965 India-Pakistan War. This was no doubt China's intention.[143] Finally China's delivery of arms aid at this time offset the loss of US weapons due to the embargo it imposed on Pakistan after the war.[144]

In August, India's defense minister stated that Pakistan had recouped its losses from the 1965 war and more. Specifically he said that Pakistan had increased the size of its army from five divisions to eleven and that two had been equipped by China. Chinese aid, he asserted, consisted of 200 tanks and a "substantial number" of MiG-19 and MiG-15 aircraft. Providing fighter aircraft, he said, allowed Pakistan to increase the size of its air force fighters by five squadrons.[145] According to another source, China also supplied Pakistan with two squadrons of IL-28 bombers in addition to various kinds of small arms and military supplies.[146]

Meanwhile, in June 1966, China pledged aid for the construction of an industrial complex. In early 1967 China sent food aid to Pakistan and the end of the year offered a non-interest-bearing loan for $40 million repayable

over 20 years earmarked for heavy industrial projects. In December 1968 China announced another loan to Pakistan, this one worth $42 million.[147] In July 1969 the two countries held talks on China building another road in Pakistan. In November 1970, China extended to Pakistan one of its largest donations of aid ever to a non-Communist country: a $200 million interest-free loan.[148] Two years later President Bhutto of Pakistan visited China and Beijing announced that the four earlier loans would be converted into grants and that payment on the 1970 loan would be deferred.[149]

China's aid to Pakistan thus contained one of the largest amounts of grant factor in its foreign aid given to a non-Communist country. China also extended financial help to Pakistan by allowing it to maintain a favorable balance of trade with China.[150] As a result, China, up to the mid-1970s was winning the aid contest with the Soviet Union in Pakistan even though Moscow was giving more aid. There were not too many cases of this happening.[151] Noteworthy too is that China ignored the fact that Pakistan's economy was moving toward a free-market one not a socialist one at the time.[152]

Pakistan became a major beneficiary and the largest recipient of Chinese aid in the region. In addition, Pakistan was one of China's biggest recipients of military aid anywhere. Meanwhile Pakistan became one of the few nations to whom China provided help in building a nuclear weapon (as will be discussed later in this chapter). By cementing a close relationship with Pakistan through its aid China thus maintained a balance of power of sorts on the Indian subcontinent.

In August 1969, US president Richard Nixon asked Pakistani president Yahya Khan to gauge China's reactions to his overtures regarding a new US-China relationship, and Khan did. Secretary of State Kissinger made the arrangements for the Nixon visit to China during a secret trip to Beijing while he was in Pakistan. President Nixon later told Khan that the breakthrough would not have been accomplished without his help.[153]

In late 1971, however, China suffered a very serious setback in its South Asia policy when Pakistan was defeated very badly in another war with India. The result was the break-off of East Pakistan (that became Bangladesh), the capture of a large number of Pakistani soldiers and weapons, the utter demoralization of Pakistan's military and its government, and the president resigning. China had provided Pakistan with verbal support and aid, before and during the war—including expanding the 1970 loan to $300.7 million.[154] But this had little impact on the course of the war. China was not in a position to intervene and thus had to watch Pakistan's defeat from the sidelines.

China, it was reported, supported wars of national liberation but in this case was on the wrong side.[155] The brutal policies of the Pakistan military during the war also hurt its and China's global image. Then, China's generous

military and other aid proved useless in impacting events. This was offset to some degree by the fact that the Islamic world supported Pakistan and worldwide there was some ill-feeling regarding India's "dismemberment" of Pakistan in violation of the UN Charter and the Bandung principles.[156] But overall the war was a setback for China and its foreign aid.

Nevertheless, after the war, China continued to provide aid to Pakistan. In February 1972, China announced it was writing off four previous loans totaling more than $110 million and deferring payment for 20 years on the 1970 loan.[157] China also pledged more military aid and in June delivered 60 MiG-19 fighters, 100 tanks, and various kinds of small arms.[158] In ensuing years, China kept its other aid promises as proven by the presence of Chinese laborers in Pakistan and work on various projects, including a foundry, a textile factory, and a steel mill.[159] In 1978, the Karakorum Highway was finished and opened to traffic. (See subsequent section for details on this project.) In 1979, a heavy foundry and forge were commissioned and it was reported that China was working on a sports complex that would seat 50,000 people.[160] Pakistan was clearly a country that China continued to render assistance to in spite of its aid setbacks and a general cutback on foreign aid at this time. Chinese leaders considered Pakistan very important to China.

Pakistan, II

In the 1980s, China's relationship with Pakistan became both more important and quite different from what it had been. China's relationship with the United States was now cordial. Pakistan had helped facilitate that. China and the United States were cooperating to help the opposition in Afghanistan defeat Soviet occupation forces. Pakistan was a critical player in this effort.

There were other reasons for closer relations between the two countries. Pakistan played what some have said was a crucial role in preventing a crisis over China's arrears to the UN for peacekeeping.[161] India was now even more the enemy of both countries. With the waning of the Soviet power and influence, China saw new opportunities as well as threats in Central Asia that affected Western China (as we will see in Volume 2, Chapter 3) and China's relations with Pakistan helped Beijing deal with the countries to Pakistan's north.

Hence Pakistan was one of the few nations to whom China continued to provide substantial foreign assistance. In 1980, it was reported that China's aid personnel arrived to work on the construction of electric transmission lines and a grid station valued at $21 million and a cement plant and a sheet glass plant worth $10.1 million.[162] At this time, it was said that China in total had provided Pakistan with aid worth $378 million, $250 million in the form

of interest-free loans and the rest in grants and that this figure did not include considerable amounts of arms aid or funds for the Karakorum Highway.[163] It was believed that China had supplied Pakistan with military aid worth $2 billion over a 13-year period and was providing more in the wake of the Soviet invasion of Afghanistan.[164] In late 1980 the Indian Defense Ministry claimed that Pakistan was to receive 65 Fantan jet fighters (an improved MiG-19) and a number of SAM-2 ground-to-air missiles in accordance with a secret agreement recently made between China and Pakistan.[165] However, Pakistan denied this as well as reports of Chinese troops and nuclear rockets in Pakistan.[166]

In the ensuing years China continued to provide military and other forms of aid to Pakistan to balance India's growing influence in the region. Military aid predominated. This included building arms factories and supplying complete weapons systems. After the United States ordered sanctions on Pakistan in 1990 China increased its help to Pakistan's military, including assistance to build a nuclear capability (discussed in the next section of this chapter.)[167]

In 2001, China began providing larger amounts of aid to upgrade and expand Pakistan's transportation system. In May Chinese premier Zhu Rongji visited Pakistan to celebrate the fiftieth anniversary of their establishing diplomatic relations. On that occasion Zhu announced China's commitment to a new, large deep-water port at Gwadar in south Pakistan near the Pakistan-Iran border. (President Pervez Musharraf had asked China to consider financing the project in 2000; soon after China agreed.[168])

The port was to be capable of handling ships of 30,000 dead weight tons and would have 23 wharves, a number of warehouses, etc.[169] It would eventually have a cargo capacity equivalent to Karachi Port, which handled 90 percent of Pakistan sea-borne trade. Gwadar would thus double Pakistan's capacity for sea trade. The port was to have petroleum loading and unloading facilities and was projected to link up by pipelines to Turkmenistan.[170]

Pakistan wanted the port for both commercial and strategic reasons. Gwadar was slated to become one of the world's deep-sea ports and would—assuming a road, railroad and a pipeline to connect the port to areas north—greatly enhance Pakistan's foreign trade. Observers in Pakistan also said it would give the country's navy a big boost so that it might rival regional navies (meaning India's navy). An interesting point was that Pakistan's main naval base at Karachi, having been blockaded in the recent past, was vulnerable to such actions by the Indian navy.[171]

China provided $198 million for the first phase of the project, or about 80 percent of its cost. Of that, $50 million was extended in the form of a grant, $50 million in the form of commercial credit, and $98 million was state credit.[172] China financing the project seemed clearly a case of mixing

foreign aid and investment funds. For part two of the project China pledged $198 million, including a $49 million grant and a $31 million interest-free loan. This amounted to financing approximately two-thirds of the project's second stage.[173]

The port clearly had geopolitical importance. Gwadar is located just 250 miles from the Strait of Hormuz, through which nearly 40 percent of the world's oil flows (including much of China's oil imports) and therefore was strategically significant. The port was built to handle 200,000-ton oil tankers and 100,000-ton container ships.[174] Indian commentators spoke of China's aid obtaining for Beijing "sovereign guarantees" to the port facilities and it being part of its "string of pearls" strategy to both surround India and to deal with possible threats to China's "resource lifeline" to the Middle East and Africa.[175]

Coinciding with China's assistance to build the Gwadar port, Beijing provided Pakistan funding for roads and railroads that would connect other areas of the country to the port. China pledged $200 million for a "coastal highway" that would connect Gwadar and Karachi.[176] China's ultimate plan was to build roads, railroads, and pipelines from Gwadar through Pakistan and into Afghanistan and China's Western areas and link up with those passing through China into Central Asia. The Karakoram Highway discussed later in this chapter was part of this strategy. This suggested a grand Chinese military strategy, but perhaps more important it would fulfill China's "dream" to build itself into a world power through trade.[177]

In 2001, China promised the Pakistani government credit for 69 locomotives and 175 coaches, plus funds for Pakistan to produce both locally. The Chinese-built train cars arrived the next year. The cost to China was reported to be $250 million.[178] In 2003, Pakistan's finance minister said an agreement was signed whereby China would provide $500 million for new locomotives, wagons, and a new track.[179] Adding up all of the aid to Pakistan for the Gwadar Port and related transportation links, the total ranged to around $1.15 billion up to 2005.[180] Again it was unclear what portion of this was grant aid and what part was loans. It apparently made little difference, as China was likely to later cancel repayment on some or all of the loans. Interestingly China aided projects also funded by other donors including the United States, Saudi Arabia, and the Asian Development Bank.

China seemed to have motives for extending this large amount of financial help to Pakistan other than military/strategic ones. Several can be suggested: China sought to market its products in Pakistan to alleviate unemployment in China. The roads helped link China's Tibet region with the outside world. Another interpretation is that China sought to do more when India might object less (Sino-Indian relations having improved at this time) or was

thinking that ties with India would not remain cordial for very long. It was also said Gwadar Port would support China's naval operations in the Arabian Sea.[181]

By 2005, China's investments in Pakistan reached $4 billion, having increased by 30 percent in the previous two years. At this time there were 60 Chinese firms operating in Pakistan that employed more than 3,000 Chinese.[182] In 2007, the government of Pakistan awarded the Port of Singapore Authority a 40-year contract to run the Gwadar Port. China did not oppose this arrangement, indicating that Beijing wanted to avoid alarming India too much and/or perceived that access was sufficient (which its merchant ships and navy would certainly have) and it would keep a separation between China's involvement in building the port and controlling it.[183]

Meanwhile it was reported that there were 8,500 Chinese in Pakistan, 3,500 of them were engineers and technicians working on various "Sino-Pakistani projects." Chinese companies were said to make up 12 percent of all foreign firms in Pakistan and employed 5,000 people.[184] It was reiterated at this time that China had provided $4 billion in assistance to Pakistan, though no information was provided on what part, if any, of this was to be considered foreign aid. Again the distinction did not seem to matter.

China's presence in Pakistan was so large that it seemed problems or incidents were inevitable. In fact, in 2007 three Chinese were killed when the Pakistani army attacked militants at a mosque. The Chinese government, in a marked departure from the past, demanded that the government do something.[185] Perhaps Beijing felt its relationship with Pakistan was so good such a demand would not cause any serious problem. Alternatively Chinese leaders may have wanted to send a message, some thought were overdue, to its citizens and/or aid workers that it would protect them when they are abroad.

In 2008, it was reported that Pakistan was in the process of building ten nuclear power plants and was getting help from China for this effort, though no amounts of foreign assistance were mentioned. Pakistan needed nuclear fuel technology in addition to training, and China provided both.[186]

In November 2009, both the Chinese government and the Pakistani government announced a $500 million Chinese loan referred to as a "long-term friendship loan"—meaning ostensibly the conditions were favorable (though they were not disclosed). Pakistan was in financial trouble at the time because of investors pulling out of the country due to local Islamist insurgencies and its fast-dwindling foreign reserves.[187] Notwithstanding the large size of the loan, the Pakistani government appeared to expect more. It was subsequently reported that Pakistan had hoped for $1.5 billion to $3 billion to help deal with its balance of payments problem and increasing costs of imported oil, forcing Pakistan to seek more help from the IMF.[188] However, one official

said that China was no longer "inclined to grant cash outright without structural reforms."[189]

Nevertheless, in 2010, China's well-known nuclear power corporation held talks with Pakistani officials regarding the building of another nuclear power plant in Pakistan. China had already built two and had signed agreements on two more. The cost to China was $2.4 billion.[190] The first two were scheduled to be tested and put into operations by the end of the year.[191] In addition, China provided $200 million to help Pakistan cope with serious floods in mid-2010. China was the first country to help Pakistan deal with flood damage.[192] In the meantime China deployed between 7,000 and 11,000 personnel in the Gilgit-Baltistan region of Pakistan-controlled Kashmir (which India claims) to provide security to build a road in the area.[193]

In early 2013 China took "control" of Gwadar Port when the Port of Singapore Authority transferred jurisdiction to the China Overseas Port Holding Company. Pakistan's president Asif Ali Zardari attended the ceremony. He cited improving China-Pakistan relations, though observers noted that the port was not doing as well as expected due to local social unrest and opposition to it and the government in Baluchistan Province where the port was located.[194] Six months later it was reported that China and Pakistan had agreed on constructing a 2,000 kilometer road from Gwadar through the Karakoram Mountains and on to Xinjiang Uighur Autonomous Region in Northwest China and a railroad to be built after the road was done. The cost was put at $18 billion.[195] The newly elected (June 2013) president of Pakistan, Nawaz Sharif, announced plans for the Pakistan Power Park, to be built with Chinese assistance. The country sorely needed electricity and this would make a big difference.[196] However, no figures were provided on the scope of China's help.

In late 2014, China pledged investments in Pakistan totaling $42 or $45.6 billion toward energy and other infrastructure projects that Chinese companies would build over the next six years and operate when finished. It was said that other countries balked at getting involved in the projects because the energy projects relied so heavily on coal.[197] But Pakistan sorely needed to improve its energy sector due to blackouts and feared waning US economic support with America's disengagement from Afghanistan. China sought to ensure Pakistan's support for its efforts to deal with terrorism in Xinjiang and to burnish its image with Islamic countries. Beijing also wanted to facilitate work on and the use of Gwadar Port that it considered was of strategic importance relating to China's transport of energy and natural resources from Africa and the Middle East and its importance relative to the expanding Indian navy.[198] The size of this commitment increased China's investments in Pakistan by a very large amount.

All of this connected to China's proposal made in 2013 to build the China-Pakistan Economic Corridor (CPEC) that would support the already constructed roads and other links between the port of Gwadar and China and enhance the significance of China's New Silk Road project or what is called in China the "one road, one belt" scheme. According to one observer, CPEC would bring Pakistan into the Silk Road initiative "with a bang." Evidence for this was President Xi Jinping visiting Pakistan in the the spring of 2015 escorted by eight JF-17 Thunder fighter jets built by a joint China-Pakistan project.[199] In August at a forum held to discuss the CPEC, China signed 20 contracts worth $1.6 billion as a start to fulfill the project.[200] According to President Xi, CPEC will focus on Gwadar Port, energy, transportation, and industrial development. Given that poor infrastructure and lack of energy is a 6 percent drag on Pakistan's GDP, this will make a difference.

Nuclear Weapons and Missile Aid to Pakistan

In addition to the economic and military aid that China extended to Pakistan as assessed earlier, China also provided succor to Pakistan in various critical ways to become a nuclear power. This was done mainly in secret, so the details and certainly the cost to China are not known. Even how China's nuclear help is to be defined is problematic.

Over the years, various writers have referred to China's "assistance" or "role" in Pakistan becoming a nuclear power and building missile delivery systems. But none called it foreign aid; none called it military aid either. Several mentioned it as "sales"; some even cite Chinese companies involved. However, because Pakistan was a poor country and this "assistance" was not announced it might be that much of it was aid, gratis aid. Alternatively, and quite possibly, since China was providing Pakistan with vast foreign aid, it is likely that some of this was used by Pakistan for its nuclear weapons and delivery systems efforts. In any case, China's help was of inestimable value since for Pakistan there were few other sources for it to attain the know-how or get the materials to build a nuclear weapon or missiles. At times at least for this kind of help Pakistan had no other sources.

China's main motives in assisting Pakistan to attain nuclear weapons were two: to advance nuclear proliferation (against the interests of the United States and the West) and to balance India's nuclear status. China's help to Pakistan in building missiles falls mainly in the latter category. China also sought support in the Muslim world, which it got by assisting Pakistan build what became known as the "Islamic nuclear weapon."

The background to Pakistan's going nuclear is also instructive. Its venture into the realm of nuclear weapons began in the 1950s with nuclear power

research and its building experimental facilities ostensibly leading to the construction of nuclear power plants. Help came from Canada and through Pakistani nuclear scientists working in the United States and Holland.[201]

The government of Pakistan gave high priority to building a nuclear weapon after its defeat to India in the war of 1971 and the dismemberment of the country. India's attaining nuclear status in 1974 provided a further big incentive, better put a burning desire, for the Pakistani government to go nuclear. And China was willing to help.[202] In February 1972, September 1974, and April 1976, President Zulfikar Ali Bhutto made trips to China to obtain vital support for Pakistan's nuclear weapons program. According to some reliable sources, by mid-1976 China's help was secured.[203]

According to US intelligence documents, before India did its first nuclear test in 1974, China had already assigned scientists to aid Pakistan with its nuclear research. China also provided nuclear energy equipment and promised help to build "nuclear bases" or research and testing facilities (one near Karachi and another to be undertaken later).[204] In response to Pakistan's nuclear activities, the United States put pressure on France to discontinue nuclear agreements with Pakistan and in 1977 cut foreign aid to Pakistan. However, after the Soviet invasion of Afghanistan because of the US-China strategic cooperation against the Soviet Union and given Pakistan's critical role in helping the Afghan insurgents fight Soviet forces, China's strategic weapons help to Pakistan was at least temporarily ignored in Washington. In 1981 America reestablished aid to Pakistan.[205]

In 1982, China decided to facilitate the proliferation of nuclear weapons and ballistic missile technology into the Muslim and Marxist worlds with aid to Algeria (a nuclear reactor agreement), Saudi Arabia (missile sales), North Korea (various kinds of help that will be discussed in the next chapter), and Pakistan.[206] Pakistan was the biggest beneficiary of this policy shift, with China providing Pakistan's scientists with weapons designs, materials for production, and help in the construction of the physical infrastructure for building a bomb.[207]

Evidence of China's aid in these realms can be gleaned from a variety of sources. In 1978, it was reported that China had openly promised Pakistan assistance to build reprocessing facilities.[208] This was confirmed by the fact Pakistan later delivered to Libya design drawings, etc. for a nuclear device, which was unique for its resemblance to China's nuclear weapons.[209] China's role in Pakistan attaining nuclear weapons seemed to be also demonstrated when Pakistan transferred nuclear technology to Iran.[210] The Chinese origin of this technology, according to experts, was unmistakable. Still further evidence can be gleaned from a deal Pakistan later made with North Korea to exchange nuclear technology for ballistic missile technology.[211] Finally,

foreign intelligence assessments of Pakistan's nuclear weapons programs revealed that two large nuclear reactors (to produce plutonium) were constructed with China's help.[212] Still further proof of this is to be found in Dr. A. Q. Khan's book (from his lectures) titled *Dr. A.Q. Khan on Science and Education.*[213] Khan, the noted "father" of Pakistan's nuclear weapons, talked openly about China's nuclear help.

More specific details about China's nuclear help to Pakistan came out in the mid-1990s when the US Central Intelligence director John Deutch spoke of it, saying specifically that China had provided Pakistan with 5,000 samarium-cobalt ring magnets (which, according to experts, would increase its capacity to enrich uranium by 100 percent).[214] The US Department of State cited this transaction and even mentioned the Chinese companies involved.[215]

One writer summarized China's assistance to Pakistan in its effort to become a nuclear power this way: China provided a reliable bomb design, enabling Pakistan to make a warhead weighing less than 400 pounds. China supplied enough highly enriched uranium for two atomic bombs. China aided Pakistan's effort to enrich uranium at its Kahuta plant. China sold it tritium gas capable of goosing the yield of fission bombs. Beijing delivered special magnets for centrifuges at the Kahuta plant that produces nuclear weapons fuel. China may have provided a nuclear test for Pakistan in 1989 at its Lop Nor testing ground. China even provided Pakistan with a 300-megawatt nuclear power station despite an international nuclear supply embargo.[216]

In 2009, further information on China's nuclear help to Pakistan became known. Abdul Qadeer Khan (indirectly) provided the *Washington Post* with details from a report he wrote after he was detained in 2004 for engaging in unauthorized nuclear commerce. Khan stated that a secret nuclear deal was made between Mao Zedong and Prime Minister Zulfikar Ali Bhutto and as a result China "gifted us" 50 kilograms of weapons-grade enriched uranium, enough for two weapons. "The Chinese gave us drawings of a nuclear weapon" as well, he noted.[217] What Khan said was very revealing.

But there was more. In May 1990 it was reported that Pakistan tested a "nuclear device" at China's test site at Lop Nor in Xinjiang Uighur Autonomous Region.[218] A breakthrough followed; in May 1998, Pakistan tested a nuclear weapon and thus joined the small, select nuclear club of nations—its seventh member. It is also noteworthy that Pakistan became the Muslim world's first nuclear power. Finally, what Pakistan did altered the balance of power in South Asia.

Few observers doubt China's help was critical to what Pakistan accomplished. It was also enough for Pakistan to continue further development on its own and become a full-fledged nuclear power. In fact, it has recently been

estimated that Pakistan possesses 90–110 nuclear warheads giving it a credible level of deterrence against India's strategic arsenal.[219] In the meantime China ceased its nuclear help to Pakistan and adhered to its commitments to cooperate with the United States on nonproliferation; hence China got credit for its aid to Pakistan becoming a nuclear power but also avoided blame.[220]

After Pakistan was well on its way to developing a nuclear bomb, China helped it acquire a delivery system for its nuclear weapons. Pakistan's choice was missiles. The first missile Pakistan developed in the late 1980s, the HATF-1, it did with China's help.[221] When Pakistan sought a more reliable longer-range missile, China provided the M-11, from which Pakistan built the Shaheen-2 with a range of 2,500 kilometers.[222]

In response, in 1991 the United States imposed sanctions on two Chinese companies, Great Wall and China National Precision Machinery Import-Export Company, for violating international agreements regarding China's help to Pakistan. China subsequently promised to desist and comply with the Missile Technology Control Regime guidelines.[223] Between 1991 and 1993 the United States imposed further sanctions on China on the grounds that the transfer of M-11 missile technology violated that agreement.[224] This seemed to confirm again that China's help to Pakistan was both substantial and meaningful. The reason for China so acting, it was said, was because it was angry over US weapons sales to Taiwan in the form of 150 F-16 fighters. Yet it seems more likely China sought to help Pakistan balance India's dominance on the subcontinent—the same reason for it helping Pakistan go nuclear.[225]

Subsequently Pakistan acquired help in building a better missile, one with a 3,000-kilometer range, from North Korea, which had acquired the technology and other aid in building missiles from China. China's assistance to Pakistan's missile development in this case was thus indirect. Pakistan paid North Korea for the help in money and rice and it improved on the guidance system.[226]

When the Cold War ended and as US and international concern increased about the proliferation of nuclear weapons and other weapons of mass destruction, and probably for reasons of its own, China began to take a different view on nuclear proliferation and the spread of missile technology. In 1991, Beijing restated its promise to abide by the Missile Technology Control Regime and asserted that recent violations had happened only because it did not always control its companies that were involved. In 1994 China reaffirmed its commitment.

In 1996, China pledged a moratorium on nuclear testing and signed the Comprehensive Test Ban Treaty. The next year China signed on to the

Zangger Committee guidelines that regulate international nuclear trade.[227] This marked a major change in China's policy and seemed to indicate it would curtail it's nuclear and missile help to Pakistan. Some have said, though, that China continued to help Pakistan; others argue that China's policy has genuinely changed. Still others say that China's help was no longer needed as Pakistan had attained nuclear status and would retain it. In any case, in 1999, both Western and Pakistani sources claimed the Shaheen missile was nuclear capable and ready.[228]

In conclusion it is quite apparent China's help to Pakistan in it acquiring a nuclear capability and missile delivery systems was both critical and invaluable. However, it is not possible to make a good estimate of how much China's help to Pakistan to build nuclear weapons and delivery systems was worth. If pressured to guess, one would have to say it was in billions of dollars judging from what Pakistan would have had to spend to do it alone. (For a frame of reference, the US Manhattan Project, which made the United States a nuclear power, cost over $30 billion dollars in 2012.[229]) Clearly China's nuclear aid accomplished making Pakistan a big power, meaning a nuclear power—a country with a number of nuclear bombs and missiles to deliver them. In so doing, China advanced one of its strategic goals: to balance India's influence in the region. In addition, China was also able win acclaim from a host of leaders in the Muslim world and gain some support from Third World countries for its help to Pakistan.

The Karakoram Highway

In the mid-1960s it was reported in the Western media that China had provided funds for a new all-weather road to be built in China and Pakistan linking the two countries. The road became known as the Karakoram Highway after the range of mountains that extends from Afghanistan to Kashmir and that were said to be an extension of the Himalayan Mountains marking the border between China and Pakistan. The endeavor would become one of the two biggest among the early Chinese foreign aid projects (the other being the Tan-Zam Railroad).[230] The road would connect the Xinjiang Autonomous Region in northwest China and the Tibet Autonomous Region with Pakistan. No mention was made at the time as to how much money China allocated for the project or any conditions attached to the funding.

The road was started in 1959, completed in 1978, and opened to third-country use in 1982. It was a very large and difficult project that brought accolades to China's foreign aid giving and its ability to build large infrastructure projects. It also had the effect of improving Sino-Pakistani relations considerably.[231] Finally it was strategically important to the two countries

inasmuch as it linked both to Central Asia and gave both quick access to Pakistan's Gwadar Port.

Work on the road commenced at both ends at almost the same time, in China by Chinese engineers and workers and in Pakistan by both Chinese and Pakistanis. Approximately 10,000 Chinese technicians and workers were initially engaged on the project. In 1970, on the Chinese side 408 miles of the road (of a total of 488 miles) were completed and China transferred most of the road-building equipment to Pakistan. The Chinese part of the road was easier to build due to a more hospitable terrain. Also, finishing that part of the road first made sense as it enabled China to get supplies and personnel to the other half.[232]

The road was called the "Big Pakistan-China Friendship Road" in China and named the Karakoram Highway in Pakistan. For some distance it spanned a valley between the Karakoram Range and the Pamir Range in China. It crossed the Karakoram Mountains, through the Khunjerab Pass at an altitude of 15,397 feet. For some distance it followed the ancient Silk Road linking the Kashgar Oasis with Pakistan's capital of Islamabad. In Pakistan, near Rawalpindi the road intersected the Indus River and paralleled the river for some distance.

Even before the road was finished it became famous for its nearby scenery and its elevation; it thus became a popular tourist attraction, especially for hikers.[233] It was acclaimed to be the highest paved international road in the world. The road attracted attention around the world.

China's motives in building the road were strategic and commercial, though no doubt more the former—initially at least. The timing of China's pledge of aid suggests it was linked to a settlement of the two countries' border as well as the war between China and India in 1962 after which Sino-Indian relations were tense and China viewed India as a global opponent if not an enemy. Since the road passed through Kashmir, a territory that India claims, it was an especially sensitive project in terms of China-India relations. The road also traversed areas close to Afghanistan. Incidentally, near the road in some places are abundant minerals and precious stones, including diamonds, gold, and mica; China may have had an interest in developing and importing these resources.[234]

In 1971, as conflict brewed between India and Pakistan, China accelerated work on the road ostensibly to help Pakistan if war broke out. At the time China warned India it would open the road and would enter the fray if there were war with Pakistan. Though China did not so act, work on the road continued apace.[235]

In 1978, a second segment of the road was finished linking China to Pakistan's capital city of Islamabad. China built a string of small military

bases along the road and adjacent to the border with Afghanistan to protect the road against sabotage.[236] It was reported at the time that 20,000 Chinese workers had been involved in building the road, that 16.9 million cubic meters of earth and stone were moved, and that 85 bridges totaling 3,631 meters in length had been erected.[237]

The road was obviously a big undertaking and its completion was important. It increased markedly trade between Xinjiang in China and Pakistan.[238] It was finished just in time to augment China's (and others) help to the Mujahedeen in Afghanistan who were fighting against Soviet forces there.

India lodged a formal protest against building the road in 1969; it did so again in 1978 when it was reported the road was completed. The Indian government charged that the road crossed a part of Kashmir that India claimed as its territory. The road, of course, reminded Indian leaders of another road China built, one through the Aksai Chin that linked China's Tibet and Xinjiang areas and passed through territory claimed by India, which was a major factor in their going to war in 1962. India's opposition to the road was further energized by the fact that China claimed that the Karakoram mountain range marks the border between China and Kashmir; its claim to Aksai Chin was based on the same assumption.[239]

The road had significance for some other reasons. China gained access to the Arabian Sea and to Europe via a connecting road in Pakistan going east. For China the utility of the highway was further enhanced by its building a railroad leading up to the Pakistan border near the road. For Pakistan the road allowed better access to its Northeast and to Kashmir and strengthened its military posture vis-à-vis India. Finally, the road promised significant commercial benefits for Pakistan.[240]

Work on the highway was generally kept out of the news, notwithstanding the presence of a large number of Chinese workers, that is until 1976 when 25 laborers were killed in a landslide.[241] The next year it drew further attention when local tribesmen captured and held hostage more than a 1,000 Chinese and demanded the Pakistani government release two of their leaders and give compensation for land taken for the road. The government of Pakistan sent 12,000 troops to engage the tribesmen, killing 30 while losing 5 of its own soldiers.[242]

At this time, a US report estimated the cost of the project to China to be between $200 and $500 million.[243] China, however, did not announce the price for the project. Anyway China incurred costs other than money. During the period of construction of the road, a number of Chinese and Pakistani engineers and workers were killed owing to the difficulties encountered in constructing a road in this terrain.[244] Many Chinese workers and engineers also suffered physical ailments from the cold weather and the high altitudes.

When the highway was opened for use by the two countries, cross-border trade increased markedly. Pakistani leather, nylon, cloth, cotton, dried fruits, and herbs were shipped to China; Chinese silk, textiles, hardware, and farming equipment were shipped to Pakistan. It is even said that the road facilitated China's help to Pakistan's nuclear weapons program both because the nations became closer in diplomatic terms but also because transporting goods to Pakistan had become much easier.[245] US intelligence reports later indicated that Chinese trucks had carried missile components to Pakistan using the road.[246]

As noted, the road was opened for some use by others in 1982; it was opened to visitors in 1986 and subsequently drew worldwide attention from tourists and tourist organizations. The beautiful terrain in the area, glaciers, etc. attracted attention from all over the world. The highway became referred to as National Highway N35 and was (and is) sometimes called the "Ninth Wonder of the World."[247]

In 2006, China's State-Owned Assets Supervision and Administration Commission agreed to rebuild and upgrade the highway and expand it in width from 10 meters to 30 meters; this enabled it to accommodate heavy vehicles (presumably including tanks and large military trucks) in bad weather conditions. It was also said that China and Pakistan planned to link the Karakoram Highway to the port of Gwadar by connecting it to the Gwadar-Dalbandin railway, which was built using Chinese aid.[248]

Meanwhile it was reported that China allocated an additional $400 million to improve and widen the road covering 800 miles from the Chinese border to Islamabad. This project was scheduled for completion by 2013. However, in October 2005 there was an earthquake that registered 7.6 on the Richter Scale near Karimabad close to the road. The quake buried a number of villages and put 13 miles of the road underwater thereby delaying its completion. Chinese construction teams had to build anew a part of the road, including a large tunnel—at a cost of $90 million.[249]

With the repairs and rebuilding completed the road will have greater strategic value because it will effectively connect parts of China to Central Asia. It will also make it possible for China to export more goods to Pakistan and on to other places in the world.[250] It was also reported that a pipeline would be built along the road to access natural gas from Iran. An additional $400 million has been cited as the cost for both.[251] It has also been mentioned that a fiber optics line is being built near the road.[252]

The current assessment of the highway is that it will determine the future of Gwadar Port, as the port needs more use to make it profitable.[253] It will be a big asset to Pakistan commercially as well as strategically. The Karakoram Highway is especially vital to China's strategy to lessen its need to transport

of resources and goods through the Malacca Strait and to build a commercial empire and expand its global influence through commerce and other kinds of soft power.[254] President Xi's visit to Pakistan mentioned above drew positive attention to the road. In August 2015 China and Pakistan signed deals that furthered the development of the economic corridor cited earlier that will enhance use of the road.[255]

Bangladesh

In the late 1960s, China provided some foreign aid to East Pakistan (from which Bangladesh was created), though that was through the government located in West Pakistan.[256] When Bangladesh became a sovereign country following a declaration of independence and a war between Pakistan and India in 1971, China's aid ceased. Beijing supported the government of Pakistan during the conflict and tried to help prevent the breakup of the country. Hence Beijing's relations with the new nation of Bangladesh were strained. Furthermore, Bangladesh promptly established close relations with India and the Soviet Union, both China's competitors and antagonists.

Nonetheless China had an interest in better relations with Bangladesh. Thus Chinese leaders did not treat Bangladesh as hostile and even expressed hope that relations would improve in the future. That, in fact, happened in 1975 when Bangladesh's founding leader Sheikh Mujibur Rahman was ousted from power and the new government downgraded relations with India and the Soviet Union and established formal diplomatic ties with Pakistan and China.

Two years later, in 1977, Bangladesh's new president Ziaur Rahman visited China and was hosted with considerable fanfare at which time Chinese leaders said it was China's "bounden international duty" to support and assist Bangladesh. Chinese spokespersons criticized India for its stance on a dispute with Bangladesh over the Ganges River water and recent armed border clashes. They also criticized the Soviet Union for interfering in Bangladesh's internal affairs.[257]

At this time China pledged foreign aid to Bangladesh, including arms aid in the form of fighter aircraft. However, China did not provide details on this aid.[258] In 1978, China announced more aid, including an interest-free loan for $60 million to build a fertilizer plant and a water conservancy project.[259] China also promised to provide technical assistance, constituting one of the few instances of working with the United Nations in the realm of foreign aid.[260] This aid, like its previous pledges, was probably intended to win friends with Bangladesh in the context of its sliding relations with the Soviet Union, increase trade, and help Bangladesh become

less dependent on India. Chinese leaders may also have seen better relations with Bangladesh as likely helping it improve its relations with Middle East countries.[261]

In 1980, China signed two agreements with the government of Bangladesh. One of them mentioned loans that China would provide. The other pledged machinery for a textile mill. No amounts were announced for either, however. The promises appeared to be meaningful given that China's aid workers were seen in the country at this time.[262] That same year, it was reported that China had formally promised to provide Bangladesh with 36 army tanks to be delivered the next year.[263] China also sent some gunboats to Bangladesh.[264] This arms aid seemed related to the Soviet invasion of Afghanistan. China obviously also saw a good opportunity to improve relations with the Islamic world. In 1982, another agreement was signed on a Chinese loan to the Bangladesh government, though neither the details nor the amount of the loan was disclosed.[265]

Relations continued to improve between the two countries and, in late 1984, China and Bangladesh signed a $200 million five-year trade accord. Shortly after this Beijing pledged $35 million in aid to help Bangladesh with its five-year plan. China also offered a concessionary purchase of Bangladesh's jute.[266] China's motives appeared to be the same as with previous aid, though Chinese policy makers may have taken cognizance of the fact China was getting large amounts of funds from the World Bank and other global financial institutions to the detriment of Bangladesh.[267]

During the late 1980s, China provided Bangladesh with significant quantities of arms, including a number of fighter planes and ships. China also purveyed missiles and small arms to Bangladesh. China wanted to strengthen the country's defenses against India and build good relations with the Bangladeshi military, thinking that China might use Bangladeshi ports or even acquire base rights there as part of its effort to increase its naval presence in the Indian Ocean. It is uncertain how much of the arms China transferred to Bangladesh amounted to military assistance and how much was sales; probably much was the former given Bangladesh's poor economy and the depth of China's interests there.[268] Anyway figures on prices of various items and the total cost were not published.

In 1999, China's Exim Bank gave Bangladesh a preferential loan amounting to $12 million, the first such loan to a South Asian country. The loan was to be used for the purchase of seven ships from China for the Bangladesh Inland Water Transport Corporation to improve waterway transportation.[269] According to the Chinese media, up to 2000 China had provided Bangladesh with a total of $217 million in "economic assistance."[270] This figure, however, obviously did not include the military aid cited above.

In 2005, China agreed to build a phosphate fertilizer factory in Bangladesh linked to a concessional loan.[271] No details on the amount of this project were mentioned. In 2006, under the auspices of the Asia-Pacific Free Trade Agreement, China removed tariffs on 84 items that Bangladesh exported to China in order to reduce its trade deficit with China. It was also reported that China had promised to help Bangladesh build nuclear power plants and pledged aid for the development of its natural gas reserves.[272] In 2007, China made a $1 million pledge of help in the context of serious cyclone damage in Bangladesh.[273]

In 2008, China and the government of Bangladesh reached five agreements whereby China would help build nuclear power plants in Bangladesh and also deliver additional military assistance.[274] Though no figures were made available it seemed the amounts were large. If so, this represented a major commitment on China's part, both economic and political, suggesting a much greater Chinese strategic interest in and commitment to the country. China also pledged a permanent exhibition center for Bangladeshi goods in Beijing.[275] In 2009, China provided $30,000 to the Bangladesh Red Crescent Society for post-cyclone relief and it was said to be the first country to do so.[276]

In June 2010, China's vice president Xi Jinping visited Bangladesh. After the visit China delivered two frigates, which were said to have increased the total delivery of such ships to seven while making China Bangladesh's largest supplier of military hardware.[277] In addition, China pledged financial assistance for food security and help in combating militancy and terrorism in Bangladesh in addition to funds for telecommunications and other infrastructure projects. Further, Beijing promised Bangladesh duty-free status on more of its exports to China to reduce their trade imbalance that heavily favored China.[278] Subsequently, China signed a memorandum of understanding with Bangladesh on oil and energy cooperation. It was said that by the end of the year 55 Chinese firms had invested $292 million in Bangladesh creating 45,000 jobs.[279] As a result of all of this China became Bangladesh's largest trading partner with two-way commerce reaching $5 billion in 2010.[280] In 2011, the Exim Bank in China signed a loan agreement with the Bangladesh government to provide $211 million to upgrade the country's telecommunications network.[281] However, it was not stated whether this was new aid or whether it was a part of aid previously given.

Meanwhile, according to Bangladeshi foreign minister Dipu Moni, China expressed a willingness to finance the expansion of the port of Chittagong to the tune of a whopping $8.7 billion. Foreign Minister Moni said that during Prime Minister Sheikh Hasina's visit to China in March Chinese leaders had stated that China wanted to use the port as an outlet to the sea for

China's southern Yunnan Province. The deep-sea port, when finished, would handle 1 million tons of cargo and 3 million containers annually (compared to 1.1 million containers at present). China also pledged to build a road and railroad between Kunming (the capital of Yunnan Province) and Chittagong via Myanmar.[282]

There was some skepticism whether the deal would materialize since Bangladesh is geographically closer to India (almost surrounded by India on three sides), India had been giving aid to Bangladesh and had made transit agreements with its government, and railroads were being built between the two countries.[283] In any event, in October the deal went forward. At the time the Bangladesh government expressed hope that Chittagong would become a shipping hub for several regions: northeastern India, China's Yunnan Province, Myanmar, and even Nepal and Bhutan. Observers said that India was trying to control Bangladeshi waters to prevent Chinese access. But that had not succeeded.[284]

An alternate view was that China sought sincerely to cooperate with India (or any other country) in building (and using) the port. In any event because the Bangladesh government was determined to spur the nation's growth through exports and its trade with China had increased at a rapid rate, and finally because China had established a good reputation in building infrastructure projects quickly and in good quality, doing the project favored China.[285]

Recently China pledged support to build another port, at Sonadia, to handle sea traffic that has become too large for Chittagong alone. The cost of the project has been put at $14 billion though it has not been disclosed how much of this China will finance. China was also looking at the Padma Bridge project, a bridge over the Padma River. In late 2014 this project was finalized at a price of $1.12 billion.[286] The China Major Bridge Engineering Company was poised to take over the project after the World Bank dropped its involvement and a Canadian company was barred from participation following allegations of corruption. It is said the bridge, which will solve the problem of the time-consuming use of ferries to cross the river, will add 1.2 percent to Bangladesh's GDP growth. Reacting to China's financial help on these projects, Bangladesh's prime minister remarked that "in the future China will be the world's biggest economy" and that "as an Asian country, Bangladesh takes pride in that."[287] It was also reported that Prime Minister Sheikh Hasina was unhappy with Western criticism of the election that brought her to power.[288] Finally, Bangladesh recently expressed an interest in joining the BRICS Bank and had China's support.[289] For China's part Beijing wanted close relations with another Muslim country and sought to ensure its needed resources on ocean lifeline and counter India's naval power in the Indian Ocean.

Other South Asian Countries

Two other South Asian countries need to be mentioned when writing about China's foreign aid and foreign investments: The Republic of the Maldives and the Kingdom of Bhutan. China has recently rendered significant (for it's size) assistance to the former. It has not given aid to the latter, Bhutan, but there is potential for such a relationship.

After its independence in 1965 (formerly a British protectorate) the Republic of the Maldives joined the United Nations and in 1972 established formal diplomatic relations with China, though it continued to maintain close ties to India. In 2001, China and the Republic of the Maldives reportedly signed an agreement allowing China to establish a naval base there.[290] There was considerable speculation about the base becoming a part of China's efforts to expand its naval presence in the Indian Ocean to offset India's naval power there. There was also talk that the base might counter US bases in Diego Garcia. But nothing really happened after this.[291]

On the other hand, Chinese investments became apparent in the Maldives in 2008 and Chinese tourists after that. In 2010 Chinese outnumbered tourists from all other countries, with 120,000 visits that year.[292] In essence, China was providing foreign aid through tourism. In October 2012, Maldives president Mohammed Waheed visited China whereupon Beijing announced a $500 million foreign aid package.[293] This amount was very large given the size and population of the Maldives (less than 116 square miles and around 350,000 people) and the amount of aid the Maldives had received from other donors. Two months later President Waheed praised China for its role in world affairs, spoke of China being "one of the superpowers now," and thanked China for sending tourists.[294]

Shortly after this the Maldives government became involved in a dispute with India, and New Delhi forthwith terminated $25 million in foreign aid. The Maldives also got into a spat with foreign investors regarding a $500 million contract to run the international airport there. China's involvement in Sri Lanka's civil conflict (described earlier in this chapter) and its sizeable aid offer to the Maldives may have had something to do with the decision of the investors to pull out.[295] In fact, it appeared China's aid pledge anticipated this, or maybe even caused it. The amount of China's aid pledge was coincidently the same amount as the airport contract.

In any case, within days it was announced that China would provide $3.2 million in free aid to the Maldives (presumably in addition to its large aid package).[296] In late 2013, Beijing signed another aid agreement, described as a grant, of 50 million Yuan (or US$8 million plus) as part of an economic and technical cooperation agreement.[297] This financial help indicated

that China had made inroads into still another country that had been close to India thus enhancing its presence in the area while fulfilling its security aims.[298]

In 2014 China pledged another $16 million to the Maldives for "development projects." At the same time "megaprojects" were mentioned including a bridge linking the capital city of Male to another island.[299] The following month President Xi visited the Maldives and pledged help to deal with climate change and signed a memorandum of understanding whereby China would finance the bridge mentioned earlier. The government of the Maldives announced support for China's "maritime Silk Road" at the time.[300] The government of India reacted with concern about these events while the United States expressed dismay over the Maldives cancelling a status of forces agreement that might have led to further military cooperation.[301] In mid-2015 the Maldive government amended its constitution allowing foreign ownership of land; this seemed to open up the possibility of China building a military base.[302]

Bhutan, formerly a monarchy (now a constitutional monarchy), is a country of less than a million people and lies on China's southern border. Their mutual boundary is just over 450 miles long. Because of both history and current political issues the countries have not been friendly. Also Bhutan has had very special and close ties with India (which China has described as a vassal relationship). Making matters worse, in the past China made the claim that Bhutan is part of Tibet and made unfriendly charges regarding their border. After 1949 Bhutan (a Buddhist country) was hostile toward China because of it being a communist country.

The border was an issue for both countries and nearly three decades of talks did not result in any agreement.[303] This was partly because China took a hard-line stance on the matter and declared that Bhutan should possess sovereignty (meaning changing its dependent relationship with India) before negotiations could produce any meaningful results.

During the 1962 Sino-Indian War Bhutan took India's side and allowed Indian troops to transit Bhutan. However, India's defeat raised some doubts in Bhutan as to whether India could defend Bhutan if that were ever needed. Bhutan thus moved toward a policy of neutrality. In 1971, Bhutan joined the United Nations and the next year voted for Beijing replacing Taipei to hold the China seat and supported China's one-China policy.

With both countries later joining the World Trade Organization and both seeing trade and other commercial relations as beneficial, relations seemed likely to change for the better in the not too distant future.[304] However, to date there is no clear evidence China will pledge assistance or that Bhutan wants China's foreign aid or investments. Given Bhutan's still close relations

with India, including an increase in India's aid in 2013, and its good economic performance in recent years it does not seek China's financial help. On the other hand, Bhutan wants to formalize its border with China and this appears a possible venue for China to improve its relations with Bhutan at India's expense.[305]

Conclusions

China's foreign aid and foreign investments to South Asian countries followed chronologically its aid to Communist Bloc countries and to nations in Southeast Asia. This reflected the fact South Asia was less important. China's assistance to countries in South Asia was thus not as substantial as to the other two regions in Asia during period one of its aid giving. In period two, however this changed. Chinese leaders saw South Asia as having consequences relating to its domestic politics as well as its global concerns and ambitions.

One nation in South Asia became very important to China: Pakistan. It became China's largest beneficiary among non-Communist countries and one of Beijing's top three recipients anywhere. In recent years Sri Lanka has become one of China's major recipients of foreign aid and a country where China's help has had great impact. Bangladesh also received quite large amounts of both economic and military aid. Nepal was a large recipient given the size of its population and its population and its economy, as was the Maldives.

A rough "guesstimate" of China's financial assistance to South Asian countries would be as follows: Sri Lanka received between $8 and $12 billion (closer to the latter figure if credits extended in recent years are counted). Most of this took the form of military aid and aid to infrastructure building, including a large amount of funds to build the Hambantota port. China provided Nepal foreign assistance in the range of $2 billion, mostly for infrastructure building—especially roads but also a hydroelectric plant. China also provided Nepal with some arms aid. Pakistan was the recipient of between $40 and $70 billion in Chinese financial help, probably closer to the latter figure if recent discussions on funds for building a road and railroad from Gwadar Port to China are included and assuming costly and critical assistance China provided to Pakistan to build nuclear weapons and missile delivery systems. If the most recent $40 billion pledge to Pakistan is counted (though it is said to be a for-profit investment) it would range from $80 billion to $110 billion.[306] Bangladesh was the recipient of around $10 billion and the Maldives more than one-half billion.

One caveat needs to be mentioned: China's foreign assistance to South Asian countries is especially difficult to estimate due much of it being military

aid and because a large portion of that was not announced and when it was the amount was not divulged. Putting a price on China's weapons as noted earlier also presents a serious obstacle. The value of China's help to Pakistan in the realm of nuclear weapons and missile delivery systems is a special case of data not being available.

However, what is clear is that China's extensive military aid not only to Pakistan but also to Bangladesh and Sri Lanka made these three countries among the major recipients of China's arms aid and sales anywhere. In fact, the magnitude of China's aid to these three countries propelled China into the ranks of the top five arms exporters in the world during the period from 2008 to 2012. China's arms transfers increased 162 percent over the previous period while accounting for the fact China provided 5 percent of the world's total arms transfers. Pakistan reportedly received 55 percent of China's arms exports to the region; Bangladesh took 7 percent.[307] Sri Lanka got a sizeable amount of arms, but this was almost exclusively during the time the government was "at war" with the Tamil insurgency there.

Infrastructure was of also of high importance in value terms in China's foreign aid; ports, roads, and railroads took a large share of the foreign assistance money China provided. Ports stand out; they relate to China's concern about vulnerable (for China) trade routes that are used to bring natural resources to China and deliver its manufactured products to market. Roads and railroads were also important. Pipelines as well. Agricultural aid, medical help, and other kinds of aid have been less important. Unlike China's arms transfers elsewhere, most to South Asian countries were aid rather than sales. China often provided tariff-free privileges as a form of aid; but the value of this was never estimated and would be difficult to calculate in any case.

How do China's foreign aid and foreign investments connect to its foreign policy? Early on China perceived that it had vested national concerns in the region. China's interests, of course, evolved over time. At first they related to China's domestic matters. Tibet was at the top of the list and remained an important factor and is so even today. Tibet was part of China during its last dynasty (not before that) and was made part of the People's Republic of China again in 1951 when the People's Liberation Army entered Tibet and it was incorporated. The Tibet Autonomous Region as it was called became very important to Beijing strategically and was quite vulnerable to outside interference.

In 1959 resistance to Chinese rule in Tibet broke out after which the Dalai Lama fled to India and established a government-in-exile in Dharamsala (in northern India). From there he sought to internationalize the Tibet issue; in some ways and in some venues he was quite successful. In 1988, speaking before the European Parliament he cited China's "invasion" of Tibet in 1951

and its "neocolonial" rule since then. He referenced the "Han Chinese takeover and absorption of Tibet." In 1989, the Dalai Lama received the Nobel Peace Prize. Chinese leaders came to seriously distrust and dislike him and his supporters.[308]

The sensitivity of the Tibet issue was worsened by the fact that the boundary between Tibet and India, the McMahon Line, was drawn in 1914 by the British in favor of India. This resulted in an unnatural (and unfair to China) border. Territorial claims by China and India against the other involved considerable land: India's claim against China was larger than Switzerland while China's claim against India was triple that. Making the dispute even more difficult to resolve it overlapped with a feud between Pakistan (that became China's close friend and ally) and India over Jammu and Kashmir.[309]

In the eyes of Chinese leaders if Tibet were not part of China, Beijing would suffer a host of serious consequences. It would change its border with India as well as borders with Nepal and Bhutan. There would be no natural barrier between China and India and the Indian army would be close to China proper. China would also lose important transportations links from South China to the Sino-Soviet border, which China since the 1960s has regarded as critical. Tibet is also the origin of China's major rivers a number of which flow into other countries making it important for both water rights and hydropower; this affects China's relations with India and Bangladesh as well the countries of mainland Southeast Asia.[310] Finally, Tibet is important for its natural resources.[311]

Another reason for China to view South Asia as strategically important is the issue of Islam and its potential to cause trouble, even crisis, in Xinjiang. Like in Tibet, the Chinese fear antigovernment and even secessionist movements there. (As will be noted in the next chapter Xinjiang has been a major factor affecting Beijing's foreign policy.) Beijing needed, and still needs, to contain its Islam problem. Pakistan played and is playing a critical role for China in realizing this objective. Bangladesh too. Later China's efforts to improve relations with the countries in Central Asia and expand its influence there became a critical factor in China's developing and "pacifying" Xinjiang and in pursuing its strategy of enhancing its global influence through commerce. Aid and investments were vital to these facets of China's foreign relations.

China's foreign aid was also given to facilitate establishing diplomatic relations (and defeat Taiwan diplomatically) gain admission to the United Nations and other international bodies and realize border agreements. Beijing acquired diplomatic ties from all countries in the region. China got admission to the UN. China resolved border disputes with all of the proximate countries in South Asia, except for India and Bhutan.[312] China was also successful, as noted, in becoming a leader of the Third World with the support,

even encouragement, of some of its aid recipients in the region. Sri Lanka played a special role in this effort.

Another tangible mark of China's foreign assistance success is the fact China has become a major trading partner with the nations in South Asia. Its foreign aid and investments have facilitated this. Its impact was considerable during period one but momentous during period two. China is now a leading trading partner with the countries in the region; it is the top partner with some. In trade with countries in the area China has outdone India.[313] With commerce China has helped the countries of South Asia to globalize and has further globalized itself.

China's aid was also driven by events. In the early 1960s, one of the new but dominant drivers in China's relations with South Asian countries was the Sino-Soviet dispute. The Sino-Indian War in 1962 added another dimension to China's policy vis-à-vis countries in the region. Beijing sought to reduce Moscow and New Delhi's influence in the region. Both were no longer considered friendly; they were regarded as antagonists and even enemies. The Sino-Soviet dispute and China's India problem became connected. Close relations between the Soviet Union and India, including Soviet aid to India, amplified China's hostilities toward both.[314]

Because of strained Sino-Indian relations following their border war, Beijing made a concerted effort, using significant amounts of foreign aid, to befriend India's neighbors and weaken their ties with New Delhi. India was a "special country" to all of the nations of South Asia based on history and tradition. China had other reasons (than the 1962 war) to oppose India, including the fact it was Asia's other big country, it was the world's largest democracy, and it was a growing military power.[315] China calculated that its efforts to build infrastructure, especially roads, in countries near to India especially those on China's border, bolstered its military presence there and weakened Indian, US, and Soviet influence.[316]

China's aid efforts indeed undermined India's sway in the region, though it helped that India's neighbors generally sought to be more independent of India or at least balance India's influence with Chinese influence. In the process Beijing sullied India's global reputation and its leadership of the nonaligned bloc by exacerbating conflicts India had China and with its neighbors. On the strategic level Beijing sought to tie India down with regional problems while China expanded its naval power in the Indian Ocean. India called this China's "strategy of encirclement."[317]

Foreign aid to Pakistan was central to China's South Asia security policy objectives. Pakistan and India were at odds over religion, territory, and other matters; in short, they were sworn enemies. Pakistan being the other big power in the region, China's foreign assistance to Pakistan had more impact

on regional affairs than its aid to other South Asian countries. Pakistan's friendship was so important that China disregarded Islamabad's close relationship with the United States. Later as China pursued close relations with the United States this mattered little.

Pakistan became China's ally (though not in the sense they had a defense treaty).[318] Pakistan facilitated China's foreign policy inside and also outside the region, especially among Islamic countries. Islamabad supported China's important foreign policy goals. Pakistan even served as a "go-between" when the Nixon administration sought to improve relations with China.

In 1971, however, China suffered a major setback in its South Asia policy, including its aid diplomacy, when India defeated Pakistan in a decisive war and a new nation, Bangladesh, was created from East Pakistan. China's assistance, both economic and military, to Pakistan, though very extensive, did not prove decisive. China's diplomacy suffered a setback in the region as a result. But rather than ending its foreign assistance to countries in the region, China increased its aid giving—even though during the 1970s and 80s it cut its aid overall. Part of the reason for this was China's continued feud with India; China's strategic goals motivated its aid giving. Another factor was that Afghanistan had become a recipient of China's foreign aid and when the Soviet Union invaded in 1979, China increased its aid and directed it to help to the opposition (to the Soviet Union's occupation) forces via Pakistan. (Soviet forces closed the very narrow common border between China and Afghanistan so that China could not send aid directly.) Something new for China: It extended vast aid to the insurgency in Afghanistan in cooperation with the United States. The result was that China was on the winning team and its aid was instrumental to rendering the Soviet Union a major foreign and defense policy defeat.

China's objectives during period two of its giving foreign assistance have related more to its need for resources, its desire to expand its markets, and efforts to link China commercially with other areas where China had economic influence, especially Central and Southeast Asia. As noted China expended huge amounts of money to build, railroads, pipelines, and ports. These efforts comported with China's ultimate goal to become a global trading giant and to extend its influence around the world through economic means. In fact, China's aid to South Asian countries offers ample proof of China's strategy to win (and control?) the world through commercial means.[319]

If building a global commercial empire seemed too ambitious, China at minimum sought to expand its soft power through commerce. In this effort, China continued to try to dampen Indian influence (since the two were contenders for leadership of the Third World and generally elsewhere). Not

an insignificant factor: China and India were and are also competitors for Africa's energy and other resources and markets.[320]

To many outside observers, the main strategic objective of China's foreign aid to South Asian countries during period two was to build what some have referred to as a "string of pearls" or a chain of strategic bases surrounding India to contain or challenge India's growing naval influence.[321] As has been mentioned above China has not made efforts to acquire military bases notwithstanding its huge amounts of aid and investments.[322] Yet this may change. In any event, China's use of aid and investment funds to build various kinds of infrastructure in South Asian countries has served the purpose of expanding China's oil and natural resources lifelines to the Middle East and Africa. The search for potential port access (or bases) to a large degree certainly explains the fact a large portion of China's financial assistance has gone to Bangladesh, Sri Lanka, and Pakistan to build major port facilities that China's commercial fleet can use. Perhaps the Chinese Navy can as well. The ports and other infrastructure China has built can generally accommodate either.

Reinforcing the idea China has strategic motives in giving financial assistance for building ports, since 1978 China has steadily increased its naval presence in the Indian Ocean. PLA Navy warships made their first-ever visits to foreign ports, Karachi, Colombo, and Chittagong, all in the Indian Ocean—from November 1985 to January 1986.[323] China's plan was to link these ports to ports that China has built in Burma and facilities it has in the South China Sea including its new submarine base on China's Hainan Island that will help protect China's commercial fleet in East Asia and perhaps Southeast Asia and beyond.[324] While Chinese leaders have denied that China wants the ports for its navy to use, that remains unclear.

For a time China's desire to "contain" India's influence and compete with India was so overwhelming that Beijing provided Pakistan with assistance to build a nuclear weapons and delivery systems. Pakistan was one of the few cases of China giving foreign assistance to build nuclear weapons. As noted, in so doing China was able to balance India's nuclear status and the influence it gained on the subcontinent by helping Pakistan to become a nuclear power. China was even credited with helping build an "Islamic bomb." (Islamic countries were not represented in the world's nuclear club before this.)

However, China's nuclear aid to Pakistan had negative repercussions; it fostered nuclear proliferation. Initially China did not care. In fact, this was one of China's foreign policy goals under Mao and early on under Deng Xiaoping. In the mid-1980s, China had second thoughts about this policy and reversed it. Thus China did not continue its nuclear weapons assistance to Pakistan. Arguably it had helped enough so that Pakistan could continue on its own.

Now a concern for China is whether Pakistan's nuclear weapons are destabilizing. Then there is a danger of terrorists seizing Pakistan's nuclear weapons. It is noteworthy the United States has expended considerable funds to guard against that.[325] Clearly China also has to dread the possibility that Pakistan becomes a nuclear-failed state.[326]

Speaking generally China's foreign aid to the nations of South Asia during period two has met with considerable success. Beijing has built on the friendships it developed with nations in the region during period one. In fact, relations have gone far beyond what they were during the earlier period. The countries China has provided aid are friendly toward China and not as friendly to India as they were and it may be said some are not at all on as good terms with New Delhi.[327]

Looking forward these are scenarios that are likely to characterize China's relations with South Asia. The most likely is basically a continuation of the present. China continues to challenge India, which it regards as a hostile power and a challenge to China. The two countries are at odds as a result of past conflicts; the status of Tibet; an undefined and tense border; India's representation of democracy and China being an alternate political system; conflicting goals in Central Asia; their status as nuclear powers; Pakistan; naval dominance in the Indian Ocean; vying for energy, natural resources, and markets (especially in Africa and the Middle East); a struggle for influence in Southeast Asia (most acute in the case of Myanmar); and much more.[328] In short, China seeks dominance in Asia and India is its rival.[329]

On the other hand, Sino-Indian relations have improved over the last decade or so. This may be the result of India having taken cognizance of China's commercial, military, and other forms of power and the decline of US and European influence in the region. China is four times India in economic size. China is besting India in an arms race. China has won over most of the countries in South Asia to India's disadvantage and there is little India can do about it.[330] Thus India recognizes China as the world's coming superpower.

In counterpoint, China has come to see India as a growing power and a country with whom China should have cordial ties. In fact, relations between the two countries have improved markedly in recent years. China is now India's number one trading partner and their commercial relationship has considerable room to grow. In fact, they envision trade expanding to $100 billion in 2015 from but $7 billion in 2003. China has proposed investing $66 billion in India.[331] The two countries are in sync on how to curb carbon emissions, deal with terrorism, and many other issues. They agree to some extent on the global economy, Russia, and US influence in Asia and beyond. China may conclude it should try even harder to extend its global influence commercially rather than militarily and that it should thus see India as a

partner rather than as an enemy.[332] This view seems confirmed by the fact the Shanghai Cooperation Organizations, which China virtually controls, has recently moved to invite both India and Pakistan to join.[333]

Finally, the United States has recently adopted a policy to balance China's rise with its Asia pivot. India may assume a major role in America's effort. China must try to keep India from moving too far in this direction. Some, in fact, see India as the "ultimate pivot state" relative to the US-China global rivalry.[334] Thus China has even more to gain from closer relations with India.

CHAPTER 3

China's Foreign Aid and Investment Diplomacy in Northeast and Central Asia

Introduction

China extended foreign assistance to two Northeast Asian countries—North Korea and Mongolia—during the early period of its aid giving. In the case of North Korea, China provided massive help in the form of both economic and military aid (including soldiers) during the Korean War and subsequently funds for postwar reconstruction. Since then China has provided very large amounts of aid and investments to North Korea. North Korea was, and arguably still is, the largest recipient of China's financial assistance anywhere.

Beijing's foreign aid to both North Korea and Mongolia were originally provided under the rubric of Communist Bloc solidarity, though it hardly seems a coincidence that both were past tribute nations. Both are also border countries. In the case of North Korea, China's security was a paramount driver in its giving foreign assistance.

In the 1960s, the Sino-Soviet dispute influenced China's aid giving to both countries. Since North Korea did not tilt, or clearly favor the Soviet Union, China continued to give it substantial aid. Mongolia sided with Moscow, and China terminated its aid. During the latter part of period one, China also provided foreign assistance to Afghanistan, though Beijing's motives were quite different from its aid giving to North Korea and Mongolia.

In the second phase or period of China's foreign aid and investments, Beijing provided large amounts of financial help to North Korea, Mongolia,

and Afghanistan and also extended considerable funds to the newly independent (after the Soviet Union collapsed in 1991) countries in Central Asia. China's aid to North Korea gave China an important bargaining chip in negotiating with the West on North Korea's nuclear weapons, and it raised China's status as a global power. In Outer Mongolia China sought to acquire natural resources and markets. China provided both economic and military aid to Afghanistan during the Soviet Union's war there, ironically in cooperation with the United States. China's relations with the Soviet Union were strained and Moscow was a major security threat to China. Using arms aid as a foreign policy "weapon" China helped render the Kremlin a momentous military defeat.

In 1991, China was given new opportunities in Central Asia when the Soviet Union collapsed. China offered aid and investment funds to former Soviet republics. In some cases the assistance helped to pursue objectives contrary to the Kremlin's policies; often, however, China worked with Moscow and avoided conflict.

After September 11, 2001, the United States acquired bases in Central Asian countries to fight the war on terrorism in Afghanistan. China joined the fight. But Chinese leaders became concerned, even alarmed, about the expansion of US influence in the region. One of China's main means of dealing with this problem and improving relations with Central Asian countries was by giving more aid and making larger investments there.

Assistance to the former Soviet republics, the "Stans," also related to China's plans to develop the Western part of China, especially Xinjiang Uighur Autonomous Region, which had not benefited so much as the rest of the country from the economic boom. The success of China's "Western Development" plan, launched in 2000, was predicated on increasing China's aid and investments.

In recent years, China has pledged large quantities of foreign aid and investments (hardly distinguishing between the two) to Central Asian countries for several other reasons: to enhance its domestic security, acquire energy, find natural resources, and expand its foreign markets. Doing so China has built large transportation and infrastructure projects in the area. Roads and railroads built with Chinese assistance connect Central Asia to South Asia and the Middle East and expand China's footprint in these two regions. Pipelines bring oil and gas to China. All of this relates to China's strategy to expand its global weight through economic means.

Worthy of special notice in China's financial aid diplomacy in Central Asia are China's efforts to promote a regional organization, the Shanghai Cooperation Organization. In some ways this mimics China's efforts to promote a regional organization in Southeast Asia—ASEAN. China has

provided the Shanghai Cooperation Organization significant funding and has delivered considerable aid and investments through the organization.

Aid to North Korea, I

China likely gave, or at least planned to give, aid to the Democratic People's Republic of Korea (DPRK), or North Korea, soon after Mao came to power in October 1949. At that time Chinese officials held talks with their North Korean counterparts on a joint effort to build a dam on the Yalu River. China pledged foreign aid in the sense that it agreed to pay more than its share for the project. However, it is uncertain how much work was done on the project or how much money China expended; the project was shelved after the Korean War started a few months later.[1]

Overshadowing this project and any other economic help China pledged or extended to North Korea was China's massive aid promised and delivered to Pyongyang during the Korean War. How much it spent in assisting North Korea during the conflict is impossible to determine; it was very large by any accounting. Just the help China rendered North Korea in sending soldiers was enormous. China dispatched around 2.5 million troops to fight in Korea and suffered casualties numbering close to a million.[2] One of the soldiers killed in battle was Mao Zedong's son. Putting a dollar cost on this is beyond most analysts. Likewise for the arms and other assistance China provided. In any case, neither country has afforded data on the amount China spent on aid to North Korea during the war. A third source offered a figure of $2.5 billion.[3] This "estimate" is obviously low as the US government reported it spent more than 120-fold that amount fighting the war and suffered far fewer casualties (officially less than 130,000 of which 34,000 were killed).[4]

Trying to ascertain what price to put on China's help to Korea, as well as understanding China's goals, one also needs to ask two important questions: One, what did China sacrifice politically, economically, and in other ways by aiding North Korea? Two, was it China's idea to start the war? These matters need further analysis.

In 1949, China had just finished either 12 or 18 years of war, depending on when one marks the beginning of World War II for China (beginning with Japan's invading and seizing Manchuria in 1931 or its attack on "China proper" in 1937). After the end of World War II in 1945, China suffered further from a protracted civil war between the Communists led by Mao and the Nationalists under Chiang Kai-shek. That conflict nominally ended in October 1949 when Mao proclaimed establishing the People's Republic of China.

However, in early 1950, Chinese leaders said they still regarded the country to be at war, and in some important respects it was. Nationalist Chinese soldiers and agents still operated throughout much of China. Top Chinese leaders said they believed that a Nationalist blockade, "undertaken with the instigation of American imperialists," might result in a collapse of the financial system and the economy in general.[5] Mention was made at that time that a "complete victory" over Chiang Kai-shek would depend on the new leadership's ability to fix the war-torn economy. Making matters worse, in 1949 China was hit by natural disasters affecting large areas of the country. An estimated 120 million *mou* (0.165 acre) of farmland and 40 million people were impacted. There were food shortages and scarcities of many commodities in much of China; both seriously affected the nation's economic stability.[6] Therefore, China was not in a position, considering the conditions of its economy, to aid North Korea without making enormous sacrifices.

There are still other factors to consider regarding China's domestic situation in mid-1950. China's People's Liberation Army had just taken Hainan Island off the coast of China to the south. Further, Beijing was preparing to launch an invasion of Taiwan to eliminate Chiang Kai-shek's Nationalist military and his government. In fact, Chinese forces were being readied to attack Taiwan just at the time the Korean War started.[7] Because of the war US president Truman reversed US policy of ending American involvement in China's civil war and sent the Seventh Fleet to protect Taiwan; thus Mao's goal of getting Taiwan back was thwarted. In fact, one can blame the Korean War for the fact that Taiwan remained the base of a competitive regime that was mettlesome and much worse for China after that and Mao's goal of recovering what he considered an important piece Chinese territory was not realized.[8]

To what degree China was a party to the decision to launch the Korean War is also relevant. In his memoirs Nikita Khrushchev stated that Stalin and Kim Il-sung made the decision; Mao "concurred."[9] North Korea's deputy chief of staff, who defected to the Soviet Union soon after, confirmed this interpretation.[10] The fact that most of the Soviet weapons and equipment that were sent to North Korea crossed Manchuria seems to suggest Chinese leaders more than helped plan the launching of the war.[11] So did the fact that China turned over (to North Korea) Korean troops that had fought under China's command in Manchuria.[12] Finally, Mao, Kim, and Ho Chi Minh were in Moscow at this time and some observers believe that they discussed, and reached decisions, to liberate South Korea and Taiwan and step up efforts in that direction in Vietnam, and that, in that context, Mao concluded the Sino-Soviet Treaty of Alliance.[13]

Yet some scholars and observers have expressed a quite different view. They note that in June 1950 China had no desire to get involved directly in the Korean War.[14] Some specialists on Sino-Soviet relations have also opined that Mao was not privy to the decision to launch the war and agreed only reluctantly after it happened.[15] Some say Mao was not included in all of the deliberations that led to planning the war and/or did not concur with the outcome.[16] In addition, they argue that rather than serving as a basis of cooperation the Sino-Soviet alliance strained relations between Mao and Stalin. A number of academics also note that China decided to enter the war actively only when US forces had beaten back the North Korean offensive (after MacArthur's Inchon landing) and were advancing toward the border with China, thereby constituting a direct threat to Beijing.[17]

A more poignant question to be addressed here is: Why was China motivated to give succor to North Korea to the degree that it did? There were obviously a number of factors. One, China was influenced by the fact that Korea was historically important to China. It was a tribute country.[18] It was geopolitically strategic to China. Through the centuries Korea had often had an impact on China's foreign policy as well as both its economic and political situations. In recent history, Japan undermined Sino-Korean ties and made Korea independent, and then colonized it.[19] China had had a bad experience with the Western powers (e.g., at Versailles after World War I) and global organizations in the 1930s (the League of Nations did not help China counter Japanese aggression even though it was legally obliged to do so). At Yalta, the West decided (without China's input and to its detriment) Korea's status as well as Mongolia's and some other important matters. The Chinese thus could relate to being the victim of big power agreements. After World War II and before the Korean War the United Nations was given a special role to resolve the "Korean Problem." The People's Republic of China was not a member of the United Nations and had no voice in the matter. In 1950, Korea was geopolitically at the vortex of China's relations with Japan, the Soviet Union, and the United States. It was, therefore, very relevant to China's relations with the big powers in Northeast Asia.

Notwithstanding Beijing's policy of secrecy China has provided some relevant information on its military and economic aid to North Korea. In October 1951, People's Liberation Army's General Chen Yi stated that the "people of East China" (meaning the Chinese government) had provided 897 planes, 33 artillery pieces, 17 anti-aircraft guns, and two tanks to help the "Resist America, Aid Korea" campaign.[20] However, putting a dollar price on this aid is difficult, as the price of Chinese weapons was not published. Anyway China probably provided much more military and economic aid at the time than this list suggests and certainly delivered much more later.[21]

Little was said about other aid China provided, as planning the war effort required not doing so. The only nonmilitary aid China announced to North Korea during the war was a grant of "at least $75 million" that was not specified in terms of its use or purpose.[22] There is little doubt that China at this time gave North Korea much more aid, including a lot in the form of credits, judging both from North Korea's needs and the amount of Chinese supplies, equipment, etc. that were dispatched to North Korea.[23]

China's aid to North Korea was put on a more formal and less classified basis in late 1953 after an armistice was signed that ended the fighting. At that time China announced cancelling a debt amounting to $56.9 million while offering new aid in the form of a nonrepayable grant for $338 million earmarked for repairing war damage. China also allotted funds to pay for its troops that were still in North Korea.[24]

In September 1958, China reported two more aid agreements with North Korea. One took the form of a non-interest-bearing loan repayable over ten years to fund North Korea's part in building a hydroelectric power station on the upper Yalu River. The other was for $42.5 million in the form of a loan bearing a 1 percent rate of interest to build a textile mill and two cement bag plants.[25] For a variety of reasons including those mentioned above, but probably now also due to the growing split with the Soviet Union, China wanted to help North Korea economically and sought to maintain good relations with Pyongyang using foreign assistance to accomplish this.[26]

In October 1960, China announced new aid to North Korea that was unspecified in terms of its conditions and/or use, except that it was to be drawn during the period 1961–64. The amount of the pledge was $105 million.[27] It seems likely this aid reflected an effort on China's part to make it appear it could provide aid to North Korea in spite of the fact that the Soviet Union cut economic assistance to China that year. Alternatively Beijing anticipated negotiating a security treaty with North Korea and extended aid to that end. A treaty was signed the next year—the "Treaty of Friendship, Cooperation and Mutual Assistance." This treaty, which remains in force to this day, stated that each party would "immediately render military and other assistance with all the means at its disposal" when needed.[28] It was also reported China and North Korea later, in 1963, signed a secret border agreement; this aid may have also been connected to that.[29]

During the mid- and late 1960s there were no further announcements of assistance to North Korea, probably because of economic hardships in China and the fact the North Korean economy was now doing better than the Chinese economy. However, in mid-1970, military representatives from the DPRK visited China and were promised aid in the form of ships, fuel, and technical help. There were other talks that mentioned aid at this time

and there may well have been additional aid deliveries.[30] China very likely extended much more aid, including military assistance to North Korea, though it was not discussed openly.[31] Clearly Chinese leaders wanted to maintain close ties with Pyongyang and did not want to see a Soviet client state on its northern border.

The amount of aid China provided to North Korea during any part or all of period one is impossible to ascertain. This writer has estimated the value of China's aid to North Korea up to the mid-1970s at $495 million in officially announced aid and between $800 million and $1.2 billion total.[32] This was no doubt a low assessment given the extensive help China provided to North Korea and inasmuch as it did not include most of the military help China provided during the war or consider the price of Chinese soldiers killed and injured in the fighting.[33] It is certainly not reasonable to think that the war cost the United States more than a 100-fold what it cost China.[34] If calculated in current dollars, China no doubt spent an amount in the double digit billions of dollars in aiding North Korea, perhaps multiple tens of billions of dollars.[35]

In any event, North Korea felt it owed China a lot for its financial help. This probably explains why Pyongyang never unequivocally tilted toward Moscow as Sino-Soviet relations turned sour even when Moscow provided North Korea with considerably more aid than China.[36] It likewise explains the deep bitterness China felt toward the Soviet Union over repaying its debt to Moscow, which Chinese officials said contained a large amount of money (and also interest) for arms and equipment that it got from the Soviet Union and delivered to North Korea.[37]

North Korea II

From the mid-1970s forward and into the 1980s, China's foreign aid to North Korea diminished markedly. This was partly because China's aid was cut overall owing to opposition to aid giving among Chinese leaders and, after 1978, the need for capital at home to implement Deng Xiaoping's economic development plans. It was also reduced to show displeasure with North Korea's unwillingness to institute economic reform as China advised. Finally, an improved relation with the United States, considering North Korea's strained relations with Washington, was a factor. In response to China giving much less aid, DPRK leaders at one point declared they were getting more aid from the Soviet Union and were "dissatisfied" with China's aid.[38]

Yet China did not discontinue its aid giving to North Korea; in fact, China's financial help remained critically important to Pyongyang. China was still in the game of competing with the Soviet Union's aid to North Korea and, like

Moscow that bragged about its aid, announced some of its aid—including citing a chemical plant that was finished late in 1980.[39] It was also reported that China provided North Korea with petroleum at a "friendly price."[40] In ensuing years China continued to purvey aid to North Korea, though little was announced; likely China hoped to gradually decrease its economic help to North Korea but did not want to say this.[41]

China's arms aid appeared to be an exception. In 1982 it was reported in the Western media that China gave or sold (likely the former given the state of North Korea's economy) 40 MiG-21 jet fighter planes to North Korea.[42] The MiG-21 aircraft at the time was reported to cost between $1 million and $3 million, depending on the version of the plane. The cost to China for this aid would thus range from $40 million to $120 million.[43] The next year China supplied North Korea with 20 A-5 jet fighter planes (an improved and more expensive version of the MiG-21) when Kim Jung Il visited Beijing.[44]

In 1985, the Chinese government stated that it would not extend much aid to North Korea anymore.[45] At this time Deng Xiaoping is said to have turned down a North Korean request for crude oil, though he did promise to provide 100,000 tons of grain.[46] Beijing was apparently too preoccupied with its own economic development to be much concerned with North Korea and did not fear the Soviet Union would exploit the situation (given its economy and its political and strategic problems and the fact it had already cut aid to North Korea). China also wanted to force North Korea to do more to improve its economy—including making needed (capitalist, free market) reforms.[47] North Korea was thus pressured to institute economic change or see its financial situation deteriorate further. It was said that it did not chose the former and may even, as a result of China's diminished aid, have, therefore, decided to engage in more terrorist activities.[48] The North Korean government had its reasons: It feared that opening up, which would be needed to make reforms work, would endanger the regime due to the fact that its people knew so little about the outside world.[49]

In the late 1980s and early 1990s, notwithstanding China's admonitions to North Korean leaders that they institute market reforms and their refusal to do so, China probably provided a significant amount of aid to the DPRK; in fact, Pyongyang appeared to become even more dependent on China's financial help. In the wake of the collapse of the Soviet Union in January 1991, Moscow cut its aid to North Korea even further. Chinese leaders were concerned that North Korea was on the verge of economic collapse and that because of that Korea might be unified via South Korea's overtures or pressure. China did not want this.[50] Thus aid continued to flow though there was but scant evidence upon which to even base reasonable estimates of its value.

In 1991 and 1992, China pressured North Korea to join the United Nations along with South Korea and acquiesce to China establishing diplomatic relations with South Korea. Pyongyang strongly opposed South Korea joining the United Nations, even if it could also join. Some observers opined that North Korea's dependence on China's aid made this happen.[51] It is worth noting in this connection that all of China's food and other aid went to the North Korean government, thus helping it to maintain control over its people concerning which there was some doubt at the time.[52] In 1993, it was reported that China provided 72 percent of North Korea's food imports, 75 percent of its oil imports, and 88 percent of its coking coal.[53] A Chinese expert remarked that China had not reduced its economic aid to North Korea. "They owe China a lot . . . We don't force them to pay," he said.[54]

In the mid-1990s China further increased its foreign aid to North Korea. In 1994, North Korean leader Kim Il Sung died and there was obvious concern among Chinese leaders about regime stability in light of the deteriorating economic conditions, especially the serious food shortages.[55] This likely prompted China, in 1996, to promise North Korea 200,000 tons of grain, plus other aid worth $59 million and a $20 million interest-free loan repayable over ten years.[56] Beijing subsequently agreed to provide North Korea with 500,000 tons more grain and 1.3 million tons of petroleum for each of the next five years.[57] Yet this was ostensibly only a fraction of the foreign aid China actually extended to North Korea. It was disclosed later that China had allowed North Korea to run an estimated annual bilateral trade deficit of around $500 million.[58]

China continued to express dismay over North Korea not implementing reforms and China having to underwrite Pyongyang's struggling economy.[59] Yet its aid kept coming. In fact, China's financial help to the DPRK increased in 2000 and in subsequent years by a considerable amount. Astoundingly it grew to a level in the years preceding 2002 such that China, it was reported, had provided North Korea with annual assistance worth $1.3 billion.[60] This, a Chinese scholar said, amounted to one-third of China's total foreign aid giving.[61] Proof of delivery of this aid was the fact that oil from China provided one-third of North Korea's energy needs and most of its grain or around one-half of North Korea's needs.[62]

It seems reasonable to speculate that China increased its aid at this time because Beijing saw the economic situation in North Korea as desperate. Alternatively (or in combination with China's concerns about North Korea's economic peril) Pyongyang employed blackmail (its going nuclear) as a way of getting more economic aid.[63] China's leaders were also concerned about China's northeast provinces, which were not seeing the economic growth

expected in recent years and which could benefit from economic activity in North Korea stimulated by China's foreign aid.[64]

There was still another factor: In early 2002, after President George W. Bush labeled North Korea (along with Iraq and Iran) an "axis of evil" country for its support of terrorism and its proliferation of weapons of mass destruction, Chinese leaders may have feared that the United States would act militarily against North Korea and hoped to use its leverage against Pyongyang to prevent it from provoking Washington.[65] Chinese leaders became even more anxious after October when North Korean officials told US Assistant Secretary of State for East Asia and the Pacific that North Korea was indeed going nuclear.[66] Another factor was the severe famine in North Korea that saw large numbers of refugees streaming into China seeking asylum.[67] Yet another variable was South Korea cutting its aid to North Korea at this time.[68] In 2003, China's assistance to North Korea included mention of 1 million tons of food and 500,000 tons of heavy fuel oil, amounting to a third of the latter's total food imports and 79 percent of its fuel imports.[69] It was said that China was also paying for the maintenance of 100,000 to 200,000 North Korean refugees who had fled to China.[70] China obviously still feared instability in North Korea. In fact, China was apparently so fearful of North Korea starting an international crisis or a conflict with the United States that might ensnare China that it tried to use both the cutting of aid and the increasing of aid to manage the situation. Early in the year it was reported that China supported an International Atomic Energy Agency (affiliated with the United Nations) demand that North Korea terminate its nuclear weapons programs.[71] Chinese leaders went even further. It was said a month later that China closed the oil pipeline between the two countries that supplied North Korea with a large portion of its energy. Officially "technically difficulties" were said to have caused the shutdown; but many observers thought it was done to send Pyongyang a clear signal of China's displeasure about North Korean leaders' behavior.[72]

In October 2003, Hu Jintao reportedly offered more aid to get North Korea to join the six-party talks (to discuss it halting work on its nuclear weapons program).[73] While China initially took the position that North Korea's nuclearization was an issue between Pyongyang and Washington and that any agreement should be a bilateral one, it changed its position and pushed for multilateral talks. One way to do this was to put energy assistance to the DPRK on the agenda. [74] China volunteered to host six-way talks and increased its aid to get North Korea to agree.[75] China's part in setting up and hosting the negotiations, even though they accomplished little, enhanced China's diplomatic reputation considerably and burnished Beijing's reputation for trying to keep peace in the region.[76]

Soon after this, reports of China providing funding to the North Korean government mentioned investments instead of aid. One wonders, though, if anything really changed. North Korean sorely needed financial help and was not likely to repay China's largesse. In any case, the amounts of "investments" were said to be $1.1 million in 2003, $50 million in 2004, $90 million in 2005, and $445 million in 2007.[77] What happened was apparently little more than a changing of the wording of some of China's foreign aid.

In any case China wanted to keep its financial relations with North Korea shielded from outsiders in view of the often-heard observation that China, by withholding its aid, could force North Korea to abandon its nuclear and missile developments and cease its dangerous provocations toward the United States, South Korea, and Japan.[78] The amounts of Chinese aid reported certainly suggest this to be true, though North Korea obviously had some leverage over China and generally did not respond well to Chinese pressure. Chinese leaders clearly did not want to disclose the scope of its aid to North Korea.

The huge amounts of foreign aid cited earlier also caused some controversy in China about the wisdom of its financial help to North Korea and the fact that by some account Pyongyang did not show much gratitude.[79] From 1996 until 2005, it was reported China provided around 2 million tons of food to North Korea.[80] Some official Chinese sources, however, suggest that the amount was considerably larger than this: 2.6 million tons from 1996 to 2000.[81] Still another source puts the amount at 1 million tons annually during the late 1990s.[82] The discrepancies seem to have resulted in part because China, in providing food to North Korea, did not in most cases record whether it was a commercial transaction (and if it was if the debt was cancelled later), or if it was given on a concessional or gift basis.[83] In terms of the total aid North Korea received, China at this time was said to have provided 70 percent of North Korea's food aid and 80 percent of its energy needs (1 million tons of grain and 0.5 million tons of heavy oil yearly), plus other aid said to constitute a whopping one-half of China's entire foreign aid budget.[84] This was something Chinese leaders did not want to share with the public.

In 2005 and 2006, it was reported that China provided North Korea with more investment funds and that it was building a range of infrastructure projects "in and around" North Korea. There was no mention of the value of these "investments"; but North Korea's trade with China at the time increased to 40 percent of its total, suggesting that the amount of China's capital transfers to North Korea was very large.[85] Trade in 2006 was said to have reach $1.5 billion.[86] In 2008, it was reported that China remained the top donor of food aid to the DPRK, though shipments declined at this time—probably due to less need in North Korea.

In 2009, it was reported that China provided 500 vehicles to North Korea, probably for the military's use. It was not stated whether or not this was foreign aid, or, if it was, whether it was in the form of grants; but given North Korea's dire economic situation it seems likely it was free aid.[87] When Premier Wen Jiabao visited North Korea in the fall he promised more aid and announced building a new highway bridge over the Yalu River. Shortly after that it was announced that private Chinese enterprises were providing $2 billion in investments in North Korea to build roads and a railroad from China into North Korea. All of this aid was given in violation of United Nations Security Council Resolution 1874 (passed in June 2009 that applied economic sanctions against North Korea for its nuclear test the previous month—which China voted for) and allowed North Korea to ignore the resolution.[88]

In early 2010, it was reported that China was in the process of investing "about $10 billion" in North Korea to facilitate the building of railroads, harbors, and houses. It was said that 60 percent of the funds would come from Chinese banks. China's intent, it was assumed, was to get North Korea to return to international disarmament talks.[89] In 2010, half of North Korea's trade was with China, and Pyongyang was very dependent upon China for fuel. In return for its aid (and/or investments) China received long-term leases on Korean coal and iron mines and some control over its ports (including a 50-year lease on port facilities in Rajin signed in March).[90] There were subsequently reports of Chinese troops in North Korea and it was heard that China was seeking a more permanent presence in country to protect its investments, guard Chinese citizens, and keep North Koreans from fleeing the country into China. One analyst said that the North Korean government had to accept this in view of its dependency on Chinese funding.[91] China, it was said, was providing 90 percent of North Korea's oil, 80 percent of its consumer goods, and nearly half of its food, and the Kim regime remained in power because of China.[92] Meanwhile a US government publication confirmed the statement made earlier that one-half of China's foreign aid went to North Korea (though it did not define aid).[93]

In 2011, China's foreign assistance continued to flow to North Korea in large quantities. Trade increased, which aid obviously supported. Two major projects that were proposed a decade or so earlier got underway: a four-lane paved highway linking Hunchun in China's Jilin Province to Rajin a port city in Northeastern North Korea, and an industrial park on an island in the Yalu River. In 2012, the Jilin Yatai Group signed a contract to develop an industrial park while some other Chinese companies received contracts to build a pier and do other projects in Rajin. In 2013 Shangdi Guanqun Investment Company signed a $2 billion letter of intent to invest in North Korea and

China Overseas Investment Company established a $3 billion fund to invest in North Korea mainly in mining.[94] Trade increased in 2013 by more than 10 percent while the $1.25 billion deficit for North Korea was said to be in reality a "Chinese subsidy."[95] Expecting little help from Russia and getting aid from South Korea reluctantly and in an off-and-on manner, and an unwillingness to take US help, North Korea continued to be very reliant on China for foreign aid.[96]

However, during 2013 and after, China again showed displeasure with the North Korean government. A decline in aid to Pyongyang, at least relatively, resulted. The causes were manifold and they included Chinese leaders' concern about their image in view of North Korea's new leader, Kim Jung Un, executing one of his top advisors (who incidentally was his uncle who had good relations with China), North Korea's continued nuclear provocations, and North Korea's kidnapping 28 Chinese fishermen (a story that triggered a big negative reaction from Chinese netizens), and more. The new Chinese leadership of Xi Jinping seemed to be less tolerant of North Korea's behavior and may have viewed it as "unwanted" in the context of criticism that Beijing faced over its policies vis-à-vis Japan, the Philippines, and Vietnam over sea territory claims and Xi's determination to pursue a better global image for China.[97]

In 2014 North Korea negotiated a $25 billion deal with Russia to fix its railroad and road system (that included waiving off the $11 billion of "Cold War" debt) in return for building a gas pipeline to South Korea through the north. This deal contrasts with China's agreement at this time to spend $324 million in investment funds on a bridge. This may be seen as as an effort by North Korea to offset its economic dependency on China, though it is more likely to have reflected Moscow's "pivot" to Asia in response to Washington's reaction to Russian actions in the Ukraine and the fact China did not object. Chinese leaders see the US "pivot to Asia" as threatening and hardly want to see relations with North Korea deteriorate in view of the fact South Korea is party to the pivot.[98]

Nuclear Arms and Missile Aid to North Korea

An assessment of China's foreign aid to the DPRK would not be complete without citing its assistance in helping Pyongyang build nuclear weapons and the missile delivery vehicles for them. China has provided aid to North Korea in both realms. Not only was this critical to North Korea's drive to become a nuclear power, it cost a lot of money too. However, neither side has disclosed much information about either; certainly they have not mentioned figures on its dollar value. Suffice it to say that for both it was a lot and North Korea

could probably not have gotten assistance to build either a nuclear bomb or a delivery system from another source.

Early on North Korea sought to acquire nuclear capability. This was a response to having been threatened with a nuclear attack by the United States during the Korean War. Pyongyang later wanted possession of such weapons for other reasons: to intimidate its neighbors, divert attention away from its dismal economic performance, and extort money from the international community. Nuclear status also provided the regime with prestige that would enhance its governance. Finally, and perhaps the overriding factor was that North Korea sought to acquire deterrence against an attack (real or not) by the United States and/or South Korea.[99]

China has made numerous denials and/or excuses about its aid to North Korea in the nuclear weapons and delivery systems realms; but there is a surfeit of open evidence that China gave succor to the DPRK in both realms.[100] In fact, for doing so the United States and some other countries severely criticized China. Rather than examine this issue the main objective here is to document that it happened and to ascertain, or better said guess, the importance and value of China's assistance, China's motives in providing this help, and what benefits Beijing expected, and gained, from it.

As noted in Volume 1, Chapter 4, it was China's (Mao's) thinking that the more nuclear powers in the world the better as this would end the nuclear monopoly possessed by the West. Hence Mao favored nuclear weapons proliferation and China's help to North Korea was the best example of putting this into practice. Competition with the Soviet Union to help North Korea, including assistance to become a nuclear power, was later a factor.[101]

To begin at the beginning, North Korea's early venture into building nuclear weapons came with help from both the Soviet Union and China. In the 1950s, the two provided North Korea with nuclear technology and training.[102] Later there was both cooperation and competition in helping North Korea. In 1959 China signed an agreement with the North Korean government on the peaceful uses of nuclear power. China subsequently assisted Pyongyang with uranium mining.[103] In 1962, Moscow delivered a small nuclear reactor for research purposes to North Korea.[104] In 1974, the Soviet Union provided assistance to North Korea to build a bigger nuclear reactor though the design seems to have been Chinese.[105] Later the design of North Korea's nuclear weapon is said to have come from Pakistan, which as mentioned in the previous chapter, came from China.[106] North Korea also obtained a large number of centrifuge machines from Pakistan, something that unlikely could have happened without China's knowledge and approval.[107]

Meanwhile, in 1971, China reportedly offered North Korea "free military assistance" in return for Pyongyang's support (or at least its restrained opposition) to China's rapprochement with the United States. China's other "allies" (North Vietnam and Albania) refused China's requests. It has been speculated that China's financial assistance up to that time and the promise of more persuaded the North Korean regime to acquiesce. After this pledge was made a group of North Korean officials visited China's arms factories throughout the country. It was even said that a high-level Chinese delegation secretly visited North Korea and offered high-tech weapons, including "perhaps information on tactical nuclear warheads."[108]

Mao's view that it was a good thing to help other nations build nuclear weapons, however, ceased to be a tenet of China's foreign policy after his death. In the Deng era China adopted the position that nuclear proliferation was not a good thing. Yet this did not have an effect immediately. China, in fact, continued to provide North Korea with some nuclear aid. However, by 1987, it is said that China stopped all transfers of nuclear technology to North Korea and withdrew its nuclear technicians. At this time China had became seriously concerned about the dangers associated with North Korea pursuing the development of a nuclear weapon. Since then, China has, in public at least, refused to provide North Korea with nuclear or nuclear-related help at least directly.[109] In October 1991, Kim Il-sung visited China and requested support for his nuclear weapons program and it was denied.[110]

However, it can be argued that by this time China had already helped North Korea sufficiently so that it could become a nuclear player without further help, which it did in October 2006 when it tested a nuclear weapon. It can also be argued that China continued to aid and facilitate North Korea to attain nuclear status though by less direct means and/or in secrecy. Chinese companies certainly did not desist completely.[111]

That China continued to facilitate North Korea's development of nuclear weapons can be discerned by the fact Beijing allowed Pakistan to transfer uranium-reprocessing technology to North Korea and provided Pyongyang with diplomatic help in that process.[112] There were advantages for China to do this. It afforded China a "proxy" threat against Japan, it helped keep North Korea and South Korea divided (thus keeping North Korea a buffer zone), it weakened the US-South Korea defense treaty, and it helped challenge US military power in East Asia.[113]

On the other hand, China calculated that North Korea's acquiring nuclear weapons was in some critical ways not in China's national interest. Hence, in 1994, China pledged to cooperate with the United States to reach an agreement with North Korea that would end its march toward nuclear status, or

so US officials stated.[114] Yet China opposed sanctions and any use of military force against North Korea. In short, China appeared to want to block North Korea from going nuclear or at least saw a greater advantage in maintaining good relations with the United States (and therefore had to change its policy) than with Pyongyang and saw less benefit it might reap from a nuclear North Korea.[115] But China did not seem to want to resolve the problem completely. It certainly did not seek to undermine the North Korean government. A similar situation obtained in 2003 and 2004 as North Korea proceeded further down the road to nuclear power status.[116]

Meanwhile, notwithstanding China's decision to cease assisting North Korea to go nuclear, Beijing helped North Korea make its nuclear bombs more functional weapons. The Cox Committee Report issued by the Select Committee on US National Security and Military/Commercial Concerns with the People's Republic of China cited China for helping North Korea develop a small nuclear warhead to fit on its missiles.[117]

As noted no figures have been provided by either side regarding the value of China's assistance to North Korea's pursuit of nuclear weapons. There has not even been much useful speculation.[118] Obviously it was worth billions of dollars. To give this estimate some perspective, as mentioned in the previous chapter the US Manhattan Project cost over $30 billion in 2012 dollars. In any event, one can say that it clearly was worth a lot to the North Korean government and that its place in the world would have amounted to little in recent years were it not for its nuclear status and its ability to engage in extortion, not to mention money it has received for helping some other nations attain or improve their nuclear weapons programs.[119] It is well known that North Korea has helped Iran's nuclear program with its enrichment techniques and in some other ways.[120] Pyongyang also helped Syria construct a facility to process plutonium, which, in 2007, Israel bombed and destroyed.[121] North Korea was paid for this assistance.

While it is difficult to impossible to know the details of exactly how China helped North Korea attain nuclear status or put a dollar figure on it, both are less a problem in assessing the nature and the value of China's help to North Korea in building missiles. In the 1970s, China assisted North Korea with missile technology (of Soviet design). In the 1980s and 1990s, China transferred short-range ballistic missiles and production technologies to assist North Korea with its long-range missile project. North Korea obtained Scud-B technology from China (and Iran); in fact, its Taepondong-2 long-range missile was reportedly copied from China's CSS-2 intermediate-range missile.[122] Beijing also trained North Korean engineers in China.[123]

In the late 1990s and after, US intelligence agencies issued a number of reports stating that China had, and was, helping North Korea develop

missiles. Mentioned were gyroscopes, specialty steel, space technology, accelerometers, and other high-technology machines.[124]

China's assistance to North Korea to develop missile delivery systems is, of course, difficult to calculate in monetary terms because the deal was made in secret. However, there is some information available on North Korean weapons sales (for profit) to other countries. For example, in 2000 Libya paid North Korea $600 million for 50 No-Dong missiles.[125] North Korea has also provided (sold?) Pakistan missiles, though there is no known source that has put a value on these transactions.[126] However, it is known that China approved of these sales insofar as their shipment was facilitated by China allowing over-flights. In addition, given the huge amount of China's aid to North Korea and the latter's dependence on it, China could no doubt have stopped North Korea from making these sales.[127]

In 2009, South Korean and US intelligence agencies estimated that North Korea exported weapons worth $800 million between 2000 and 2008 to Iran, Syria, and Burma.[128] These agencies noted that, in the case of Burma, China and Russia provided land routes for the exports so that they could not be tracked.[129] Another source put North Korean arms exports to Iran alone annually at $2 billion.[130]

In July 2009, Secretary of State Hillary Clinton said that growing military cooperation between North Korea and Burma (Myanmar) posed a serious security risk to the region. At the time it was reported that North Korea was also providing Myanmar with assistance for developing nuclear weapons.[131]

Recently, a US think tank reported that North Korea earns $1.5 billion from missile sales annually.[132] This is a huge amount given the size of North Korea's gross national product—something close to 9 percent of it. However, recent UN sanctions and other nations' actions have probably reduced this. Still, this would translate into a huge windfall for the North Korean government in large measure, at least originally, made possible by China. Arguably this should be added to any estimate of the total amount of China's aid to North Korea.

Chinese leaders have recently expressed concern, if not serious worry, about North Korea's nuclear weapons development and its progress in making delivery systems for them. The context is North Korea sinking the South Korean ship, the *Cheonan,* killing 46 South Korean sailors and its shelling of South Korea's Yeonpyeong Island in 2010. Then in 2013, Pyongyang conducted its third nuclear test. Beijing was not happy about any of these events. China's top decision makers had to fret about the possibility that North Korea might attack South Korea bringing the United States into the conflict. It had to think about the fact South Korea might respond (including a preemptive move) against the North. It also had to entertain the possibility of the North

Korean regime imploding and its nuclear weapons and missiles becoming the property of South Korea. This is not to mention the general displeasure in many countries about North Korea's nuclear status and its nuclear proliferation activities and Washington's ire with North Korea developing missiles that can hit US territory.[133]

Mongolia

In the early 1950s, China sent laborers to the Mongolian People's Republic (MPR) or Outer Mongolia, or just Mongolia, to work on the Trans-Mongolian Railroad that linked China with the Soviet Union.[134] Protocols were signed on the living conditions of the Chinese workers and other issues, but not on foreign aid itself—even though China ostensibly provided it. In 1952, Mongolia signed a ten-year agreement with China that specified reciprocal economic and cultural assistance; but again the term "foreign aid" was not used. In 1954, an accord was signed between the two countries that included provisions whereby China would send goods to Mongolia; this agreement appeared to constitute the first official Chinese aid to Mongolia though again foreign aid was not specifically mentioned.[135] The Mongolian government did not want the term "foreign aid" used in negotiations with China.

One might argue that China provided foreign assistance to Mongolia in the name of bloc solidarity and, therefore, there was no need to cite specifically or even define what help China was providing to a "fraternal Communist country." However, there may be a number of better explanations: Mongolia was once part of China; the Soviet Union provoked revolution there in 1910 to detach it from China. Chiang Kai-shek (Mao's rival) called it one of China's "lost territories." The Soviet Union made it formally independent via the Yalta agreements (which China hated and viewed as a sellout by Roosevelt). On Mongolia's part there was fear that "Chinese colonists" would do to the MPR what it had done to Inner Mongolia (which is part of China)—flood it with Chinese "immigrants" to the point it lost its culture and its Mongol identity.[136] Thus the status of Mongolia and China's relations with it, even aid giving, were very sensitive issues, apparently too sensitive to use the term "foreign aid."[137]

In any event, in 1956, China announced a formal pledge of what it called aid to Mongolia worth $40 million, allocated in part to pay for Chinese workers already in country (reported to number 10,000). The aid was also earmarked to cover materials for help in building transportation facilities.[138] This donation increased China's presence in Mongolia and appeared to indicate that China would gain some influence there.

The Soviet Union, however, at this time proposed Mongolia's admission to the United Nations, thereby underscoring its status as a sovereign nation. The

next year, Khrushchev extended foreign aid to Mongolia that far exceeded what China had provided.[139] The Kremlin decided that it would not allow China to gain too much influence over Mongolia.[140] One might speculate from this that, as other evidence also showed, close relations between Beijing and Moscow were not what they seemed and that bloc solidarity was showing signs of weakening even at this early date.[141]

In 1958 China promised more aid to Mongolia in the form of a $25 million loan to be drawn during the period 1959–61. The funds were allocated for power stations, bridges, housing, and some small projects.[142] In 1960, China announced another loan worth $50 million to finance industrial enterprises, water conservation projects, and public utilities. China sent more laborers to work on the projects, said to number 20,000 to 40,000.[143]

The Soviet Union again promised more aid to Mongolia to counter China's aid. Moscow also put pressure on the government to limit Chinese influence. The movement of Chinese workers was subsequently restricted. In 1962 two-thirds of them were sent home doubtless at the Kremlin's request. This happened in spite of the fact that a border agreement was reached that year. By the late 1960s all Chinese workers had returned to China and Chinese influence in Mongolia was reduced considerably as a result.[144] China's aid thus failed to gain it a foothold in Mongolia. Clearly Mongolia's fear of China trying to populate Mongolia with Chinese to eventually absorb it and Soviet influence over its government were the prevailing factors in the decisions made by the Mongolian government.[145]

In retrospect it is worthy of note that in 1954 Mao tried to initiate negotiations regarding the status of Mongolia with Khrushchev and Bulganin but failed.[146] In 1959, Zhou Enlai sought talks with the Soviet Union on broader territorial matters, but the Soviet Union refused. Against that backdrop the territorial issue became serious in the early 1960s when China openly raised the issue of old, unequal treaties. It was in this context that the Soviet Union pressured the Mongolian government to further limit its relations with China. It complied (probably willingly) and even returned some Chinese foreign aid.[147] China responded with a boycott on trade with Mongolia and reportedly even sent troops to the border.[148] In 1964, it was reported that the Soviet Union feared a Chinese invasion of Mongolia in response to their plan (if there was one) to take out China's nuclear weapons facilities after China conducted its first nuclear test that year.[149]

Beijing and Moscow continued to vie for influence with Mongolia. In September 1965, Chinese foreign minister Chen Yi said that China had provided "large amounts" of aid to Mongolia and that aid was not suspended notwithstanding "Khrushchev revisionists" in Mongolia that sought to sully relations between the two countries. It may have been that China provided a

considerable amount of economic help to Mongolia that was not announced; or it made further promises that some Mongol leaders (pro-China ones) saw as attractive.[150] In any case, the next year, in January 1966, the Soviet Union signed a new defense treaty with Mongolia and the following year the Soviet military dispatched 100,000 troops to Mongolia. All of this reflected the deteriorating state of Sino-Soviet relations amid growing tensions and a potential conflict on their border.[151]

The Kremlin won the contest. In 1973, in an article published in a journal in Mongolia, the MPR government accused China of not being a genuine friend of small- and medium-sized countries. Moscow Radio subsequently reported that China had tried to damage the Mongolian economy during the period 1962–64 by inciting Chinese workers to strike and feign illness. Moscow's statement was no doubt made with Mongolia's concurrence.[152] In 1974, Mongolia made charges of Chinese border violations apparently at Moscow's behest to undermine a Chinese proposal for a nonaggression pact.[153]

Until the mid-1980s when Sino-Soviet affairs improved, relations between China and Mongolia ranged from unfriendly to tense. After the mid-1960s China did not pledge any more foreign aid to Mongolia. This situation persisted through the 1970s and beyond. In the 1980s China did not resume aid due presumably to the fact relations had not improved and China was receiving large quantities of aid and investment itself at this time and needed its foreign exchange at home.

Prior to and after the collapse of the Soviet Union in 1991, Moscow reduced its aid to Mongolia significantly, thus providing opportunities to Beijing. In fact, China took the initiative to better relations with Mongolia along with other border countries.[154] However, at this time Mongolia made concerted efforts to improve relations with the United States and several East Asian countries to offset China's growing influence. Mongolia supported US actions against Iraq and even sent troops. It received visits from the Dalai Lama, which angered Beijing. All of this suggests that relations between the two countries remained strained. Yet Mongolia's political leadership seemed to understand it had to come to terms with Beijing given the Chinese economic juggernaut.[155]

In 1994, China and Mongolia signed a Treaty of Friendship and Cooperation, which helped dampen animosity between the two countries while paving the way for expanded economic relations.[156] The reasons were different than in the past. China had become apprehensive of resurgent Buddhism in Mongolia and perceived that Ulan Bator (Mongolia's capital city) had become a base for supporting dissidents and separatists in the Mongolia Autonomous Region (Inner Mongolia) in China. On Mongolia's part there was concern over the fact that the population of Inner Mongolia

had become largely Chinese. Some Mongolian officials even suggested they were fearful of armed conflict with China.[157] Economic dealings seemed to be a way of dampening apprehensions that China and Mongolia had toward each other.

In any event it was not long before economic ties between China and Mongolia were growing fast. In 2003, soon after he became president, Hu Jintao visited Mongolia—his first trip abroad. Hu proclaimed that a strong China was not a threat to Mongolia and proposed closer economic ties between the two countries. At this time it was reported that China accounted for around 40 percent of capital flows into Mongolia (though none had been categorized as foreign aid) and China accounted for about that much of Mongolia's foreign trade. At that time China apparently made another aid offer, but Mongolian president Elbegdorj expressed reluctance to accept (or at least opposed calling it foreign aid) as he said he did not want to become too dependent on one country, recalling Mongolia was having, or had had, difficulties repaying Soviet aid or did not want to become beholden to China.

But Mongolia needed and wanted China's economic help. Thus relations between China and Mongolia improved. In 2004, when Mongolia joined the Shanghai Cooperation Organization as an observer, mention was made of a $300 million loan China had offered the previous year. Also it was reported that China's largest copper mining company had signed a letter of intent to invest in Mongolia. The Mongolian government at almost that time asked China to drill for oil in Mongolia. In the interim there were news reports of a $50 million Chinese-financed zinc mine that had opened in eastern Mongolia and Chinese crews paving roads in various parts of the country.[158] Mongolia was getting a lot of China's foreign aid, though mostly under the guise of different names.

In 2005, it was announced that China's Exim Bank had provided Mongolia with a preferential loan amounting to$300 million.[159] In 2006, when Mongolia's president Elbegdorj visited China, mention was made of $100 million in Chinese "investments" in Mongolia.[160] Later the Chinese media reported an office building had been completed in Mongolia for the National Chamber of Commerce and Trade with "Chinese aid." It was later said the project was launched in 2007 and cost $4.2 million.[161]

In January 2009, China's financial help to Mongolia grew exponentially when the Mongolian government asked China to extend a "crisis loan" of $3 billion in the context of a global recession that had seriously impacted Mongolia. Beijing agreed to help the country shore up its troubled banks and correct its trade imbalance as prices for its coal, copper, and cashmere fell.[162] At this juncture two deals were sealed between the Mongolian government

and the China Investment Corporation, whereby the latter would invest $1.2 billion in Mongolian coal and iron mining.[163] Also China announced it would supply funds to expand railroads in China to link up with those in Mongolia and provide money for training a "large number" of Mongolian students and teachers of Chinese—reflecting a big improvement in relations.[164]

As a result of these pledges China accounted for 60 percent of foreign investments in Mongolia in 2009. Another effect was that almost 100 percent of Mongolia's coal and copper exports went to China. Reflecting the expansion of Mongolia's exports resulting from China's aid, coal exports were projected to grow sixfold in the next five years as new coalmines opened.[165]

It was clear that China was very interested in the vast coal and copper deposits in Mongolia and it was putting money into realizing those goals. China continued to be the largest foreign investor in Mongolia.[166] Trade further boomed as a result, with 90 percent of Mongolia's resource exports going to China. A Mongolian official commented that "we have one customer."[167] In 2013 China's Shenhua Energy reached a deal to obtain 40 percent of the coal from Mongolia's Tavan Tolgoi, one of the largest reserves in the world. Interestingly Japanese and South Korean bidders tried to block the deal and delayed it for almost two years before it was finalized.[168]

After 2013 Mongolia passed laws on foreign investors that in some ways restricted Chinese companies.[169] Many in Mongolia remain apprehensive about China's economic influence. According to opinion polls taken in Mongolia a large majority of people do not feel China is Mongolia's best business partner. And officials have complained of China's exports of laborers to Mongolia and its lack of concern about environmental standards.[170] Yet as a direct effect of Chinese money, the Mongolian economy has boomed—seeing double-digit growth rates in the GDP making Mongolia one of the fastest growing economies in the world. China continues to invest, and Mongolia's economy was becoming increasingly linked to China's.[171]

Afghanistan

China's first announced a pledge of foreign aid to the Islamic Republic of Afghanistan in March 1965 in the form of a non-interest-bearing loan for $28.7 million.[172] No information was provided concerning conditions on the loan or its exact purpose(s).[173] It was presumed that China's main motive in extending the aid was to weaken Afghanistan's ties with the Soviet Union. More specifically the aid may have been intended to win Afghanistan's support for China's position to exclude the Soviet Union from the coming Afro-Asian Conference to be held in Algeria that year. Alternatively the aid pledge

related to a border agreement that was recently reached between the two countries.[174] Another possibility is that it simply mirrored improving relations between the two countries and/or was intended to complement trade pacts signed at the time.

In any event, during 1966 there was no evidence the loan was being drawn. In early 1967 further talks were held on the subject of aid and in mid-year some fishponds, a water conservation works, a tea farm, and some other projects were built. In March 1970 agreements were signed whereby China would construct a textile mill and an engraving plant. Chinese aid was being used, but only gradually.[175]

In late 1971, another aid agreement was signed in the form of a $2.7 million loan. At this time China delivered several shipments of grain to Afghanistan worth an estimated $2 million, presumably constituting most of or all of this donation.[176] Afghanistan was experiencing food shortages at the time due to drought and China sought to help.

In 1972, it was reported that China had granted Afghanistan a loan valued at $44 million to assist it in carrying out its Five Year Plan. New aid projects were soon started, indicating this aid was being drawn.[177] Observers said China's largesse related to deteriorating Sino-Soviet relations and China's growing involvement with Pakistan. It may have also connected to China's concern about Muslim groups in China linking up with groups in Afghanistan and elsewhere in Central Asia that could potentially cause trouble for the Chinese government.[178] In any event, Afghanistan expressed its appreciation for China's aid and drew closer to China.[179]

In March 1978, China made another aid pledge for around $12 million as part of a trade agreement designed to increase commerce between the two countries.[180] However, China's aid and the closer relationship with the Afghan government it nourished did not prevent the Soviet Union from soon gaining the upper hand in Afghanistan. In fact, some observers spoke of China's "loss of Afghanistan" at this time.[181] If seen in terms of the success or failure of China's aid it needs to be pointed out that Soviet aid was much, much more than China's.[182] In consequence China shifted its economic assistance to arms aid, and added more, which went to the Mujahedeen in the months before the Soviet Union invaded the country in December 1979.[183]

After the Soviet invasion Chinese leaders declared that Moscow's action was of "grave concern to the Chinese people" and China dispatched more weapons and other aid to the insurgents.[184] China was one of the first to make such a commitment. However, it is uncertain how much aid Beijing provided, particularly in monetary terms. Some analysts say that its involvement was "not too intense."[185] Perhaps the reason for this view was that China

did not need to pay to finance the insurgency; that was done by the United States together with Saudi Arabia and some other Islamic countries.[186] In other words, China supplied weapons, some (perhaps a lot) of which were paid for by other countries.[187] According to one writer the scope of this was almost mind-boggling: The United States purchased $2 billion in arms from China for the Afghan rebels in what was said to be the largest "covert operation in history."[188]

If put in the perspective of China's war with Vietnam that year, its vast aid to Cambodia and Pakistan, and the tension on the Sino-Soviet border (to a lesser or greater extent provoked by Beijing), China's arms aid to Afghanistan looked even more momentous.[189] In fact, analysts said Chinese leaders saw the conflict in Afghanistan as part of a grand Soviet strategy that linked Central Asia with the Middle East, North Africa, Southeast Asia, and South Asia. (It is certainly noteworthy that Pakistan supported Afghanistan while India sided with the Soviet Union. [190]) China strenuously opposed Soviet policy in all of these areas. Moreover, Chinese leaders openly connected Vietnam's invasion of Cambodia (discussed in Volume 2, Chapter 1) and the balance of power in South Asia to the Soviet Union's "venture" in Afghanistan, which obviously made China more determined to help undermine it.[191]

However, China did not say much in specific terms about its aid. Chinese leaders were apparently reluctant to reveal the depth of its hostility toward the Kremlin.[192] Just as likely they did not want to disclose their cooperation with the United States and the fact the flow of China's arms was coordinated by the American Central Intelligence Agency in Pakistan, along with arms and other help from Egypt, Saudi Arabia, Kuwait, and some other countries.[193]

Later China's aid looked to be much larger than observers originally thought and/or it increased quickly but without fanfare so its growth was not noticed very much. In 1984, according to various press accounts, Chinese-made rockets "purchased by the CIA" were hitting Kabul with regularity.[194] Later it was reported China had provided weapons worth $400 million to the Afghan insurgents. In addition to purveying arms and military equipment, China also sent instructors for training Afghan fighters.[195] According to the Moscow, China trained 30,000 insurgents in Pakistan and China's Xinjiang Autonomous Region between 1980 and 1985.[196] Beijing also combined aid with political pressure. China announced publicly that Sino-Soviet relations would not be normalized until the Soviet army withdrew from Afghanistan while Chinese leaders called on other countries to provide assistance to the resistance fighters.[197]

In February 1989, when the Soviet Union abandoned the war and withdrew its forces, China immediately changed its Afghan policy and its aid giving. China's aid assumed a new role. Beijing stopped giving assistance to the

Afghan Mujahedeen and supported a settlement put forth by the Najibullah government installed by the Soviet Union. Part of the reason for this was the Deng-Gorbachev summit that was coming up in May that year and Chinese leaders looked to improve Sino-Soviet relations. China seriously wanted better relations with the Kremlin at the time. China was also concerned that the Muslim victory in Afghanistan might encourage unrest in China's Xinjiang Uighur Autonomous Region and it did not want that.[198]

In 2001, China sent Pakistan relief supplies worth around $1.5 million earmarked for Afghan refugees.[199] In early 2002, China pledged $1 million to a donors meeting in Tokyo and close on the heels of this aid promised an additional $150 million for Afghanistan's reconstruction. [200] There may have been a quid pro quo for this aid: China's Foreign Ministry said at the time that Afghanistan's president Karzai had agreed to turn over Chinese Muslim separatists captured in Afghanistan.[201] China was very concerned about a reported one thousand Uighurs from China's northwest (meaning Xinjiang) who had trained in Afghanistan's camps and might return home to start a "new jihad."[202]

In ensuing years Beijing provided Afghanistan with foreign aid in a variety of forms. In 2004, China agreed to cancel the Afghan government's debts to China extending back to 1965, estimated to amount to $18 million.[203] In 2006, to help Afghanistan with a balance of payments problem, China exempted tariffs on 278 products that Afghanistan could export to China.[204]

In 2007, China's financial help to Afghanistan took a huge leap forward. China bid $3.4 billion on a mining project—$1 billion more than any competitor including those from Canada, Europe, Russia, and the United States. China also pledged millions of dollars in help to build infrastructure projects including a 400-megawatt electricity system and a coalmine to provide coal to fuel it, schools, roads, and even mosques. This was the largest input of funds into Afghanistan ever and it was expected to have great impact. In fact, it was predicted that China's financial help would create thousands of jobs and its projects would become the country's biggest taxpayers.[205] While some outside observers praised the projects as helping Afghanistan economically in a big way, others said the bidding was unfair. It seems China deliberately overbid on the project (constituting perhaps another form of foreign assistance). In any case, China's activities engendered criticism in America that the United States and allied troops defended the area so that Chinese engineers and workers could work on aid and investment projects that would benefit China.[206]

In 2010 China announced a foreign aid donation of $11 million to Afghanistan and reported that it had provided Afghanistan with $132 million in

reconstruction assistance since 2002, much of which had not been announced.[207] Its aid, the Chinese source said, had affected trade, increasing commerce between Afghanistan and China from $20 million to $611 million in 2007.[208] China's aid to Afghanistan (apart from investments that included the 2007 bid on a mining deal) from 2001 to 2010 was reported to total $1 billion. China, however, refused to provide assistance or get involved in stabilization efforts requested by the United States and the United Kingdom. Chinese officials replied that, other than for UN peacekeeping missions, China did not send troops abroad.[209]

In 2010, Chinese sources also said the copper mining project invested in as mentioned above, by the Metallurgical Corporation of China Ltd. and the Jiangxi Copper Corporation, was worth $4 billion.[210] The mine, it was reported, was one of the largest in the world and provided 10,000 jobs to Afghans and $400 million in tax revenues to the government. It also made China the leading investor in Afghanistan.[211]

It was reported at this time that President Karzai met China's president Hu Jintao and signed an agreement on aid, trade, investments, and regional security. Included in the agreement was a gift of $23.4 million and pledges of further Chinese financing for hydroelectricity, mining, railroads, and energy projects. China was said to be motivated by expectations of importing more energy and raw materials (Afghanistan had an estimated 1.6 billion barrels of oil and 440 billion cubic meters of gas plus iron and other resources totaling over $1 trillion in value); expanding trade in the region (involving Pakistan, the Stans in Central Asia, China's western provinces, and the Middle East); and enhancing security relations among these countries.[212]

In 2012, at a meeting of the Shanghai Cooperation Organization (that Afghanistan participated in though it was not a formal member), President Hu Jintao announced that China and Afghanistan were "strategic partners" and offered $23.5 million more in aid. This evoked some speculation that China planned to fill the economic assistance vacuum that would be left by the United States' pending departure.[213] It was also said that China, in cooperation with Russia, possibly working through the Shanghai Cooperation Organization, hoped to eventually stabilize Afghanistan and play a dominant role there.[214]

Later in the year, Zhou Yongkang, a member of the Chinese Communist Party's Politburo and a security expert visited Afghanistan. Zhou was the highest Chinese official to make an extended visit to Afghanistan since the 1960s. The trip coincided with pledges of more Chinese aid to train security forces in Afghanistan.[215] Meanwhile China National Petroleum Corporation began pumping oil in northern Afghanistan. Mention was made of China building an oil refinery and exploiting Afghanistan's large gas reserves.[216] In

addition to these investments China was said to have provided Afghanistan with $150 million in aid in 2011 and 2012 and $200 million in 2013.[217]

During 2013 and 2014, China faced difficult decisions in Afghanistan as the United States and other countries drew down their forces causing security and other conditions to deteriorate. Production in the Aynak Copper Mine was suspended, as was work on the oil project in northern Afghanistan. Chinese officials cited lack of security, corruption, and lawlessness as the reasons.[218]

China had been apprehensive about, cum opposed to, the US presence in Afghanistan, a country that borders China (though that border is very short). Thus Chinese leaders welcomed the American departure. But they also had second thoughts. One important tenet of China's foreign policy was to studiously avoid sending troops to another country or get involved in war elsewhere. It stuck to this policy, although Beijing provided the Afghan military with some minesweeping training and seemed prepared to hire private companies to provide security services.[219] Chinese officials had met with Taliban leaders and may have seen this as a way of dealing with the situation.[220] Beijing may have perceived that it could resolve issues in dealing with a post-US involvement in Afghanistan through the Shanghai Cooperation Organization, the Asia Development Bank, and the United Nations.[221] It may have viewed its relations with Pakistan and the countries of Central Asia as helpful. Clearly the situation constituted a serious matter for China and the increasing attacks on Chinese in Afghanistan, India's greater involvement there, and the United States pressuring China to take more responsibilities (that Beijing saw as an effort to entangle China) made formulating policy very difficult.[222]

However, it also appeared that China saw good reasons for working with the United States. In the face of growing concern over Uighur terrorist attacks in China, Beijing had provided funding for the training of Afghan police as well as diplomats, health workers, and agricultural workers, in cooperation with the United States.[223] In fact, it was noticed that this was the first time China cooperated with a third party in another country in this way and given the tension with the United States over the Senkaku (Diaoyu) Islands and the South China Sea, Sino-American relations were quite different here.[224]

As of 2015, China's investments in Afghanistan were mainly on hold due to turmoil in country. Afghanistan sorely needed the money to fund the government and its military and more. Chinese leaders feared being dragged into a war. Afghanistan officials were also aware of the Silk Road and how important it was to Afghanistan's future. There were hopes that Pakistan might help resolve some of Afghanistan's problems, that the West might also remained engaged, and that China would go ahead with its investments.[225]

The Central Asian "Stans"

In 1991, the Soviet Union collapsed, giving, in Central Asia, independence to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. For China the creation of five new nations on or near its Western frontier presented its leaders with new and serious challenges; at the same time Beijing was given unusual opportunities to make inroads into Central Asia that it had not had when these countries were part of the Soviet Union. In addition, Beijing could now better coordinate the pursuit of its overall foreign policy and security objectives with its strategies in South Asia and the Middle East, and hopefully expand its global influence in the process.[226]

First, on the challenges side. What happened in 1991 required Chinese leaders to take serious risks inasmuch as making contacts with these countries and opening up China's West might imperil domestic stability in China's Xinjiang Uighur Autonomous Region, which is Muslim. The downfall of the Soviet Union meant, to Muslim fundamentalists, that the "godless Communist tyrants" had been overthrown as they had long hoped and Central Asian countries could now spread militant anti-Communist Islam and it would prevail there and spread into Xinjiang. Clearly Islamic fundamentalists opposed Communist (Chinese) rule in Xinjiang.[227] More specifically the independence of these Central Asian countries might, Chinese leaders feared, engender an increase in radical Islam, weapons smuggling, terrorism, and more. There was also the possibility that the newly independent countries might establish ties with Taiwan and/or build a regional organization that excluded China.[228] All of this was very troubling to Beijing.[229]

It was also a geopolitical opportunity/risk situation in that the borders with these newly independent countries were long and were not well defended. China's border with Kazakhstan is 1,533 kilometers long, with Kyrgyzstan 858 kilometers, and Tajikistan 414 kilometers. All of these border Xinjiang Uighur Autonomous Region. Of China's 13 international borders, 8 are on Xinjiang's frontier.[230] While China was not overly concerned with concluding border agreements (since the borders were not seriously in question), it hoped to demilitarize these borders, renegotiate the demarcation lines if necessary, and create friendly countries there.[231]

China's search for energy, raw materials, and markets was likewise a big motivating factor in China's pursuing close relations with the new nations.[232] Finally, China wanted to establish a presence in the region as part of links (in particular the new Silk Road) to Europe and the Middle East.[233]

China decided, as a top priority, to promote the economic development of Central Asia. China was advantaged by the fact the countries in question generally saw relations with China as a means to be more independent of or

at least balance the influence of the newly formed Russian Federation (the USSR's successor state). They also very much wanted to develop their economies. Chinese leaders thus saw an opportunity to project China's influence West by building roads and other transportation links it was already working on in China and in Northeast Asia, Southeast Asia, and South Asia.[234] Foreign assistance was to play an important part in China's strategy.

However, giving aid to extinguish Soviet influence was not a central theme in China's foreign policy and did not apply very much to China's agenda in Central Asia. China, in fact, generally sought to cooperate with Russia to expand trade, deal with security issues, and put a damper on Muslim fundamentalism.[235] (Both worried about religious extremism.) This explains to a large degree why China, as we will see, did not give a huge amount of bilateral aid or at least did not label it as such, but rather put its money into "investments" intended to increase trade through energy and mineral development, build transportation infrastructure, etc. Also much of China's aid was funneled through the Shanghai Cooperation Organization, and Russia was a member (as will be discussed in the next section).

During the early 1990s, China's foreign assistance diplomacy centered on border talks to reassure its neighbors that it did not have any territorial ambitions and to build mutual friendships as a bulwark against terrorism, religious extremism, and ethnic separatism. As China's energy situation became a bigger concern, Beijing also sought to build pipelines.[236] Beijing's search for markets also prompted it to build roads and railroads.

Among the five countries in the region, China pursued most aggressively better relations with Kazakhstan—the country with which China had the longest border and the most trade. Kazakhstan was also the largest country in Central Asia and in many ways the most stable and developmentally promising.

After 1991, China became actively involved in improving roads from Xinjiang to Kazakhstan. By 1999 there were five hard-surfaced roads crossing the border. All of these were built with China's aid and/or investment funds. China also financed the building of a major highway while improving other secondary roads.[237] The value of China's aid, however, was not announced. In 1997, China got involved with big money when it reached an agreement with the Kazakhstan government to build a pipeline from the western part of the country to Xinjiang, related to China's purchase of a $4.4 billion interest in oilfields in Kazakhstan near the Caspian Sea.[238] Subsequently, in 2000 and 2001, China provided Kazakhstan $1.3 million in arms and military assistance to enhance internal security.[239]

China got in return for its foreign aid an agreement that further defined their border. More importantly China received a pledge from the Kazakhstan

government that it will never allow hostile (to China) groups in "East Turkestan" (Xinjiang) to hurt Sino-Kazakhstan relations. This created a favorable environment in which China was able to propose and successfully carry out arrangements to create the Shanghai Cooperation Organization (discussed in the next section of this chapter) and undertake disarmament and confidence-building measures in the region that China badly sought.[240]

In 2005, China made another huge investment; it purchased the Canadian-based Petro Kazakhstan for $4.2 billion. To complete the purchase China agreed to turn over one-third of the company's stock to KazManaygaz, a Kazakhstan company, as well as control over the Shymkent refinery. In 2006, a 600-mile oil pipeline was completed running from Western Kazakhstan to the east and on to Xinjiang, where China built a large refinery. The pipeline cost $700 million and was "mostly financed" by China. That year China also acquired the oil assets of Canada's Nations Energy Company in Kazakhstan for $1.91 billion and turned over a 50 percent stake to Kazakhstan. In 2007, China and Kazakhstan agreed on building another pipeline though neither provided any details on the transaction.[241]

In 2007, it was reported, China had contributed $8 billion more in investments and aid to Kazakhstan. The money was allocated, among other purposes, to upgrade the rail line from Almaty in Kazakhstan to Urumqi (the capital of Xinjiang) that goes on to the eastern port city of Tianjin in China. This railroad carries a huge amount of goods, including items traded with Japan, South Korea, and the United States. Construction on a pipeline was started, as were new roads and a new railroad line.[242]

In April 2009, China signed a memorandum of understanding with the head of the National Welfare Fund in Kazakhstan to extend credits amounting to $10 billion for "breakthrough projects." Final negotiations were done in December for $5 billion of the funds to be transferred from the China Eximbank to the National Welfare Fund and the Kazakhstan Development Bank. A metallurgy plant in Western Kazakhstan and a gas chemical complex in Atyrau Region were the main recipients.[243] Since the money came from China's investment bodies this would not technically be foreign aid; yet it had much the same purposes and conditions as aid.

Not long after this it was reported China had extended a $10 billion loan to secure oil and gas, half of which it transferred to a Kazakhstan company, MangistauMunaiGas, with the other half going to the Kazakhstan Development Bank.[244] Elsewhere it was said that China had put $13 billion into Kazakhstan's energy sector and that its total investment in the country probably exceeded that of the United States.[245]

In late 2011, China opened a trans-border trade special economic zone at Horgos near the Kazakhstan border and at the same time inaugurated the

China-Kazakhstan Highway. Horgos was the first international cooperation center in Eurasia and it was to be a free trade area and industrial park.[246] Horgos soon became a flourishing trade point and a springboard for China to export goods to Kazakhstan.[247] Soon after this it was reported that China accounted for 70 to 80 percent of the Kazakhstan's imports (largely Chinese consumer goods) while most of its exports went to China.[248] In other words, Kazakhstan was trade dependent upon China.

In late 2012, China for the first time imported liquefied natural gas from Kazakhstan. (China began to receive gas by pipeline in 2010.) Meanwhile a new pipeline was begun with a $1.8 billion loan from the China Development Bank. According to the Chinese government China had made investments to date (mid-2012) worth $13 billion in Kazakhstan.[249] Also talks ensued on a high-speed rail line project. China agreed to finance 30 percent of this $16 billion project.[250] In the fall of 2013, China's president Xi Jinping visited Kazakhstan and signed commercial treaties involving a whopping $30 billion in Chinese investment funds.[251] In late 2014 China reached another deal with Kazakhstan for $14 billion more in investments mainly to produce and transport energy.[252] This made Kazakhstan one of China's largest recipients of aid and investments (mainly the latter) in the world.

The results of China's huge financial assistance to Kazakhstan are as broad and profound. Trade expanded by 50 percent from 2010 to 2011 to $21 billion annually. It reached $33 billion in 2012, amounting to one-third of Kazakhstan's total trade. By 2015, Kazakhstan was expected to provide one-half of China's imported natural gas. China's official and unofficial presence in Kazakhstan was large and Beijing's influence in the region was greatly enhanced by its dealings with Kazakhstan.[253]

China also provided financial help to Kyrgyzstan, another of the Central Asian countries with a border with China. In 1994, China provided $7.4 million in funds for a paper plant and in 1998 an additional $14.7 million in unspecified aid. China also pledged $70 million for a cement factory.[254] Economic relations increased after Kyrgyzstan joined the World Trade Organization in 1998 and following the conclusion of a border agreement with China in 1999 that adjusted and reconfirmed their mutual border. Kyrgyzstan was the only Central Asian country to have membership in the WTO at this time and this facilitated trade with China by it using Kyrgyzstan as a transit site for goods going to other Central Asian countries.[255]

In 2001, China provided $1.3 million to the Kyrgyzstan government in the form of military aid to secure the border.[256] China subsequently pledged financial help to build a new rail line from Kyrgyzstan east to Xinjiang and west to Uzbekistan to be repaid with electricity that China needed. Subsequently China agreed to extend $18 million to refurbish a paper mill.

In January 2002, when the two countries signed a treaty of friendship and cooperation, China promised aid in the form of a loan, though made no details available. In 2005, China allocated $3.7 million to repair a railroad and in 2006 provided loan money amounting to $1.8 million to purchase automobiles. Later China extended a $70 million loan to build a cement factory.[257] In 2006, China agreed to provide a $70 million loan to build another cement factory and $8.75 million to purchase tractors.[258]

In 2009, China's financial assistance increased markedly when the governments of China and Kyrgyzstan agreed to proceed with building a railroad as discussed earlier. China's National Machinery Import and Export Corporation would be responsible for the construction. The cost was put at more than $2 billion. It was projected to take 12 years to complete. Further details on the financial arrangements, however, were not revealed.[259] The railroad would give China quicker and cheaper transportation to Central Asia as well as to Europe and South Asia and the Middle East, assuming additional railroad links would be built. It would provide Kyrgyzstan with in-country transportation and links to the east and west, not to mention financial gains from transit fees. It is interesting to note that China pushed for international standards for the rail beds so that they would link up to Europe's railroads rather than to Russian standards.[260] Connected to the railroad project, China provided foreign aid for subsidiary projects. This included in 2010 a $342 million deal to build an electricity transmission system and a coal project and funds to renovate a thermal power plant, though no amount of money was mentioned in the case of the latter.[261]

Subsequently, according to a US Department of State cable released by WikiLeaks China offered Kyrgyzstan $3 billion to shut down the US airbase there.[262] Chinese leaders were concerned over America's "strategic ring of encirclement" in areas close to China.[263] Beijing at this time had been rather quiet about the US presence in Kyrgyzstan in contrast to the Soviet Union that openly and loudly at times opposed the US military presence there and in Central Asia generally. In this case China's foreign assistance offers constituted quiet diplomacy.

In September 2013 when President Xi visited the region he offered Kyrgyzstan an additional $3 billion to develop its energy sector. Some of that money was to be used for a pipeline connecting Turkmenistan to China.[264]

While China has faced dissent in Kyrgyzstan over the border agreement and the presence of Chinese merchants (said to number 100,000) and a large contingent of workers, both of which increased in numbers along with China's aid, China has nevertheless made important foreign policy gains including support for its Taiwan policy, pledges not to support opposition groups in Xinjiang, efforts to keep the border secure, the approval of its plan to build a

global economic system controlled by China.[265] China's foreign aid has also greatly facilitated growing trade, such that China has become Kyrgyzstan's second largest trading partner.[266] It has even been said that Kyrgyzstan is dependent on Chinese foreign aid for its infrastructure and, some say, its economic health.[267]

In 1993, at a time when civil strife in Tajikistan, another country sharing a border with China, made investing difficult and risky while adversely affecting the economy, China provided something over $4 million in credits.[268] Later, in 2003, China pledged $30 million in technical aid to the Tajik police and army. In 2005, China extended a loan to Tajikistan to the tune of $110 million for 20 years with a grace period of 5 years at 2 percent interest.[269] The purpose of the loan was to build two road tunnels. Construction began the next year. It was reported that 2,500 local workers were employed.

In 2007, China signed an agreement with the government of Tajikistan to extend funding to the tune of $200 million to build a hydroelectric power station in the northern part of the country. The Tajik government and media responded in a positive way to China's economic help, stating that China was a reliable ally and helped enhance the country's security.[270]

In the late 1990s, China provided a $12 million loan to Turkmenistan to purchase drilling equipment and in 2003 extended a $1.87 million grant and a $3.6 million loan with no interest for 20 years to develop Turkmenistan's gas industry. In 2007, the China National Petroleum Corporation signed a $150 million service contract for exploration and drilling rights.[271]

Meanwhile, in 2006 China extended a low-interest loan to Turkmenistan to finance fiber optic and cellular telephone networks and in 2007 provided a $24 million loan to purchase Chinese drilling equipment and $36 million to buy railway cars.[272] That year China also signed an agreement with the Turkmenistan government to develop gas resources and build a pipeline to transport gas to China (but which other Central Asian countries could also use). Gas began to flow through the pipeline in 2011, which helped bring Turkmenistan's economic growth that year to around 10 percent.[273] The pipeline has been described as one of the most impressive feats in energy infrastructure construction anywhere and was completed in 18 months. It was designed to carry 60 billion cubic meters of gas to China—four times that slated to provide Southeast Europe via the Trans-Anatolian pipeline.[274] The announcement did not include a figure on price of China's investment in the project; however, in 2013, when President Xi visited, $8 billion was mentioned as China's 80 percent stake.[275]

In 2003, China's Eximbank extended a loan of $2 million at 3 percent interest to the government of Uzbekistan for small energy projects. In June 2004, China pledged a long-term loan amounting to $350 million taken

from the $900 million pledged to Shanghai Cooperation Organization member state cited above. It was said to be the largest instance of aid to one country in the region at one time.[276] At the same time China National Petroleum Corporation signed oil and gas contracts, making it appear that the aid was connected to this and may have made the deal possible.[277] That year China's Eximbank also provided a loan to Uzbekistan for $177.9 million to develop oil and gas reserves.[278]

At the Shanghai Cooperation Organization summit in June 2006, China's National Oil and Gas Exploration and Development Corporation announced that it would spend $210 million to explore oil and gas in Uzbekistan.[279] In 2007, China and Uzbekistan signed an agreement on the construction of a 326-mile section of the Central Asian-China Pipeline. In 2010 China's cumulative investment in Uzbekistan was said to be nearly $4 billion, a significant portion of this being export buyer credit.[280] In 2011 China signed a contract to buy gas to be sent to China. In April 2012 it was announced that China would spend $15 billion for oil and gas exploration in Uzbekistan.[281] Two months later, in June, China and Uzbekistan signed 40 trade, investment, and contracts worth $5.2 billion, suggesting that China's plan to provide a huge amount of money to Uzbekistan was being carried out.[282]

The Shanghai Cooperation Organization

As noted in the introduction to this chapter, China has provided a significant amount of money to the Shanghai Cooperation Organization (SCO). This is unusual because China's long-held policy was to give foreign assistance to nation-states rather than international bodies or regional organizations. SCO became an exception—an important one. The explanation is partly that China was instrumental in the launching the SCO as shown by the fact it was named after a Chinese city and its first secretary-general was a Chinese diplomat.[283] More important, China played the major role in financing the organization and to a large degree controlled it.[284]

In 2001, the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan founded the SCO. The organization evolved from a group known as the Shanghai Five that was created in 1996. When Uzbekistan joined it became the sixth member and the organization was renamed.[285] With its original members, the organization in terms of its size, accounted for 60 percent of the Eurasian landmass in addition to one-quarter of the world's population. When Afghanistan, India, Iran, Mongolia, and Pakistan became observers the organization represented half of the population of the world. Not only important for its size, the SCO had observer status in the UN General Assembly and representation with the European Union, the

Association of Southeast Asian Nations, the Commonwealth of Independent States, and the Organization of Islamic Cooperation. Thus SCO was thus a large and important regional organization where China could have its voice heard and project influence.

The SCO has indeed been effective in getting things done. The Shanghai Five nations signed an agreement upon its founding called the Treaty on the Reduction of Forces in Border Regions. This treaty mirrored the main purpose of the organization: security. Members agreed to inform other members of military activities within 100 kilometers of any border, restrict the scope of military actions, and prohibit attacks on one another. The next year the group agreed on restricting military forces along the borders to less than 130,400 soldiers. In 1999 these agreements were said to be working.[286] Hence some of China's important foreign policy objectives in Central Asia were realized.

In 2000, the Shanghai Five expanded the scope of their attention beyond border security to some other issues of mutual concern: separatism, extremism, and terrorism. These matters were referred to by China as the "three evils." The latter two were regarded by China as serious problems both internal and external. The organization took effective actions in all three realms. Thus China realized other important foreign policy objectives.[287] The group also addressed drug trafficking and illegal immigration—likewise issues of serious concern to China. Finally, the members agreed on intelligence sharing, denial of asylum, and extradition.[288] The SCO evolved from this.

In a matter of considerable importance to China, when the SCO was formed, it was to serve as a venue to deal with and improve relations with Russia. When the organization was formed China and Russia signed the Treaty of Good-Neighborliness and Friendly Cooperation, mirroring improved relations between the two erstwhile antagonists. They also took up issues that related to the other countries where both had a special interest. The organization was especially valuable to both in terms of their dealing with Islamic fundamentalism and terrorism.[289] Meanwhile, China and Russia discussed worries about the United States and the West. The SCO was such an effective avenue for China and Russia to deal with issues of concern that some described it as an organization seeking to arrange a "formal entente."[290]

After September 11, 2001, when the United States launched a war against terrorism, both China and Russia joined in the effort. China lent support to Operation Enduring Freedom as a means of containing the Afghan threat.[291] But Beijing also became apprehensive that US antiterrorist efforts in the area would render the SCO an irrelevant organization. So, Chinese leaders pushed the organization to promote a global antiterrorist agenda and chose to respond to the United States call for a war on terrorism mainly through

the SCO rather than via bilateral talks. China was successful in this effort and even got the organization to hold joint military exercises with a clear antiterrorism bent.[292] SCO was thus used to strengthen China's (and other members) voice on the issues of terrorism and America's response to it. Later, as the terrorism matter subsided somewhat in importance, China and Russia using the SCO as its platform backed (or helped promote) Uzbekistan's decision to ask the United States to close its base there.[293]

Of special importance, the views expressed at SCO meetings and its membership were for the most part agreeable to China. The organization's members were more or less anti-Western and antidemocracy. They generally opposed the so-called universal values of the West. In fact, Chinese leaders have described the SCO as a "global strategic factor" that has helped China marginalize US and Western European influence in Central Asia.[294] China has also been able to control the organization and likely will continue to do so in the future. Finally, NATO-SCO cooperation appeared necessary to find a solution to issues with Afghanistan and, possibly, Iran, which potentially gave China added sway over US foreign policy.[295]

Gradually SOC became more focused on economic issues, which was to China's liking due to its financial prowess. In fact, China could use the SCO as a conduit for giving direct financial aid (that otherwise might challenge Russia) to member countries.[296] In short the focus of the organization was at first mainly on security, drug control, terrorism and related issues, but trade and economic development soon became important items on the agenda.[297] Anyway this comported with China's strategy to link economic development to dealing with terrorism and other like threats. At the 2002 summit of the SCO, President Jiang Zemin said that security cooperation and economic cooperation promote each other. "They are the two wheels that drive regional cooperation and SCO development," he said.[298] The Central Asian countries responded favorably; in fact, they began to see SCO much more for its economic benefits and looked forward to getting more China's financial assistance through the organization.[299]

At the SCO's summit in 2003, Premier Wen Jiabao proposed establishing a free-trade zone among members.[300] In 2004, the SCO's secretariat was formally founded (in Shanghai) and the organization's Regional Antiterrorism Center was opened in Tashkent, Uzbekistan. At that time China agreed to pay 24 percent of the SCO's annual budget.[301] At the time Russian president Putin remarked that the SCO had become an international cooperation organization in the "real sense."[302] However, the Western media described it as a Chinese and Russian attempt to establish a "condominium in Central Asia" and as a "mini-NATO to counter U.S. dominance in the area."[303] In response and to counter this charge China's president Hu Jintao lauded the economic

side of the SCO and offered $900 million in export credits to Kyrgyzstan and Uzbekistan.[304] In 2004, he announced China was offering $900 million to members of the SCO in the form of preferential buyers' credit.[305]

Clearly China placed great confidence in the SCO. Both officials and scholars remarked that it had created confidence, communication, coexistence, and common interests and that it had likely prevented the conflict in Afghanistan from spreading into Tajikistan and Uzbekistan and even Pakistan. They frequently spoke of the SCO's "Shanghai spirit."[306] The organization was also seen as promoting China's views of the world and conversely as helping change China's "image gap."[307]

Of great relevance to the issue of China's foreign assistance, SCO provided a venue for China to extend aid and make investments in the Central Asian member countries. China favored using the term "investment" as it did not want to appear to challenge the Soviet Union (or Western nations that were giving considerable aid). Chinese leaders also liked the term because it generated less opposition at home.

In October 2009, in the milieu of the global economic recession, China announced that it would provide $10 billion in loans to SCO members and would continue to send trade and investment delegations to member nations, suggesting the loans were really aid and that China would continue sending other "investments"—if the choice of terms made any difference.[308] China's premier Wen Jiabao said at this time that China would also sign agreements on protecting investments. He mentioned deepening financial cooperation, international financial reform, agricultural cooperation, clean energy, and a number of other issues—suggesting that China sought influence over a broad spectrum to improve relations with SCO countries.[309] Soon China expanded its financial help markedly. During the international financial crisis, President Hu announced that China had adopted an "active fiscal policy and a moderately loose currency policy."[310] This greatly helped SCO member countries deal with their economic crises.

China provided other aid and investment funds to the Central Asian SCO members at this time, which were designed in particular to help two countries. One aid project in particular was underwritten within the context of or through the SCO: a $600 million loan to finance building a gas pipeline connecting Uzbekistan's gas field with a pipeline in Kazakhstan that provided gas to China.[311] This had the effect of legitimizing China's foreign assistance by putting it under the purview of the SCO.

In ensuing years, China continued to provide funding for the organization including financing building its headquarters in China. In fact, it became even more clear Beijing favored providing foreign assistance through the SCO. China had announced much of its funding of the SCO but the total

amount of money China allotted was not announced. But it obviously was not a small amount.[312]

In 2012, at a SCO summit China discussed strategic issues (or what were considered matters of more than usual importance) with member countries: transport, energy, telecommunications, and finance. Aimed at seeking solutions to these matters China offered $12 billion in loans.[313] At the same time China pledged funds for 30,000 government scholarships and money to train teachers for Confucian institutes in the region.[314] In 2014, at the annual SCO gathering China shifted its objectives back to security, as terrorism became a bigger issue to China. President Xi Jinping called on SCO to "focus on religion-involved terrorism and internet terrorism." He also cited Afghanistan and the problems there, the US withdrawal, and the situation in Iraq. In addition, Xi pushed the organization to establish a united policy against missile defense. Finally China wanted the SCO to expand its membership to increase its global clout. Xinhua news agency declared that SCO expansion would "infuse fresh vigor into the group's future development and boost its influence and appeal on the international arena."[315]

China's motivations for giving such large amounts of funds to and through SCO need further comment. First, SCO was created largely at China's initiative and throughout its decade-plus history was a useful tool of China's diplomacy in a variety of ways. For that reason and because China in large measure controlled the organization (and its financial assistance helped ensure this would remain the case), Beijing favored it over other regional and international organizations to which it belonged.[316] SCO also challenged NATO or at least offset its influence.[317] China sought successfully to make SCO an organization that deals more with economic issues notwithstanding what appeared to be a shift from this policy in 2014. Russia opposed this since it would give China greater control over the organization. However, Russia could hardly stand in the way of China giving financial help as the other members wanted it and needed it. Anyway Russia gained from China's largesse. Indeed China wanted to give Russia financial help without it being seen as that.[318]

China and Russia disagreed on a number of other issues that related to SCO countries, including the pricing of petroleum (lower prices favored China; higher prices favored Russia). On the matter of Afghanistan's future and the withdrawal of US forces, Russia wanted to bring Afghanistan into a Russian-controlled security organization; China wanted to provide funds to support local security forces to protect China's large investments in copper mines and other projects there.[319] The SCO served as a forum to resolve these differences.

China giving aid through the SCO, instead of granting it bilaterally, made it easier for China to build roads, railroads, pipelines, dams, and other

infrastructure projects in the "Stans" since many of these projects crossed one or more of their borders. This in turn facilitated China's efforts to integrate the region economically, which was one of Beijing's paramount goals. This related to two other foreign policy objectives of China: obtaining more sources of energy and natural resources and marketing its products.

Another factor was that the organization did not offer membership to the United States. China and Russia agreed that America should not have membership.[320] Both wanted SCO to be their turf. Washington pursued ties and possible membership in the organization, but faced opposition at home because SCO was seen as a "club of dictators" and its member nations had poor human rights records and espoused views on governance and related issues in contraposition to those of the United States and the West. The United States, nevertheless, adopted a policy of trying to participate more in the SCO.[321]

Finally, China opposed Washington's Iran policy, including UN-approved sanctions to prevent Iran from going nuclear (though China did vote for them). China and Russia tried to water down the sanctions. So have the other SCO countries. China finds it convenient to counter America's criticism by suggesting it is the policy of a big and important regional organization rather than simply China's policy.

Beijing also views the SCO as important to its plan to build the Silk Road and connect China (in fact, making it the hub) to Southeast Asia, South Asia, Northeast Asia, Central Asia, the Middle East, Europe, and areas beyond. The SCO is thus vital to China's "dream" to becoming a global power via its economic strength. In 2015 the decision to admit India and Pakistan, as China wanted, seemed to provide further evidence this strategy was working.

Conclusions

China provided invaluable foreign assistance to North Korea and less important aid to Mongolia early during period one of its aid giving. Aid to both connected to China's efforts to build Communist Bloc solidarity, but also related to China's search for security and its historical (tribute) relations with both. Afghanistan was a latecomer in China's foreign aid diplomacy during period one. China's aid to Afghanistan related chiefly to strained Sino-Soviet relations and China's growing interests in South Asia. Later China's security and its need for energy, natural resources, and markets played a role. China's foreign assistance to the countries of Central Asia began during period two (after the collapse of the Soviet Union in 1991) and was for the most part labeled investments, though in many ways was foreign aid. Here China's motives came from Beijing's concerns about stability in Western China,

China's security (especially terrorism), energy and resource acquisition, and finding markets for its products to abet its continued economic growth and keep unemployment low.

China's total foreign assistance, defined broadly, to Northeast Asia and Central Asia has been by any standard very large. If included are the soldiers sacrificed, arms aid, assistance to North Korea's nuclear weapons, and missile development, while assuming a very large amount of undisclosed aid, and accepting China's statement of the magnitude of its aid to Vietnam (North Korea obviously being much larger) it was huge. If factoring in the price the United States paid for its involvement in the Korean War and its casualities suffered being only a fraction of China's, one might estimate, or guesstimate, China's aid to North Korea might be in the range of $50 to well over 100 billion. It would be considerably larger if the cost of soldiers killed and injured were measured the same way as in the United States or the statement that half of China's aid went to North Korea were accepted to be true.[322] China's financial help to Mongolia and Afghanistan is estimated to be somewhere in the vicinity of $4 billion and $5 to $8 billion respectively (taking into consideration much of its investments in Afghanistan are essentially on hold). Beijing's assistance to the Stans totals between $50 billion and $75 billion, inclusive of funds recently announced (but not yet delivered) and aid and investments made through the Shanghai Cooperation Organization.

How does one explain China giving so much financial help? Northeast Asia, strategically speaking, is the most important region of any in the world to China. This was historically true. Today it is the location of one of the greatest concentrations of economic and military power on the planet (China, the two Koreas, Japan, Russia, and the United States indirectly). It is where conflict and cooperation take place between China and the United States, China and Russia, and China and Japan.[323] Central Asia, like no other region except to some degree South Asia, links to China's domestic concerns, namely minority issues, in particular Islam, and instability (essentially opposition to Chinese rule) in West China

Since China's foreign policy objectives in Northeast Asia are quite different from its goals in Central Asia it is necessary to view the two areas separately. Clearly the two regions have different histories, affect China's domestic politics differently, relate to big power politics in unique ways, and much more.

Beijing's interests in Northeast Asia may be said to be closer to both the hearts and minds of Chinese policy makers in Beijing than any other area of the world. Involved here are two former tribute states (Korea and Mongolia), the forfeiture of China's territory (Mongolia), and the loss of an important vassal state (Korea).[324] Recollections of colonialism, big power rivalry, China's

past and present relations with the United States, Japan, and the Soviet Union are present here (especially in Korea). The Sino-Soviet dispute profoundly impacted China's relations with both Korea and Mongolia. North Korea is in a variety of ways considered a vital interest to China; yet it is also one of Beijing's biggest headaches. [325]

China's foreign aid to North Korea was officially its earliest and if aid is broadly defined (to include the costs to China of its soldiers killed and injured during the Korean War, military aid at that time and since, aid to help North Korea become a nuclear power and build a missile delivery system that Pyongyang in turn sold to other countries to make money), while assuming a large portion of China's aid to North Korea has not been announced because Chinese leaders do not want to let others know, even its own citizens, of its generosity, North Korea is by far the biggest beneficiary of China's assistance. As noted, two writers contend (contrary to a great many of the assessments and rankings of recipients made by Western writers) that North Korea has received half of China's foreign aid. This may well be true during a certain period of time and if aid is defined to include those items just cited and is counted separate from China's foreign investments.[326]

There is no doubt China made extreme sacrifices in helping North Korea. For that China has received Pyongyang's support on many of the tenets of its foreign policy. Also, if China has won any client states from its giving foreign aid, North Korea may be said to be an important one and one of only a few.[327] Perhaps it is the only one. It is the only country with whom China has a formal defense treaty.

Nevertheless, it is questionable how loyal or obedient North Korea was, and is, and how happy China has been, and is, about the relationship. In the 1960s, 70s, and 80s, North Korea very deftly manipulated the Sino-Soviet dispute and got huge amounts of aid from both. China did not like that arrangement but accepted it. Beijing also fretted that it was supporting a feudal regime that was an international outlaw and this was bad for China in terms of its efforts to build a good international image and make friends with the United States and other Western countries. This situation still persists. In addition Chinese leaders have worried, and still do, that the North Korean government might collapse, portending of consequences China did not want to ponder on. Thus Beijing provided more aid. When relations improved between North and South Korea, Beijing faced aid competition from South Korea.[328] Consequently, China had to contend with North Korean leaders, who felt China had no choice but to finance them, and for this reason among others they were often not grateful and/or not compliant to China's wishes.[329] In frustration China threatened to cut its aid to Pyongyang and in some cases did that.[330]

Similarly, China does not like what it calls the "victimized nationalism," which the Kim family used to claim to be the saviors of the suffering Korean nation and thus justify its inherited rule.[331] This does not fit with Communist thinking or modernism. In recent years, especially after 1969 when China improved relations with the United States, Beijing has been very displeased over North Korea's acts of terrorism, its provocative nuclear weapons and missile tests, and other actions of a rogue or outlaw nation that might have provoked a US military response. Chinese leaders even referred to some of the things North Korea has done as "offending China's core interests."[332]

Beijing has thus been openly critical of the North Korean regime. And the United States has heaped praise on China for the use (and withholding) of its aid to restrain North Korea. Yet many US officials think that China has a very high level (more than it actually has) of leverage over Pyongyang because North Korea is so dependent upon China financially and thus China can do much more.[333] Some, in fact, say China is doing very little to help Washington deal with North Korea and, contrary to what it says, approves of North Korea's dangerous actions. Others say China has few options.

In fact, Chinese leaders sit on the horns of a dilemma. They fear that if they stop their aid giving to North Korea, Pyongyang will in desperation resort to getting funds from weapons sales (more than it has and to more countries that are more unfriendly to the United States and/or are accused of abetting terrorists), narcotics peddling, and counterfeiting foreign currencies (mostly US). There has even been concern expressed that North Korea might sell nuclear weapons or nuclear technology to Al-Qaeda.[334]

China is thus giving North Korea aid to maintain it as a buffer state, prevent North Korea's collapse (which would result in Korea's unification and the Korean Peninsula ruled by South Korea which is a US ally and has a territorial dispute with China, the possible moving of US troops in South Korea close to the border with China, and a huge refugee problem for China). China also seeks to prevent North Korea from incendiary acts, especially those that might involve nuclear weapons and would result in nuclear fallout or contamination that would harm China. China clearly wishes to constrain North Korean actions that upset Japan, which it favors to some degree though China also fears North Korea may provoke Japan to go nuclear, which China plainly does not want.[335]

On the other hand, Beijing has via its close relations with North Korea gained leverage over the United States and some other countries in the region (the most important being Japan). China has elicited comments from US foreign policy makers and media observers to the effect that it is the key player in getting North Korea to end its nuclear program and stop threatening the peace in the region.[336] Some Japanese leaders have also said this.

This view is reinforced by the fact of a number of nations and international organizations, plus many that have confidence in the use of diplomacy to keep peace, have supported America's engagement with North Korea with Chinese help.[337]

Finally, one might say that China has won another match in "aid game" with the United States via its assistance to North Korea. The United States has provided aid, especially food and energy, to North Korea to use as leverage to induce Pyongyang to stop its nuclear weapons and missile programs. From 1995 to 2008 Washington delivered $1.3 billion in assistance to North Korea. But this had little impact, no doubt in large part because it was small relative to China's aid. Also, US aid was inconsistent and undependable, with some in the government (in Congress due to public opposition to this aid) impeding it and/or making efforts to stop it.[338] Some even suggested that the United States put pressure on China to withhold food aid to North Korea to force it into talks.[339]

In the case of Mongolia, China's aid was first aimed at augmenting Communist Bloc relations and improving trade links with the Soviet Union. Beijing may also have had concern over instability in Inner Mongolia, which had historic and other links with Outer Mongolia.[340] In any case, as Sino-Soviet relations turned sour (earlier than otherwise thought) given Mongolia's fear of China's demographic invasion and its aid dependence on the Soviet Union, China's early foreign aid had little influence and was soon terminated.

During period two, owing to China's search for energy and other resources, Mongolia became a country of great interest to Beijing. Given the fact Mongolia is landlocked and finds it difficult in the milieu of China's new and formidable influence in the region, China had an advantage. Mongolia also lost its Soviet aid. Meanwhile it gave a new priority to economic development. China's aid has thus been quite effective in both facilitating Mongolia's economic development and achieving Beijing's foreign policy goals vis-à-vis Mongolia.

China's main goals of limiting Russian influence in Mongolia, keeping US relations with Mongolia at bay, and constraining pan-Mongolian nationalism that may infect the Mongol population of China (notably in Inner Mongolia), have been for the most part realized. The reality is Mongolia must rely heavily on transportation links through China while China's financial help had has literally underwritten Mongolia's very rapid economic growth in recent years.[341]In fact, because of the magnitude of China's financial assistance, Mongolia had experienced growth in its GDP that topped the GDP of all nations in the world. If China's intent was to make the population of Mongolia materialist and enjoy its economic progress and see that as linked to its ties with China, Beijing has succeeded.[342]

Yet China has to be careful of the deep-rooted innate fear in Mongolia of China's economic dominance. Because of its sensitive relationship with China, Mongolia has shown a preference for investment funds, especially from state-owned companies. It asks China to use the term "investments" rather than "aid" to refer to China's financial assistance. China did not seem to mind.[343] Anyway, as in many other places, China's aid and investments to Mongolia seem indistinguishable. Certainly they are the same in helping Mongolia become modern and more materialist and integrated inito the global economy as China wants and believes will improve their relationship.

China's early aid to Afghanistan served as the basis for improving relations between the two countries as China sought to expand its global contacts and deal with its isolated condition. But Beijing's influence with the Afghan government was lost with the Soviet invasion and takeover of the country. China subsequently provided aid to the anti-Soviet insurgency. Observers almost everywhere labeled the end result a Soviet defeat in war and perceived that China played a major role in that happening. Indeed Chinese leaders were happy about what their aid accomplished. Still, exactly how important China's aid was to what some have called the "Soviet's Vietnam" is difficult to judge. China kept this disguised to a considerable extent, as it did not want to show in public the depth of Sino-Soviet differences (which by the end of the conflict had lessened). Nor did China want to advertise its cooperation with the United States and some Middle Eastern countries. But it is no doubt accurate to say China's aid played an important part in what happened.[344]

China's aid to Afghanistan certainly contributed to Beijing realizing at this time one of its most important foreign policy objectives. Deng Xiaoping had set three conditions for improving Sino-Soviet relations. One was Moscow ending its occupation of Afghanistan (the others being withdrawing troops from Mongolia and their border and ending support for Vietnam's occupation of Cambodia). These demands were difficult for the Kremlin to accept. However, its defeat in Afghanistan changed things and to a degree explains Moscow eventually acceding to all three of China's demands. Meanwhile China through its arms aid to Afghanistan enhanced its credibility with Pakistan and Iran and its importance in the eyes of American foreign policy makers.[345]

In recent years China's foreign aid (though the largest portion of this might be called investments) to Afghanistan has been very large. Ironically the US military provides security, which is not something China wants to talk about much (nor does the United States).[346] Then, how much China should be involved in Afghanistan (as well as Iraq, Libya, and Syria) has been

the subject of debate among top leaders in China. Some Chinese leaders as well as many scholars believe it is too risky. Some even suggest it is a "foreign plot" to saddle China with costs and responsibilities that will exhaust it and weaken it as a global reach.[347] Yet it may be that Chinese leaders see the US exit from Afghanistan as a win-win situation for China. America will either pacify Afghanistan, making China's financial assistance more likely to succeed, or will fail and in the process lose its will to get involved elsewhere in the world. Chinese leaders, at least some, also perceive that China can handle the problems in Afghanistan better than the United States (US policy being guided by an evangelical ideology and being overly influenced by human rights concerns and democracy).[348] Alternatively, Beijing may perceive its future Afghanistan policy as involving cooperation with the United States, Russia, and the countries of Central Asia.[349]

In any case, China has both serious security and economic interests in Afghanistan that relate to its involvement with South Asian, Central Asian, and Middle East countries. It sees a security link between Afghanistan and China's western region.[350] Finally, China's global ambitions seem to dictate that it cannot see any area of the world as beyond the scope of its concern.

China's foreign aid and investments to the Stans, in fact even more than Afghanistan, relate closely to its domestic political problems. Chinese policy makers' serious concern over Islam and unrest in China's West, Xinjiang in particular, is the main driver of its Central Asia policy. The situation in Xinjiang thus deserves repeating. In 2009 anti-Chinese riots there resulted in the deaths of more than 150 people while in excess of 1,000 were injured.[351] There have been sporadic acts of violence there and in other places in China since then, attributed to, what Beijing calls, Xinjiang terrorists. Chinese leaders also view successionist activities there as being linked to Tibet and Taiwan, they being contagious.

Chinese leaders have sought to deal with its "Xinjiang problem" by promoting economic development there, together with tougher policies. The "Strike Hard-Maximum pressure" program launched against local Turkic Muslims in 1998 and expanded in 2001 was based on the fear that the former Soviet republics in Central Asia constituted a potential new threat to China's territorial integrity because of their religious and ethnic affinities with the population of Xinjiang.[352] Chinese leaders feared, and still do, separatism in Xinjiang. Thus, China has linked its assistance to Central Asian countries to agreements by these countries to oppose "separatist movements" and to enforce this promise.[353]

To realize its security objectives China needed to directly promote economic development on both sides of its Western border. In 1999, the per

capita GDP of West China was only 40 percent of the eastern part of the country. It was the location of most of China's 50 million impoverished citizens. A decision was made at that time, which became official in January 2000, to give a high priority to developing the west. From 2000 to 2008 the government allocated 60 billion Yuan (8.78 billion US$) to fix this situation. The effort cut poverty in China's West from 57.3 million to 26.5 million. Per capita income in rural areas rose 113.5 percent during that period. Building infrastructure and promoting commerce were immediate objectives. Thus China built 888,000 kilometers of highway and 8,000 kilometers of railroads.[354]

China's motivation for it dramatically enlarging its aid and investments in Central Asia in the first few years into the twenty-first century was also the result of its concern over a new US presence in the area after 9/11. Though China was aligned with the United States in the war on terrorism, China also viewed America's pursuing closer relations with several of the Central Asia countries, plus Mongolia and India, as part of an effort to realize the "complete encirclement" of China.[355] One can argue that while containing China was not US policy, the pivot to Asia gave that impression to many Chinese.[356]

China's giving financial help other Central Asian countries also connected to China's search for energy and resources and markets. China, through its investments, now controls a large portion of these countries' resource exploration and exploitation.[357] Beijing also wants to increase its commerce with the region. In fact, it has succeeded: trade with its Central Asian neighbors rose from virtually nothing before 1991 to $22 billion in 2010. China has become the first or second largest trading partner of all five countries.[358]

Finally, China's financial help to the countries of Central Asia can be seen to connect to China's "grand plan" to link Central Asia to not only China's West and bring prosperity to both and thereby maintain stability there, but to connect Central Asia via roads, railroads, and pipelines to Northeast Asia, Southeast Asia, South Asia, the Middle East, and Europe and help realize China's global ambitions. This will make China less dependent upon sea-transported energy and resources while it expands the scope of China as a global trading and commercial power. This in some important sense resembles Imperial China's fetish with building infrastructure that linked Beijing with areas far away. It differs only in that there are fewer limits now.[359]

China's financial support of the Shanghai Cooperation Organization, as noted, relates to China realizing virtually all of its foreign policy goals in Central Asia. SCO has been especially helpful in these areas: dealing with security issues (without alienating Russia), setting up mechanisms for sharing intelligence, signing extradition agreements, promoting energy and resource

exploration, developing trade relations, and much more.[360] The organization helps China realize foreign policy objectives in Northeast Asia and more broadly its goal to control trade spanning from Europe to Central Asia, South Asia, Southeast Asia, and Northeast Asia. The new Silk Road project is part of this (a topic that will be discussed further in the concluding chapter of Volume 3).[361] It is ultimately linked to China's plan to become a great power by influencing and/or controlling world commerce.

CHAPTER 4

Using Aid and Investment Diplomacy to Isolate Taiwan

Introduction

The People's Republic of China has allocated a substantial amount of its foreign aid and investments to deal with the "Taiwan issue." Specifically, China has given economic help to a host of developing countries in order to reduce Taipei's formal diplomatic ties, diminish its status as a nation-state, isolate Taiwan from the international community, and compel Taiwan's government to negotiate with China for the island's reunification.

China's use of financial help for this purpose was, and is, an outgrowth of its Taiwan policy, which finds its origins in Mao's assertion in 1949 that the People's Republic became the sole legal government of China and that the Republic of China, or Chiang Kai-shek's Nationalist China, was illegitimate—Mao's China being its successor. Mao's claim to Taiwan was also based on China's historical ties with Taiwan and its past rule of the island and was driven by strong sentiments among Chinese leaders that Taiwan is Chinese territory and should be made part of the People's Republic of China.

In recent years Chinese leaders have viewed Taiwan's separation more through the prism of Chinese nationalism, which Deng Xiaoping vigorously promoted after 1978, and China's national security, which would be greatly enhanced by incorporating Taiwan. Taiwan's status is also viewed in the milieu of Sino-US relations, China's global image, and separatist movements in China.

After 1950, because the United States protected Taiwan, Chinese leaders found that military action against Taiwan was not feasible; thus economic

assistance became the favored tool to accomplish its goals. In the mid-1950s, China began offering economic help to various non-Communist countries to induce them to establish diplomatic ties with Beijing and break with Taipei. In the late 1960s and early 70s, China also rendered financial aid to Third World nations to win votes for admission to the United Nations (and have Taipei expelled). After China joined the United Nations, Beijing continued giving economic assistance to acquire diplomatic recognition and further isolate Taiwan.

Taiwan responded to Beijing's "aid offensive" by employing its own economic assistance to win diplomatic ties with newly independent nations and keep those it already had. When Taiwan was an economic success story and China was not and Taiwan could afford to give as much or more aid than China, to some extent this worked. However, when China experienced rapid economic growth and accumulated massive amounts of foreign exchange Taiwan was unable to compete with China's aid offers.

In this chapter the author will assess China's Taiwan policy, its aid giving to win diplomatic relations and "contain" and delegitimize Taiwan, and the results. The focus will on their diplomatic tug-of-war, China's success in winning votes to join the United Nations, and later its policy to isolate Taiwan by stripping away the few countries that still recognized Taipei. Special attention will be given to China's aid offensive during the Chen Shui-bian presidency (2000–2008). Finally, an assessment will be made of the results and the current situation.

China's Taiwan Policy

Simply put, Beijing's Taiwan's policy is founded on the assumption that Taiwan is territory that "always belonged to China and will be recovered." Chinese leaders base this view on history, culture, demographics, China's past rule of Taiwan, international law, and various other factors. In 1949 Chinese leaders considered the government of Taiwan as illegitimate and still do. They planned to make Taiwan part of China using all possible means. They despised Chiang Kai-shek and his government; currently they loathe those in Taiwan who advocate Taiwan's independence or its legal separation from China and are in disagreement with the United States over Taiwan's status. In recent years, Chinese leaders have been increasingly influenced in their attitude toward Taiwan by growing Chinese ambitions and the view that China's ownership of Taiwan will augment China's military power and will help China realize its strategic interests in East Asia. Thus the issue must be viewed in light of China's rise and its growing stature as a world power.[1]

According to the Chinese historical view, China "discovered Taiwan and had a very long and meaningful relationship with the island." So, it is said,

Taiwan "belonged to China since ancient times." Furthermore, Chinese people populated the island. In addition, China ruled Taiwan for more than two centuries before Japan "stole" it in 1895 following the Sino-Japanese War, after which the Japanese governed it as colonial masters "against the wishes of the local Chinese population." China was weak and at the time could do nothing about the situation.[2]

Events during World War II, according to the Chinese view, confirmed their argument that Taiwan is part of China that was "stolen" by Japan. In 1943, in the Cairo Declaration, the United States and the United Kingdom agreed with the Nationalist Chinese government that Taiwan and the Pescadores were such territories and would be returned to China at the end of the war. Later, at the Potsdam Conference, the United States and the United Kingdom restated the Cairo provisions and gained the Soviet Union's support for their decision on Taiwan's future. In 1945, at the end of World War II, the United States oversaw the return of Taiwan to China. This constituted, in the eyes of Mao and other Chinese leaders, definitive proof that the United States and other countries of the world regarded Taiwan as Chinese territory. China (meaning Nationalist China or Chiang Kai-shek's Republic of China) forthwith assumed sovereignty over the island and its adjacent territories. As further evidence that Taiwan belonged to China, during the February 1947 revolt in Taiwan the US government refused to intervene saying it was an "internal Chinese matter."[3]

In 1949, when Mao's armies defeated Chiang Kai-shek's forces and Chiang "transferred" his government, party, and military to Taiwan, Mao asserted that the People's Republic of China became Nationalist China's "successor government" (a common term in international law).[4] In other words, the People's Republic of China inherited jurisdiction over territory previously governed by the Republic of China; this included Taiwan.[5]

But Chiang espoused quite another view and prepared to regroup his military, counterattack, and once again rule China. In response, Mao declared it was his goal to restore China's territorial integrity, calling it a "first priority national interest." Accordingly, in early 1950 the year after he came to power, he made plans to lay siege on Taiwan and by force make it part of the People's Republic of China.[6]

The United States and other world powers at the time registered no objection. However, with the outbreak of the Korean War, US policy makers made a volte-face. Mao's China was now seen as an enemy and a threat. This made Taiwan strategically important to the United States and as a result, President Truman ordered the US Seventh Fleet to the Taiwan Strait to thwart Mao's plan to "liberate" the island. China's response was quick and hostile: Zhou Enlai said that this constituted interference in China's unfinished civil war, a

violation of the United Nations Charter, and was a scheme of the American imperialists against China.[7] In any event, Mao called off his invasion plan.

In ensuing years Taiwan constituted an issue of legitimacy for Mao's People's Republic. Mao explained that the "Taiwan problem" was unresolved because the island was "occupied" by the United States.[8] In 1954, Mao again chose the military option to get Taiwan back. Chinese forces bombarded Quemoy and Matsu and some other islands close to China, which were held by Chiang Kai-shek's military. Observers saw this as a prelude to invading Taiwan.[9] Mao spoke of his actions as an outgrowth of the growing strength of Communist countries and was, he said, related to the conflict against imperialism in Europe and elsewhere.[10] However, the United States came to Taiwan's rescue again and forced China to back down. The Soviet Union was lukewarm in supporting China.[11]

Mao and other Chinese leaders thus looked for another strategy. At that time China's foreign relations mainly consisted of ties with the Communist Bloc since Beijing eschewed contacts with capitalist bloc countries and Third World nations. China's isolated situation in part played into Chiang Kai-shek's hands: Chiang claimed to represent China on the world stage (supported by the United States and a number of other Western countries). To deal with this sitiuation Beijing adopted measures to challenge Chiang Kai-shek's legitimacy by undermining Taiwan's diplomatic status. So Beijing began to make efforts to win diplomatic recognition from Third World countries and foreign assistance was a way of facilitating this.[12]

In 1955, coinciding also with a shift in China's worldview and a softer line foreign policy, plus China's failed efforts in brandishing its military power, China's Taiwan policy shifted to one of "peaceful liberation through negotiations."[13] Mao spoke less harshly about Taiwan.[14] Beijing even broached the idea of an agreement with the United States whereby China would renounce the use of force against Taiwan.[15] A year later Zhou Enlai offered to talk to "Taiwan authorities."[16] He even proposed that Chiang Kai-shek accept a high post in the government in China.[17] It was at this time, as we will see below, that China began to seriously cajole, using foreign aid, Third World countries to establish diplomatic ties with Beijing with the intent of discrediting Taiwan's government.

But this soft-line foreign policy did not last long. In 1957 Beijing returned again to a hard-line foreign policy, the result of Mao thinking that after the Soviet Union launched an earth satellite ahead of the United States (Sputnik) he might push the Kremlin into taking an aggressive stance against the United States; or, realizing that Washington might be in the process of adopting a "two China" policy to keep Taiwan permanently separate from China, China had to do something.[18] In any case, in 1958, Mao ordered another attack on the

Offshore Islands aimed at recovering Taiwan even if it meant hostilities with the United States.[19] Once again, the United States came to Taiwan's rescue, this time with six aircraft carriers. The United States even threatened to use nuclear weapons against China.[20] Mao and other Chinese leaders again learned that they could not acquire Taiwan by force and had to use other means.

Another reality convinced Chinese leaders that a military force would not work. During the crisis the Soviet Union did nothing to help China except offer some reassurances of support after the event.[21] Then, in l959, Khrushchev reportedly told Mao that he should accept the two-China solution to the Taiwan issue.[22] China then realized it had no allies to help it retrieve Taiwan. Beijing had to pursue reunification by itself and by other than military means. Giving foreign aid to Third World countries had already proved to work to some degree; so it was decided to expand on that strategy.[23]

As noted in previous chapters China was subsequently successful in winning diplomatic recognition and support from some Third World countries, most often through the use of or at least accompanied by foreign aid. So China pledged more and expanded its offers to countries that would grant it diplomatic relations. Chinese leaders saw the next step in the diplomatic war with Chiang Kai-shek as expanding People's China's representation in global organizations and institutions. In 1969–70, Beijing made a concerted effort to join the international community and in 1971 succeeded in being given the China seat in the United Nations. This was a watershed diplomatic victory for Beijing. As we will see, aid played a major role in winning votes for Beijing in the UN General Assembly on the issue of representing China.

In the meantime, China's perception of the United States shifted as a result of its growing hostility with the Soviet Union (especially after their border war in 1969) and with the election of Richard Nixon as president of the United States. Nixon showed a sincere determination to withdraw from Vietnam and improve relations with China to make that happen. The salient question for Mao and other Chinese leaders was: Would China have to change its policy, that is, make concessions on Taiwan's status in order to bring about a rapprochement with the United States?

In July 1971, China reiterated its policy on Taiwan. Zhou Enlai stated that Taiwan is an "inalienable part of China's territory" and that the "liberation of Taiwan . . . was an internal affair which brooks no foreign intervention."[24] But Zhou's statement seemed to be for internal consumption. In any case, due to increasing tension with the Soviet Union and in seeking better relations with the United States, when meeting with President Richard Nixon in 1972, Mao broke his pledge that he would never improve relations with the United States until the Taiwan matter was resolved in China's favor.[25] The two sides then signed an accord, the Shanghai Communiqué, which dealt

with the Taiwan issue using vague and obfuscatory language.[26] The United States helped by making concessions (such as removing its military presence on the island) that allowed Mao to save face.[27]

Mao and other Chinese leaders calculated (or rationalized) that by improving relations with the United States, Taiwan would lose confidence in its protector and Beijing could then further isolate Taiwan diplomatically and "bring it into the fold." Thus China's leaders could boast of China effectively handling the Taiwan issue even though Taiwan's status, meaning its sovereignty, remained essentially unchanged. In any event, the Taiwan question could not be allowed to wreck efforts to improve Sino-U.S. relations.

In 1978, two years after Mao's death, Deng Xiaoping became China's "supreme leader." Deng undertook free-market economic reforms including increased trade and foreign investment to promote China's economic development. He needed continued good relations, if not even better relations, with the United States to do that. This meant that he did not want trouble over Taiwan.[28] Deng then adopted a friendly policy toward Taipei.

Thus, on January 1, 1979, coinciding with the establishment of diplomatic relations with the United States, Beijing sent a New Year's greetings to Taiwan offering reconciliation. The greeting read that China would recognize "present realities" and would not "cause the people of Taiwan any losses." China's military ceased shelling the Offshore Islands and the government encouraged establishing postal, scientific, and other links. Deng also appealed to the "common cultural heritage" of the Chinese living in Taiwan and China.[29] Finally he promised a "peaceful means" to reunify China and pledged that Taiwan could keep its social system intact and more.[30]

However, there were two serious problems (cum obstacles) for Deng: China's fast-growing power status and a virulent form of nationalism that it engendered on the one hand and Taiwan's budding democracy on the other. Handling the "Taiwan issue" in this context would not be easy. Regarding the former, Deng had substituted nationalism for Communist ideology, the latter having been scrapped in the process of adopting the free-market, free-trade capitalist economic development model. Nationalism, its replacement, begot patriotism that in turn stirred up irredentist feelings about recovering "lost territory."[31] Taiwan was a focal point. In fact, since Chinese leaders had long considered retrieving Taiwan as the litmus test for whether or not China had become a great power, it was difficult to yield any ground.[32] Any Chinese leader who compromised on the issue of Taiwan's sovereignty was vulnerable to the charge of national betrayal.[33]

Second, Taiwan was fast democratizing, which made Taiwan different from China, and, therefore, more difficult to integrate; this, in addition, generated calls on the island for self-determination and independence. Taiwan's success

at democratizing as a matter of fact became its *modus operandi* for winning support from the United States and the global community and for retaining its sovereignty (or expressed another way, gaining legal independence). It thus appeared that China's nationalism and Taiwan's democratization put Beijing and Taipei on a collision course.[34]

But Deng definitely did not want to fight over Taiwan, especially with the United States watching. In 1982, in a continuing effort to cajole Taiwan into closer ties with China, Deng proposed what he called the "one country, two systems" plan for the reunification of Taiwan with China. Deng even had it put (though vaguely written) into China's constitution.[35] He meanwhile boasted of China's economic success and the benefits Taiwan would accrue from closer relations with China.

Deng's soft approach won support in Asia and the United States. He also convinced many in Taiwan that economic ties were advantageous to Taiwan and it was inevitable that Cold War hostilities would subside. In response to Deng's overtures and what many in Taiwan and elsewhere saw as the reality of the rise of China, in 1987 Taiwan muted its hostile rhetoric about the Communist regime in China and took measures to allow its citizens to visit China and even invest there—which they did in plenty. China needed the capital and Taiwan's business community was willing, in fact anxious, to invest, realizing that China's economy was booming and they could make handsome profits. They also understood that intra-industry trade was a worldwide trend that would benefit Taiwan (or hurt it if it did not participate due to its increasing labor costs and other domestic factors).[36]

When the Taiwan government made the decision to allow its citizens to go to China and invest, Deng encouraged them to go to Xiamen (in Fujian Province from where most of the ancestors of Taiwan's population hail and where the language is close to a dialect spoken in Taiwan). Also Deng changed China's commercial laws (or an interpretation of them) to favor Taiwan: Taiwanese businesses could invest without local partners. Within two years they had invested $695 million in the Xiamen area.[37] Tariff rules were also adjusted to Taiwan's advantage. Deng's policy of integrating Taiwan with China economically were working quite well.

In 1993, in Singapore, the Wang-Koo (Koo-Wang in Taiwan) talks between the erstwhile antagonists were convened to deal with Taiwan's status. The results of the meeting were viewed as a breakthrough in cross-strait relations.[38] The two sides reached a consensus of sorts on Taiwan's status by allowing each side to define "China" as they chose.[39] Travel (though mostly from Taiwan to China) and commercial relations further increased as a result.

China mainly pursued an "economic strategy" toward Taiwan. This involved not just investments; it encompassed what might be called foreign

aid diplomacy. First, China allowed Taiwan to export to China without its products being subject to any tariffs (as argued in other chapters this is a form of foreign aid). The rationale was that Taiwan was part of China; naturally there would be no tariff on its goods. Taiwan's exports to China boomed as a result of China's economic "favors" (one might argue that this was similar to what China had done during the era of tribute missions).

Beijing in essence adopted a three-pronged policy to deal with Taiwan: First, China allowed Taiwan's business people to trade and invest in China and make money in order to win its support from the business community in Taiwan. Second, China increased military pressure on Taiwan: The Chinese People's Liberation Army added to the number of missiles targeted on Taiwan to intimidate Taiwan's government and its population. The former was the carrot, the latter the stick. Third, Beijing used aid to reduce Taiwan's diplomatic presence abroad and further isolate Taiwan diplomatically.[40] Deng favored one and three: using economic means, friendly or unfriendly, to deal with Taiwan.

However, as Deng aged and yielded power to Jiang Zemin, who he had installed as head of the party in 1989, authority over Taiwan became diffused and based on organizational decisions and successful policies elsewhere rather than personal authority.[41] This afforded the military more opportunity to influence Taiwan policy. Meanwhile, since Taiwan's president Lee Teng-hui was increasingly viewed as an advocate of independence, the military in China put pressure on the civilian leaders to take a stronger stance toward Taiwan. In consequence China conducted intimidating missile tests near Taiwan's shores in 1994 and 1995.[42] The later tests precipitated a crisis with the United States. However, after the crises passed, China reverted again to using economic favors and leverage to deal with Taiwan.

In 1995, Jiang Zemin cited eight points regarding Taiwan in a major speech. Jiang asserted that foreign forces and independence advocates were trying to split Taiwan from China and stated he would use military force to prevent this. Otherwise his speech was conciliatory. He stated China did not intend to "swallow up" Taiwan and promised Taiwan a high degree of autonomy. Taiwan's president Lee Teng-hui replied with six points, including "gradual reunification," while declaring the need to accept the government of Taiwan as a "reality" and negotiate with Taipei on an equal basis (which Beijing would not do). Chinese leaders came to despise him.

In 2000, China viewed presidential candidate Chen Shui-bian, though perhaps not as bad as Lee Teng-hui, as an unabashed advocate of Taiwan's independence. During the campaign, China issued a "white paper" stating, among other things, that China would use military force against Taiwan if it did not negotiate reunification within a reasonable period of time. Chinese

premier Zhu Rongji sternly warned Taiwanese voters during the campaign not to vote for Chen. Beijing's tough actions did not work; in fact they helped Chen win the election.[43]

Again finding their hostile actions toward Taiwan counterproductive, Chinese leaders shifted to another strategy.[44] Seeing Taiwan's president Chen Shui-bian as a promoter of legal independence, Chinese leaders refused to deal with him. But Beijing continued to offer economic incentives to Taiwan's business community; in fact, China offered more. In 2001, the year after Chen took office, a recession in Taiwan brought on largely by Chen's energy policies and his unwillingness to compromise with his opposition. This made China's offers even more attractive.[45]

By 2002, more than a quarter of Taiwan's exports went to China—making China the biggest foreign market for Taiwan's products (passing the United States). By 2003, nearly three-quarters of Taiwan's foreign investment money went to China.[46] Meanwhile it was estimated that Taiwan (mainly businessmen) had invested $100 billion in China and that a million or more of Taiwan's citizens were living in China.[47]

In the ensuing years, Beijing continued to offer Taiwan's business community opportunities to make money in China. China even made friendly gestures to Taiwan's farmers in South Taiwan (strong Chen supporters) by buying their fruits and vegetables at times when the market was bad and/or at prices above the running market prices.[48]

In managing China's Taiwan policy, which was described as coercion with flexibility and incentives, Beijing used foreign assistance as an important diplomatic tool.[49] China sought to reduce Taiwan's international space and win global support for its Taiwan policy. This was particularly evident during the Chen presidency. In fact, China was successful in ensuring that few nations recognize or re-recognize Taiwan as "Taiwan," as President Chen hoped, and that China could, through the enticement of foreign aid, establish diplomatic relations with even more nations including some that maintained diplomatic ties with Taiwan. By the end of Chen's presidency, it was clear that China had won the war for diplomatic recognition.

Aid for Diplomatic Ties and UN Membership, 1956–71

In 1956, China pledged foreign aid for the first time that appeared to be, in part at least, for the purpose of eroding Taiwan's diplomatic status.[50] In June that year, the Chinese foreign ministry signed an agreement pledging the Cambodian government $22.5 million in the form of a nonrepayable grant for the country's development plan. Two years later, in July 1958, the Cambodian government extended diplomatic recognition to China. The next

month China negotiated another aid agreement with Cambodia, perhaps to show gratitude. In 1960, China made yet another promise of aid, after which the Cambodian government gave verbal support for Mao's policy on the "Taiwan question" and voted for the People's Republic of China's admission to the United Nations.[51]

Though Beijing did not, in this case, strip away a country that had diplomatic relations with Taipei, it added to the small but growing list of non-Communist countries that established formal ties with the People's Republic. In addition, Chinese aid helped win over support from the Chinese community, the media, and other organizations in Cambodia. Cambodia's subsequent friendly attitude toward China also helped Beijing counter the US claim that China was not a "peace-loving" country, a point which it used to argue that Beijing should not be admitted to the United Nations.[52]

In September 1956, China signed an agreement with the government of Nepal and pledged economic assistance worth $12.7 million. This aid donation followed Nepal's extending diplomatic relations to China the previous year. While establishing formal diplomatic ties no doubt had more to do with regional politics and with China's relations with India than with Taiwan, Beijing nevertheless added another nation to China's list of formal diplomatic supporters and can at least be seen as partly motivated by China's efforts to challenge Taipei in the diplomatic recognition game.[53]

In November 1956, China made a pledge of aid to Indonesia worth $16 million in the form of a moratorium loan to offset the imbalance in trade between the two countries. Since Indonesia had already granted diplomatic recognition to Mao's China (in 1950), this aid donation cannot be seen as linked directly to establishing diplomatic relations, though it may vaguely be seen as gratitude for such. But it was more than that: China at that time sought the support of the Overseas Chinese in Southeast Asia and Indonesia was a critical nation in that regard. It was, and is, the largest nation in Southeast Asia and the number of Overseas Chinese there exceeded their numbers elsewhere in the area; plus there was a strong Communist movement in Indonesia.[54]

The same month, China made a pledge of $4.7 million in aid to Egypt. This aid came shortly after Egypt extended diplomatic recognition. Thus it was generally regarded as an expression of thanks. But Chinese leaders also viewed Egypt as the key to expanding diplomatic relations with other countries in the Middle East where Taiwan had some important diplomatic allies.[55] Clearly Beijing was not wrong in thinking Egypt would help China win diplomatic ties with other countries in the area.

In 1957, China extended gratis aid worth 15.8 million to Ceylon (now called Sri Lanka). This aid similarly came shortly after diplomatic relations

were established, suggesting a connection.[56] The government did not have ties with Taiwan, but for China establishing formal relations with Ceylon helped it expand its contacts in a region where China had few diplomatic partners.[57]

In the 1960s, China engineered the establishment of diplomatic relations with ten more countries that became aid recipients within a year of deciding on establishing formal diplomatic relations with the People's Republic of China. The nations were: (in Africa) The Central African Republic, Congo, Guinea, Ghana, Guinea, Kenya, and Mali; (in Asia) Laos; (in the Middle East) Southern Yemen; (in the Western Hemisphere) Cuba.[58] China's foreign aid was to a considerable degree critical to China's expanding its circle of diplomatic partners at Taiwan's expense.

The details are revealing: in 1964, China extended aid in the form of a credit for $4 million to the government of the Central African Republic very close to the time diplomatic relations were established.[59] China gave the Congo Republic (Brazzaville) an interest-free loan of $5.6 million in July 1964, $25,000 the next month for refugee relief, and another interest-free loan for $20 million in October; the two countries had established diplomatic relations in February.[60] In the case of Guinea, token aid preceded the establishment of diplomatic ties; more substantial aid followed. It seems aid and establishing diplomatic relations were definitely linked.[61] For Ghana the relationship was a bit less clear, as aid came the year after Ghana had extended diplomatic recognition.[62] Beijing extended aid to Kenya in the form of a $2.8 million cash gift and a $15 million interest-free loan in May 1964, five months after diplomatic relations were cemented. [63]China's aid to Mali revealed a direct cause-and-effect relationship not only on recognition, but Mali also openly offering broad support to China on the Taiwan issue and on a number of other matters such as China's nuclear test, the second Afro-Asian Conference, and the United Nations.[64] China might have made even more headway in establishing diplomatic ties in Africa had it not been for the fact that Taiwan was generally popular there and many nations on the continent feared Communism and Mao's efforts to ignite wars of national liberation.[65]

China and Laos set up official diplomatic ties in April 1961, the same month that China first extended foreign aid to Laos.[66] In the case of Southern Yemen or the People's Republic of Yemen, China promised aid just a few months after the government was established in early 1968.[67] Clearly the two were related. China and Cuba established diplomatic ties immediately after Fidel Castro took over the government of Cuba and China pledged aid. China had already extended financial assistance to Castro but more aid followed in the form of goods and a no-interest loan.[68]

In 1970, the violent phase of the Cultural Revolution having ended the previous year, China launched a new aid offensive against Taiwan. This time

China's objective was winning admission to United Nations (and taking the China seat away from Taiwan). Encouraged by recent votes in the General Assembly supporting Beijing's admission, China launched a drive both to win diplomatic relations with more countries and to build support for its bid for membership in the United Nations.[69]

During the period from October 1970 to October 1971, the People's Republic established formal diplomatic relations with the 14 nations mentioned above, resumed ties with Burundi and Tunisia, and upgraded relations with the United Kingdom and Holland to the ambassadorial level. Chinese foreign policy decision makers clearly sought to start a bandwagon effect to generate support to get into the United Nations on its terms and have Taiwan ousted.[70]

Just before China was admitted to the United Nations, Beijing added two more to its list of diplomatic ties, Ethiopia and Chile. Thus a total of 15 nations established diplomatic relations with the People's Republic of China, where there was proximate foreign aid given (as per a list of the dates on which diplomatic relations were established and aid given to all countries where there appears to be a connection).

There is more evidence that China's economic assistance figured very large in its diplomatic offensive against Taiwan. It was Albania that proposed the People's Republic of China be seated in the United Nations to replace Taiwan (or the Republic of China).[71] Albania was one of China's major foreign aid recipients and spoke on Beijing's behalf in the United Nations. Meanwhile China's aid elsewhere garnered results in terms of support for China's admission. Almost all of the nations that China had given aid to either earlier or at this time voted for the Albanian Resolution to admit the People's Republic of China to the United Nations and voted against it being an important question—which required a two-thirds majority.[72]

It is worthy of note that China's total official yearly aid giving increased by somewhere in the range of 15-fold in 1970 over 1969.[73] In 1970, the year before attaining UN membership, China's foreign assistance amounted to 64.9 percent of the aid given by Communist countries that year and most of it was concessionary. It was equivalent to 71.1 percent of all Chinese aid granted to non-Communist countries during the period 1954–69.[74]

The support for Beijing's UN bid might have been even greater had it not been for the fact that Taipei launched a foreign aid program in 1961 that focused on Africa. Called the Vanguard Program, it provided agricultural assistance to countries that might grant diplomatic ties to Taipei or support it in the United Nations. The program was, of course, limited in its effectiveness by the fact that Taiwan did not begin its economic take-off until the mid-1960s.[75] This is not to mention the fact that African nations were

influenced by local leaders, global trends, and a host of other factors in their decisions on which to support: Beijing or Taipei.[76]

In the 1970s, with rapid growth having commenced in the mid-1960s, and, with that, significant trade surpluses annually after 1970, Taiwan began to accumulate a large store of foreign exchange and could thus afford to give more aid.[77] Taiwan was motivated by the same goal as China—enhancing its diplomatic ties while expanding its global influence.[78] Taipei provided economic aid to counter Beijing's aid offensive and focused on African countries, which had the maximum votes.[79] By 1970, Taipei had dispatched technical missions to 32 countries, 22 of which were in Africa.[80] By the end of the decade Taiwan had sent over 2,000 technicians to more than 51 countries, mostly in Africa and Latin America and to countries with which Taipei maintained diplomatic relations.[81] This helped dampen the impact of Beijing's diplomatic offensive. But it was not enough. Serious aid competition between Beijing and Taipei was yet to come.

Using Foreign Aid to Isolate Taiwan, 1972–1999

After 1971, flush with its success in taking the China seat in the United Nations, Beijing engaged in further efforts to isolate Taiwan and force Taipei to accept unification. To the world community, the Taiwan government was now less legitimate; certainly it no longer represented China in international affairs. Taipei was to some degree isolated and the trends did not look good; Taiwan appeared vulnerable to continued efforts by China to delegitimize the Republic of China.

In this milieu China did not need to use economic aid so often or expend so much money to win diplomatic ties. Many nations wanted to abandon their ties with Taiwan and establish official relations with China and did not need to be enticed to do so. It was the thing to do. China's admission to the United Nations prompted a number of countries that were reluctant to do so before to grant diplomatic recognition to Beijing. As a result there was a spate of countries that set up embassies in Beijing at the time or shortly after China entered the United Nations.[82] Still China continued to reward poor countries for establishing diplomatic relations. This made the trend favoring Beijing in the diplomatic war even stronger.

In 1971, 14 countries broke diplomatic relations with Taipei to establish ties with Beijing. Among them five countries did so based upon China offering aid or their immediate expectation of aid as judged by the proximity (meaning within a year) of the two actions. In 1972, 18 nations made the move. In the following three years, two, eight and nine nations respectively granted diplomatic ties to Beijing. A much smaller percentage of these countries had

or did at the time receive Chinese economic aid; but those where there was an aid-diplomatic relations connection are worth mentioning.[83]

Cameroon was one. In August 1972, China signed an agreement with the government of Cameroon to extend foreign aid in the form of an interest-free loan for $73 million repayable over ten years.[84] No mention was made of the use of the funds, though there had been discussions between representatives of the two sides about a dam.[85] The government of Cameroon had broken diplomatic ties with Taipei in 1971 and established relations with Beijing that same year.

China signed an economic and technical cooperation agreement with Nigeria in 1972. It was not clear at the time if China promised aid or not, but three months later Chinese agricultural specialists were observed in country. Shortly after Chinese technicians arrived and the two countries began working jointly on several development projects.[86] China's foreign assistance to Nigeria followed establishing diplomatic relations the year before. Nigeria being the largest country in Africa, it was important to China. Before this China's involvement in the recent civil war there had impeded progress in improving relations.[87] Aid seemed to fix this problem.

Also the next year after establishing diplomatic relations, China extended a $70 million loan to Chile designated to go to small- and medium-sized industries to be used over the next four years and repayable over a ten-year period. A few months later China provided another loan, this time for $12 million for food. It was reported that in 1973 China had provided the government of Chile with more than $100 million in aid.[88] Though the purpose of the aid was seen as mainly related to Beijing's hope to support a budding Communist government there and thereby expand its influence in the region, diplomatic ties constituted a part of China's motivation.[89] The connection was even clearer in the case of Peru. The same year that diplomatic ties were established, China announced that it was providing funds to Peru to build some irrigation projects. There was also speculation that China might, or did, provide some military assistance.[90]

In 1974, Gabon broke diplomatic relations with Taipei and established ties with Beijing. There were reports that China gave Gabon foreign aid at the time, but neither country confirmed this.[91] The same sequence of events occurred with Niger though aid was officially announced; Niger broke with Taipei, established formal diplomatic relations with Beijing, and China granted Niger aid to the tune of $1 million.[92]

In 1975, Mozambique established relations with China (though it had no diplomatic ties with Taipei); at almost the same time it was reported China extended foreign aid to Mozambique, though neither country provided any details.[93] In 1976, four nations recognized China diplomatically; two, Cape Verde and Seychelles, received aid within three to four years.[94]

Through the rest of the decade there were no instances of China's foreign aid being the deciding factor in countries establishing relations with Beijing or dropping ties with Taipei. The reason for this was that Beijing had already attracted most of the developing countries that it could.[95] However, looking at the decade overall it was a victory for China in its diplomatic contest with Taipei and foreign assistance seemed a critical factor. By 1979 (from 1971 to 1979), 46 countries had granted diplomatic recognition to China. The majority of these were aid recipients.[96]

In the late 1980s, when China reduced its foreign aid giving, Taiwan launched another aid offensive to improve its diplomatic status. In 1988, under President Lee Teng-hui (who had become president when Chiang Ching-kuo died in January that year), the Taiwanese government approved a US$1.1 billion fund to promote economic development in Third World countries.[97] In 1989, Taipei set up the Humanitarian Fund for International Disaster Relief with a US$3.8 million annual budget.[98] To keep diplomatic ties with African countries the government created the Africa-Taiwan Economic Forum and the Taiwan International Health Action.[99] Thus, Taiwan got into the aid contest with China in a more serious way. At this time Taipei was also advantaged by China's global reputation being sullied by the Tiananmen Square events and isolationist impulses in China.

Meanwhile Taiwan became a major investor abroad and its foreign investments and its foreign aid in many cases worked in tandem. Taiwan quite effectively used both to facilitate trade and this accrued political results. In the 1980s Taiwan was especially active in Southeast Asia, with investments going to Indonesia, Malaysia, Philippines, and Thailand, amounting to a total of $4.1 billion from 1986 to 1989. Meanwhile trade with these countries grew to $15.9 billion during this period. In 1991, Taiwan became the largest investor in Vietnam, putting $400 million into its economy and for that was allowed to set up an office there to protect its investors and take care of other business.[100]

In 1988, Taiwan adopted a policy to encourage its investors to go to Latin America. This worked though Latin America was less attractive than Southeast Asia. Taiwan combined foreign aid with foreign investments and even helped set up export zones (which China has since done)—trade relations grew substantially.[101]

In 1989, Taipei established diplomatic relations with the Bahamas, Belize, Grenada, and Liberia. Taiwan established ties with Nicaragua in 1990, the Central African Republic (for a second time) and the Solomon Islands in 1991, Niger in 1992, Gambia in 1995, and Senegal in 1996. All received aid from Taiwan.[102] The grants or loans ranged from $50 million (to Guinea Bissau) to $150 million (to Liberia)—overshadowing China's aid, which had totaled $37.4 million.[103] Making aid promises to nations that had diplomatic

ties with and had received aid from China and hoping to get them to switch sides, Taipei even promised to finish any Chinese aid project not completed.[104] From 1988 to 1992, Taiwan also dispersed $100 million in humanitarian disaster relief.[105]

Taipei even extended economic assistance to Communist and former Communist countries. This did not win diplomatic relations; but it did register gains for Taiwan in terms of establishing consulates, trade missions, and other avenues of informal diplomacy. Specifically Taiwan upgraded its relations with Estonia, Latvia, Lithuania, and the Ukraine based on promises of aid.[106] One exception was Latvia, which granted diplomatic recognition to both Beijing and Taipei in 1992, though, it subsequently, in 1994, decided in favor of China.[107]

In May 1997, Taipei established diplomatic relations with Sao Tome, while pledging $30 million in aid over three years. China, which had established diplomatic ties with Sao Tome when it became independent in 1975, immediately broke off relations and suspended its aid program, even asking Sao Tome to repay its $17.2 million debt.[108] In August, Taiwan reestablished diplomatic relations with Chad after a 25-year hiatus. Observers linked Chad's decision to a recent election and the fact Taiwan was a major purchaser of Chad's exports, including $4 million worth of cotton the previous year.[109] No specific mention of aid was made, but the next year Taiwan sent agricultural and medical missions to Chad. At the time a Ministry of Foreign Affairs official in Taipei mentioned that "various cooperative projects" with Chad have been proceeding smoothly.[110] In September, Taiwan gave $90,000 to the government of Liberia when the country broke off relations with Beijing and established ties with Taipei.[111] The next year, Taipei signed an agreement with Liberia to provide technical assistance and agricultural experts and promised to donate 10,000 tons of rice.[112]

China reacted. In 1992, Beijing used its influence to keep Taipei out of a conference in Japan to discuss economic aid to Mongolia. Not long after this Beijing pressured Turkey and Egypt to not accept Taiwan's foreign aid amounting to $2 million and $3 million respectively. China used its own foreign aid offers, arms aid and sales, political pressure, and its United Nations veto to undercut Taipei's aid offers in a number of other cases.[113]

In the meantime Beijing recast its foreign aid program and won some important battles against Taipei. One very important one was South Africa. In late 1996, South Africa announced that it would establish diplomatic relations with China effective January 1, 1998. This was a major setback for Taipei, South Africa being the most important country Taiwan had relations with at the time. In fact, after the loss of South Africa, Taiwan had relations left with only very small or poor, or both, countries.[114]

The context of and the reasons for South Africa's decision were instructive. The post-apartheid South African government did not grant diplomatic recognition to China immediately as some expected. There were several reasons for this. The new ruling African National Congress party wanted to pursue an agenda that included human rights and democracy and this favored keeping relations with Taiwan. The government also hoped to have diplomatic relations with both Beijing and Taipei.[115]

There were other reasons: Taiwan's economic aid to South Africa was important. In 1994, Taiwan's ruling party provided the African National Congress, which was short of funds, $7 million for its election campaign.[116] Taiwan's president Lee Teng-hui subsequently attended Nelson Mandela's inauguration and shortly after that Taipei announced it was earmarking $41 million for aid projects in South Africa.[117] Also it was reported that Taiwan had offered a whopping sum, reported to be $3.5 billion or $8 billion, to build (or rebuild) a petrochemical complex in the impoverished and depressed Eastern Cape area.[118] In addition, at this time Taiwan signed a free-trade agreement with South Africa—the first with a World Trade Organization member.[119] Trade between Taiwan and South Africa was already huge and growing: at the time there were 620 Taiwan trading companies operating in South Africa that employed 45,000 workers and two-way trade was worth $1.7 billion.[120]

But China made a bigger aid offer. Beijing broached a proposal of $18 billion for a "Dragon City" in the north that would create half a million jobs.[121] In addition, offsetting Taiwan's large commercial involvement and trade with South Africa, Hong Kong (which was to return to China in 1997) had a large commercial interest in South Africa. Moreover, South Africa had a fast-growing trade relationship with China.[122] This and China's UN veto and its influence over South Africa's hopes for gaining a seat on the United Nations Security Council were meaningful factors in South Africa's decision.[123]

Taipei, in spite of the shock and the setback, did not respond in anger or cut economic and cultural ties.[124] As a matter of fact, Taiwan made serious efforts to keep friendly and working relations with South Africa and succeeded in doing so.[125] China apparently did not mind, as it did not respond to South Africa's decision in a negative manner.[126]

In early 1998, Guinea Bissau switched recognition back to China in response to a $100 million dollar foreign aid pledge.[127] Taipei responded with a promise to provide more aid to developing nations to "combat Communist China's vigorous efforts to isolate the ROC."[128] In the meantime, however, Taiwan's aid setbacks generated criticism from opposition groups that said its aid had not paid dividends and that some nations were "profiting" from the aid competition between Beijing and Taipei.[129] Clearly Taiwan was

handicapped in its aid war with China due to the fact that its aid had become unpopular at home and its costs and failures were being widely discussed in public.

In November 1998, China established diplomatic ties with Tonga right after it broke off relations with Taipei. It was an important victory for Beijing insofar as Tonga had been regarded as Taipei's most loyal diplomatic ally in the Pacific Islands region. Taiwan was completely caught off guard as it had provided Tonga's king with financial aid, including building a palace, and other gifts, and top leaders from Taiwan had just visited Tonga. It was reported that China promised economic help to Tonga at the time, but it was not announced what the pledge consisted of.[130] It was later said that Princess Pilolevu Tuita of Tonga had made $25 million from her ownership in Tongasat, a satellite business, and that sizeable profits had come from business transactions with China.[131] China had apparently also provided Tonga foreign aid though neither side provided specific information.[132] Offsetting its setback Taipei won the Marshall Islands away from Beijing that year and in early 1999 established ties with Macedonia.[133]

The Macedonia case was especially interesting. In early 1999, the government of Macedonia signed an agreement with Taipei to establish diplomatic relations, becoming the second European country to have formal ties with Taiwan (after Portugal broke off relations 24 years earlier). Macedonia's decision was linked to a promise of economic aid worth, it was reported (though observers found this hard to believe), as much as US$1.6 billion. This figure seemed incredible since it exceeded by a big margin any aid donation Taiwan had ever made or even pledged (excluding the very big mention of aid to South Africa) and was substantially more than its entire aid budget for that year. In any event, the announcement spurred criticism of the government from the opposition parties and the business community, both saying the money would be better spent elsewhere (at home making Taiwan more competitive in world trade, for improving the conditions of Taiwan's poor, etc.).[134] The government defended the decision, though it did not confirm the amount of the aid promised. In any case, Taiwan proceeded to deliver aid to Macedonia. The Foreign Ministry spoke of it making a breakthrough in Europe.[135]

For a number of reasons, events did not proceed as Taiwan hoped. Taiwan was not prepared to give as much aid as was discussed in the media and the government of Macedonia was disappointed. Then the political winds changed domestically in Macedonia and the "Taiwan versus China" issue became one in which the pro-Taiwan officials in Macedonia were at odds with leaders in countries in the rest of Europe.[136] Then China declared it would use its veto on the United Nations Security Council to terminate peacekeepers in Macedonia and, though both Macedonia and Taiwan thought Beijing

would not go through with this threat, it did.[137] (See Volume 3, Chapter 3 for further details.)

Another factor for Macedonia (and other Third World countries) was that at this juncture China was getting back in the aid business (including investments), again big-time. As a result Taiwan's "dollar diplomacy" aid paled in comparison with China's and this happened while the importance of China's trade and access to the China market for developing countries grew exponentially.[138]

Dealing with Chen Shui-bian, 2000–2008

After 2000, China escalated the aid contest with Taipei. The main reason was that Chinese leaders came to intensely dislike Taiwan's new president, Chen Shui-bian, who took office that year. In fact, even before Chen was elected president in March, Chinese leaders had made it plain they did not want him to win. As noted Premier Zhu Rongji publicly warned Taiwan's voters during the last days of the election campaign that they should not vote for "the candidate of independence."[139] Chen was in office only a short time when China adopted a very hostile mien toward the new president.[140]

What was the rub? Chen was vocal in his support for an independent Taiwan and spoke of Taiwan being a sovereign nation. He promised to expand Taiwan's international space (meaning its diplomatic status). The means to do this, he felt, was by seeking relations with other countries as "Taiwan" instead of as the Republic of China. Chen even made a bid for Taiwan to enter the United Nations as a new nation.[141] To Chinese leaders this translated into a global push for independence. Beijing was hence compelled to take prompt and forceful actions against Chen. Foreign assistance was a convenient tool for Beijing.

China's first use of economic assistance to undermine Taiwan's independence came in early 2001, less than a year after Chen Shui-bian became president. The nation targeted was Macedonia. For Beijing this was, in many ways, a good, certainly a very special, test case. In October 1993, China had offered diplomatic recognition to Macedonia using its preferred national name, Macedonia, rather than the name Greece had forced upon it when it joined the United Nations. Soon after this Beijing offered the government of Macedonia a US$83 million loan to build a hydroelectric plant.[142] But, as noted above, Macedonia instead decided to establish formal diplomatic relations with Taiwan in large part because of its aid offers. In short, this was an aid victory for Taipei.

But in mid-2001, Macedonian newly elected president Trajkovski visited China, whereupon he promised to end any and all official ties or exchanges

with Taiwan. President Jiang Zemin, at their meeting, spoke of "promoting continued economic and trade relations" while "carrying out the Chinese government's economic assistance to Macedonia."[143] The change in government in Macedonia and China's continued threat to use its veto in the United Nations Security Council to end UN peacekeeping in Macedonia were also factors.[144] (China used the veto in 1999 to stop ceasefire observers from going to Macedonia because it had diplomatic relations with Taiwan). Macedonian officials may also have felt they needed to have relations with China as all other countries in Europe did except the Vatican.

Anyway, in 2004 and again in 2007, China officially made aid offers to Macedonia. Beijing, however, did not provide information on the 2004 promise; regarding the 2007 pledge it said it was a 2 million Eurodollar grant.[145] Unless there was aid that was not announced China's economic aid pledges to Macedonia were not very meaningful dollar-wise, and Macedonia's decision to establish relations with Beijing seemed based more on the other reasons suggested above. Alternatively Macedonia's expectations regarding China's future financial help were high. In any event, Taiwan's taxpayers lost a reported $150 million in aid that got no results and the Chen administration was duly embarrassed.[146]

If it was unclear whether Macedonia granted diplomatic ties to China mainly for aid, it was not so with Nauru in 2002. Chinese leaders reportedly offered Nauru $130 million in aid, an amount Nauru leaders asked Taipei to match, but Taiwan did not.[147] Taiwan had experienced a serious economic downturn in 2001 and President Chen Shui-bian said Taiwan could not afford it.[148] A Ministry of Foreign Affairs spokesperson at the time declared that Taiwan would not engage in a "bidding war" with China. The context was one of Chen's opposition complaining that Taiwan needed the money at home in view of its poor economy and charges that he was engaging in "dollar diplomacy."[149] The diplomatic defeat was President Chen's second and came embarrassingly just at the time Chen had just assumed the chairmanship of the Democratic Progressive Party.[150]

Subsequently President Chen, humiliated and angry, stated publicly that if China did not respond to Taipei's friendly overtures Taiwan would "go its own way"—suggesting he would pursue more energetically a policy of independence. Not long after this Chen asserted that there was "one country on either side of the Taiwan Strait," which was taken by observers to be a clarion call for Taiwan's independence. Chen even called for a referendum on Taiwan's independence at this time.[151] In any event, Chen's statements seriously angered Beijing, increased tension across the Taiwan Strait, and alarmed the United States inasmuch as Chen's statements ran counter to Washington's one-China policy. In particular, they were seen as dangerously

provocative and unwanted since the United States was deeply involved in conflict in the Middle East.[152]

Nevertheless, Taiwan's diplomatic struggle with China continued. In 2003, Nauru closed its embassy in Beijing amid a dispute between the two countries at that time. Two years later President Chen met Nauruan president Ludwig Scotty; shortly after, the two countries established diplomatic relations. Taiwan apparently promised aid. In 2007, during an election campaign President Scotty's opposition claimed that he had received money from Taiwan to fund the campaign. Later Scotty was replaced as president though relations with Taiwan remained cordial. Taiwan was said to be one of the two main (the other being Australia) aid donors to Nauru.[153] This was a victory for Taipei.

In 2003, China reestablished diplomatic relations with Liberia for the second time. Beijing had broken off relations with Liberia in 1989 after it established ties with Taiwan, ostensibly for aid promised by Taipei to the tune of US$200 million. Beijing set up relations again in 1993, but severed ties in 1997 after President Charles Taylor again established ties with Taipei.[154] Liberia's decision to finally go with Beijing happened for two reasons. One, China had control (through its veto as a permanent member of the United Nations Security Council) over a UN proposal to allocate $250 million for 15,000 UN peacekeepers to be sent to Liberia to stabilize the country. China also sent peacekeepers.[155] In fact, China had sent more peacekeepers to Liberia than any UN Security Council member.[156] Two, China promised economic assistance to Liberia at this time though it did not announce the amount or conditions.[157] Simply promising aid, in view of the fact China had been giving large amounts of foreign aid elsewhere, seemed to be enough. Later, however, China disclosed that it had offered the Liberian government $5.6 million in the form of a free grant for the nation's military and help in energy development, agriculture, manufacturing and infrastructure, plus duty-free status for Liberian exports to China.[158] The amount of aid seemed small, but in combination with tariff benefits and China's diplomatic clout, it worked.

In March 2004, China established diplomatic relations with Dominica at which time its government agreed to Beijing's one-China policy and severed relations with Taiwan. It was reported that Taiwan declined a request by Dominica to give it $58 million in aid.[159] In any case, China offered an aid package worth US$112 million, which was very large given Dominica's small size—amounting to $1,600 per resident.[160] Dominica's shift of diplomatic relations was obviously for economic assistance; Taiwan had offered only $9 million. China's aid, it was reported, was enough to ease the government's cash flow problem. At a formal ceremony opening the Chinese embassy, the president of Dominica said that "the Chinese government's aid to Dominica will bring the country to a fast-developing track."[161]

In reaction a government spokesperson in Taipei stated that China had used "dollar diplomacy" to "squeeze our international space" at a time when Taiwan was busy with a presidential election. Taiwan's foreign minister warned China not to "dwarf" Taiwan in the international community. He went on to say China was doing this at the expense of its people and for the sole purpose of "wiping out the Republic of China." The foreign minister added that China's aid pledge was more than double the $58 million that Dominica had requested from Taiwan and failed to get.[162]

In September 2004, China promised Grenada $40 million in aid to help deal with the damage caused by Hurricane Ivan plus help for the renovation of a hospital and funds for scholarships to use in China.[163] In early 2005, the government of Grenada broke off relations with Taiwan and established formal diplomatic ties with China. Before relations were established Grenada's president Keith Mitchell visited Beijing and said that he hoped China could offer construction aid.[164] Shortly thereafter Grenadian officials announced that China had promised US$100 million in economic help over ten years.[165] The deal represented a major setback for Taipei, since it came on the heels of the Chen administration losing two other countries the previous year. Interestingly, Taiwan's Export-Import Bank sued Grenada in a New York court for $21 million for loans it had given Grenada for several projects including a sports stadium.[166]

In October, Senegal, a key state in Francophone Africa, announced it would establish relations with China and break ties with Taiwan. It was the sixth country to break with Taiwan since Chen Shui-bian became president in 2000. Senegal's decision was especially embarrassing since President Chen had just visited there and had touted the importance of new democracies working together.[167] It also left Taiwan in terms of formal diplomatic ties with only unstable or less important, poor countries in Africa.[168] Senegal's president, Abdoulaye Wade, said that the decision came after a "deep analysis of the global geopolitical situation."[169] It was reported later that China had pledged "an initial $600 million" in foreign aid to Senegal.[170] Taiwan confirmed China's aid, including the amount, saying that China had "bought" Senegal and that Taiwan could not compete with China's "deep pockets."[171]

Meanwhile, in September 2005, President Hu Jintao at a UN General Assembly meeting offered debt forgiveness and duty-free entry to the exports of the world's poor countries—except those with diplomatic ties with Taiwan.[172] This was a major incentive to poor countries with embassies in Taipei to close them and establish official ties with Beijing.

That same year China's legislature passed a bill called the Anti-Succession Law that "legalized" nonpeaceful means to bring about the unification of Taiwan with China if other means failed and if Taiwan resisted for too long

a period of time. The African Union and more than 18 countries that China had rendered foreign aid to extended their support for Beijing's new law.[173] The same dynamic led to Taipei's failure to get the UN General Assembly to put the issue of Taiwan's membership in the UN on agenda. Beijing subsequently thanked African nations for their support.[174]

In August 2006, Chad established diplomatic relations with China, reducing Taiwan's diplomatic partners to 24, with only 5 in Africa.[175] Unspecified aid was mentioned in connection with the deal.[176] It was reported that Chad's government made the decision in return for a promise from China to stop its military aid to rebel forces in the country.[177] China also held sway over a UN vote on a resolution to send peacekeepers to Sudan to deal with the situation in Darfur—which had resulted in 200,000 refugees fleeing into Chad. Finally, a pro-China rebel group in Sudan had invaded Chad and threatened the government.[178] China also promised Chad aid for infrastructure improvement.[179]

Chad's decision, especially its timing (when Taiwan's premier Su Tseng-chang was within hours of arriving in Chad on a state visit), was particularly vexing to Taipei.[180] One Taiwan diplomat remarked that Taiwan "was even losing nations sympathetic to us."[181] Taipei had had good relations with Chad since 1997 and Taiwan's state-owned petroleum company had been awarded a contract to explore prospective oil fields in 2003.[182] There was speculation at this time that China would render financial help to Chad's oil industry, perhaps outbidding Taiwan.[183] Interestingly, even after this, Taiwan's state-owned oil company that had been operating in Chad continued to do so in cooperation with Chinese firms.[184] The evidence was overwhelming that China had won major battles the diplomatic war with Taiwan in Africa in advance of the 2006 China-Africa summit conference (which was to highlight China's diplomatic progress in dealing with the African continent).[185]

In 2006, Taiwan made a bid to establish formal diplomatic relations with Papua New Guinea, but failed in the effort. It is uncertain if Taipei had any hope of wresting the country away from Beijing or not. In any case, the effort turned out to be an embarrassment to Taiwan and especially to President Chen Shui-bian when the two people handling the deal vanished and the Foreign Ministry had to take legal action against them to try to get the funds ($30 million) back.[186]

In June 2007, Costa Rica broke diplomatic relations with Taipei after 63 long years and established ties with China. President Oscar Arias at the time said China was Costa Rica's largest trading partner and his nation wanted to attract investments from China. The next day, he said that Taiwan was stingy. "Considering the few friends they have, they don't treat them very well," he declared. "Without a doubt, we will get more help from China."[187]

Beijing had reportedly offered Costa Rica at least $220 million in aid prior to establishing diplomatic relations and possibly more than $400 million.[188] China's promises were credible, China having shown its largesse toward Costa Rica as a major buyer of Costa Rican products, reportedly purchasing US$1 billion worth of goods in 2006.[189] In any event the aid China promised was soon delivered. China provided $73 million for building a new 40,000 seat national stadium, $21 million to Costa Rica's national emergency fund, and $300 million for the purchase of government bonds.[190]

The loss of diplomatic ties was the eighth since Chen Shui-bian became president. Some observers said it hurt Taipei badly, more than any other diplomatic loss at Beijing's hands. Taiwan had given considerable foreign aid to Costa Rica. Costa Rica had seemed also to favor Taiwan over China due to its concerns about democracy and human rights.[191] This was especially poignant given that Costa Rica was the most democratic country in Central America and its president was the recipient of the Nobel Peace Prize in 1987. Costa Rica's decision, moreover, caused several other Central American countries to consider establishing formal diplomatic ties with Beijing. In short it looked like there may be a snowball effect.[192] In response, President Chen said he could not afford to compete with China's "dollar diplomacy." Some observers saw China's action as getting even for Taipei taking St. Lucia away earlier in the year after a change of government there.[193] Otherwise it seemed simply part of China's "aid offensive" against Chen.

When visiting Honduras in August 2007, President Chen promised the Honduran government a US$5 million loan. He also mentioned Taiwan might help build a US$300 million power plant. Critics in Taiwan said that Chen should not be practicing "checkbook diplomacy" and the money would be better spent helping fruit farmers at home. Chen's spokesperson replied that Taiwan's aid as a percent of its gross domestic product was low, 0.13 percent (well below the UN guideline of 0.7 percent).[194] In any event, Taipei kept relations with Honduras.

In January 2008, Malawi announced it would break diplomatic ties with Taiwan and establish relations with Beijing. Taiwan and Malawi had diplomatic links going back 42 years. Taiwan's foreign minister James Huang flew to Malawi in an attempt to rescue the situation but failed. It was reported that China had offered Malawi a jaw-dropping US$6 billion in aid.[195] Malawi was the fourth African country to break diplomatic relations with Taipei in three years.

A number of countries that China established relations with noted that support for Beijing's one-China principle was its only condition.[196] Some noted that China's main diplomatic objective was to isolate Taiwan.[197] Some specific examples, other than bilateral aid relationships, clearly indicated

China's determination in this regard. China delayed joining Council for Security Cooperation in Asian and the Pacific for three years because of Taiwan's involvement. It boycotted the 2004 Shangri-La security conference because of the presence of a low-level Taiwan delegate.[198] Beijing supported United Nations peacekeeping efforts in order to gain influence over peacekeeping missions and deprive nations that recognize Taipei of peacekeepers. China used free-trade agreement talks with Brazil and Argentina to get them to pressure Paraguay to switch diplomatic recognition to Beijing.[199]

Critics of President Chen renewed charges saying that he had unwisely engaged in dollar diplomacy to preserve Taipei's diplomatic status, some calling it "fool's diplomacy."[200] They asserted that his angering China with calls for Taiwan's legal independence had caused the problem and that he had naively made an issue (a losing one) of how many countries had formal diplomatic ties with Taipei.[201] Chen responded by making a bid to join the World Health Organization and the United Nations as "Taiwan" (instead of the Republic of China). But he failed in both efforts.

Chen's detractors also charged that he had adversely affected the old and deep ties Overseas Chinese communities had with Taiwan. China's foreign aid in some instances caused this to happen, though it occurred in considerable part because Chen's administration promoted local or Taiwanese nationalism, which alienated Chinese in many parts of the world.[202]

At the time the Chen presidency ended in May 2008, it was clear that China had beaten Taiwan in the contest for diplomatic recognition and using aid as an instrument in that battle was decisive. China had more money; Taiwan could not compete. Beijing attracted a host of countries despite their having long-standing ties with Taiwan and despite Taiwan's efforts to promote itself as a democracy.[203] President Chen's efforts to win recognition as Taiwan rather than the Republic of China patently failed.

Conclusions

Beijing won the contest to represent China in the international arena: undermining Taiwan, or the Republic of China, diplomatically; isolating it in global political affairs; and diminishing its nation-state status.[204] China's use of foreign assistance was instrumental in winning these victories; in fact, one may argue that its aid and investments made it happen. During the first period of China's aid giving, Taiwan aid was isolated by China by winning diplomatic ties (and inducing recipients in many cases to break with Taiwan) and acquiring the China seat in the United Nations. In the second period China's aid and investments focused more on enforcing Beijing's one-China policy and using aid to complement military pressure on Taiwan, embarrass

the Lee Teng-hui and Chen Shui-bian administrations, and prevent Taiwan from gaining any acceptance of its legal independence.[205]

China's diplomatic offensive began in the 1950s, but escalated in the 1970s not long before China won admission to the United Nations. It continued after that. From 1971 to 1979 (when the United States broke off relations with Taiwan) Taipei lost diplomatic ties with 46 countries.[206] Taipei's defeats then subsided. During the Lee Teng-hui presidency, Taipei, in considerable measure using economic aid, actually increased the number of nations with which it had formal ties. However, all of the countries of any importance with which Taipei still had ties (Saudi Arabia, South Korea, and South Africa) broke off diplomatic relations and opened embassies in Beijing.[207] During the Chen presidency Taipei lost nine and gained three for a net loss of six. President Chen's efforts to win recognition or join international organizations as Taiwan (suggesting it was an independent nation-state with no ties to China) failed badly.

Currently no important country has diplomatic ties with Taipei. The total population of the countries with which Taiwan has diplomatic ties is just over 1 percent of the total world's population. Half of the countries with formal relations with Taiwan are less than 1 million in population. The ten smallest countries that support Taipei have a total population of less than one million. This includes the smallest member of the UN—the Vatican. The world's two smallest nations (excluding mini-states) are among them. No average sized (by population) country has links with Taiwan diplomatically. No Asian country. No European country, except the Vatican. Only 4 of more than 50 African countries have diplomatic ties with Taipei. Paraguay is the only South American country having formal ties with Taiwan; it is also the largest nation with diplomatic links with Taiwan.

It appears very improbable that Taiwan will reverse this trend. In fact, some opine that Taiwan will not keep sufficient, or even meaningful, support for its continued *de jure* independence. It once had formal diplomatic relations with a large majority of nations of the world; now it has very few diplomatic ties.[208] The latest count is 23 nations having relations with Taiwan. This means that Taiwan has become isolated diplomatically—more than any country in the world, more so even than apartheid-era South Africa.[209]

China defeating Taiwan diplomatically was especially poignant during the Chen Shui-bian period. One might say it marked the end or the conclusion of the Cold War diplomatic sidebar war between Beijing and Taipei. It happened in large measure because of Taiwan's loss of economic clout relative to China, reflected in the foreign aid and investments of both. President Chen for reasons cited above made it final.

Taiwan's defeat in the diplomatic war happened not just in terms of losing diplomatic partners. Taiwan lost its representation in various international

organizations including the most important ones after it lost the United Nations China seat. Some thought this was over by 2000. But China experienced a huge accumulation of foreign exchange at a time when it wanted to further close Taiwan's international space due to the Chen administration's push for independence, and it succeeded.

China's aid efforts subsequently thwarted some of Taipei's efforts to obtain less formal diplomatic ties. In 2002, when Vice President Annette Lu announced that she would shortly visit Bali (one of the islands in Indonesia) China warned the Indonesian government. It responded saying that it knew nothing of the trip and cancelled it. Shortly after this the government of Malaysia announced that ministers from Taiwan were not welcome even on unofficial trips.[210] In 2004, an organization of ethnic Chinese met in Bangkok to oppose Taiwan's independence. Not long after this when President Chen visited Panama, Chinese groups advocating peaceful reunification opposed his visit. The business community in the Philippines, which had long been pro-Taipei, changed—as a product of China's aid and the Chen administration's localization policies.[211] The Chen administration also oversaw the vanishing of Taiwan's long-standing support of the Chinese diaspora in spite of deep connections there.[212] Under President Chen, due to China's growing aid and investment influence in Latin America, Taiwan lost observer status in the Organization of American States.[213]

It is difficult to link definitively all of China's foreign aid donations to its diplomatic war with Taiwan or say how much its cost. It is estimated, however, that Beijing spent in the range of $300 to $350 million directly or indirectly for that purpose during period one of its aid giving. During period two it expended upward from $1.5 billion on what would be defined as foreign aid, plus made $18 to $20 billion in investments, the purchase of local goods and other forms of financial assistance. Taiwan spent less initially and then its aid grew to equal or best China's aid. Probably it spent several hundred million. It spent an additional $100 million on humanitarian aid and $4 to $5 billion in investments that relate to the diplomatic contest. The amount spent favored China, but not by a huge margin until 2000 and after. Then China was advantaged by being able to spend much more. It also had a big market to offer access to developing countries and clout in the United Nations, other international organizations, and elsewhere. Thus China won the game.

Looking forward, even if Taiwan's economy experiences a drastic turnaround and China's economy falters badly (both of these happening seem quite against the odds), China is so much bigger and has such a large foreign exchange position that the imbalance in financial influence in China's favor will not likely change. Nor is it likely Taiwan will find many friends

with whom to establish formal diplomatic ties because Taiwan is a democracy and China is not. Some thought Taiwan had an advantage in this respect. But this perceived advantage on Taiwan's part did not prove very real. China had the "Beijing consensus." Thus from 2000 to 2008 even though Taiwan's president Chen tried very hard to promote democracy as a common bond to keep diplomatic ties, he failed. Taiwan's good human rights record did not matter either. Neither did its anti-Communism; in fact, this didn't mean much in terms of the foreign aid contest. In economic terms China isn't Communist anymore. The underdeveloped countries that were being sought by both Beijing and Taipei were interested in trade and aid; they were not much interested in other things—except that they admired China's economic growth record (as they had earlier admired Taiwan's).

China will also likely be able to keep Taiwan from any meaningful participation in the United Nations and its affiliate organizations. Even the nations that Taiwan has provided aid to have not strongly supported Taipei's bids of late. After 2001, only around half of the countries having diplomatic ties with Taiwan supported its bids for UN participation.[214]

There are, however, some caveats to mention when calling Taiwan's efforts to maintain diplomatic ties a complete defeat. It is not certain how many countries need to give Taipei diplomatic recognition for it to claim statehood. Some say that if it falls to 20, there will be a crisis of confidence in the government in Taiwan.[215] But is this true? There is little or no guidance to be found in international law. At one time Spain had but two countries with which it had diplomatic ties. The Soviet Union had only two early in its history. Taiwan can probably continue to "buy" (some say "rent") some diplomatic ties. It will no doubt be able to attract some countries that have "gone over" to Beijing and become disgruntled with ties to China. Liberia and the Central African Republic have switched multiple times since setting up diplomatic ties with Taiwan in 1957 and 1962, respectively. Eight other African countries have switched one or more times. Several Caribbean and Pacific Islands countries have changed recognition. China will no doubt alienate countries from time to time and they may go to Taipei, especially if they can get an economic reward for it. Taiwan will likely continue to have money to give in aid even though China will be able to give very much more.

There is another important factor to consider in all of this; in fact it is a game changer. It is likely the economic aid contest has ended. After Ma Ying-jeou was elected president in March 2008, cross-strait antipathy diminished and aid competition virtually ended. Ma and his Nationalist Party were very critical of President Chen's "dollar diplomacy" or "checkbook diplomacy"—in other words, his using foreign aid to "buy" or keep diplomatic ties through economic "favors." They contended there was a contradiction in this. It was

necessitated, they said, by Chen antagonizing China. Moreover, they argued, he lost the diplomatic battle with China. Ma thus called for a truce.[216]

In fact, as soon as he became president, Ma sought a rapprochement with China that included an end to the war for diplomatic recognition. Meanwhile China sought more cordial relations with Taiwan and in so doing demonstrated that it wished to end the diplomatic recognition contest.[217] In late 2008, Paraguay, whose new president had earlier said he wanted ties with Beijing, did not pursue this. Some said this was because China did not encourage him to do so (and may have even discouraged him). In 2009, the new government of Panama also said that it wanted to establish relations with China, but China turned down the offer in order not to disrupt warming relations with Taiwan.[218] This seemed to be evidence China wanted a diplomatic truce and that it might cease its efforts to use foreign aid to attract nations away from ties with Taiwan.[219] In mid-2010, President Ma said: "We (meaning Taiwan and China) have developed a tacit agreement we will not steal each other's diplomatic ties."[220]

In early 2009, Taipei issued a white paper on foreign aid that stated that Taiwan would use the Paris Declaration on Aid Effectiveness and the United Nations Millennium Development Goals as guidelines and would work together with the World Trade Organization's Aid for Trade program. Nothing was said about diplomatic relations.[221] This seemed to indicate Taipei intended to keep giving foreign aid but no longer wanted to use aid to "buy" diplomatic relations; in other words it was calling for a truce with China on this matter.

Chinese leaders ostensibly accepted this; it may even be said they even appreciated it. They may reckon that they should not try to completely defeat Taiwan diplomatically as that would make Taiwan desperate and China would, in that case, lose a negotiating tool. There is also no reason for Beijing to try to humiliate or anger Taiwan in this way. China's policy toward Taiwan under Xi Jinping is a soft one, though he has said the Taiwan problem cannot last for too long.[222] Anyway some say that China can restart the game if necessary and may do so if the Democratic Progressive Party regains power and makes a significant push to win international recognition.

Thus the "aid war" has ended and China won. One author attributes China's success in this conflict to its "artful application of checkbook diplomacy."[223] That certainly seems to be the case.

Notes

1 China's Foreign Aid and Investment Diplomacy in Southeast Asia

1. John F. Copper, *China's Foreign Aid: An Instrument of Peking's Foreign Policy* (Lexington, MA: D. C. Heath, 1976), pp. 27–28.
2. Jay Taylor, *China and Southeast Asia: Peking's Relations with Revolutionary Movements* (New York: Praeger, 1974), p. 5.
3. Bernard Fall, *Street without Joy* (Harrisburg, PA: Stackpole, 1961), p. 27, and Robert Shaplen, *The Lost Revolution* (New York: Harper and Row, 1966), p. 69.
4. Taylor, *China and Southeast Asia*, p. 5.
5. J. J. Zasloff, "The Role of the Sanctuary in Insurgency, Communist China's Support for the Vietminh, 1946–1954," Rand Corporation Memorandum RM-4618TR, May 1967, p. 5.
6. Taylor, *China and Southeast Asia,* p. 9 and 13.
7. Copper, *China's Foreign Aid*, p. 28.
8. Chu Hao, "Enduring Ties: Sino-Vietnamese Relations Witness Their 60th Anniversary amid High Hopes," *Beijing Review*, January 14, 2010, p. 14.
9. Taylor, *China and Southeast Asia*, p. 7. Secretary of State Dean Acheson said at the time: "The choice confronting the U.S. is to support the legal governments of Indochina or to face the extension of Communism over the remainder of the continental area of Southeast Asia and possibly westward." See *Pentagon Papers* (New York: Bantam Books, 1962), p. 36.
10. Hao, "Enduring Ties," p. 14. The author contends that the Geneva agreements could not have been reached had it not been for China's aid.
11. Taylor, *China and Southeast Asia*, p. 18.
12. Copper, *China's Foreign Aid*, p. 28.
13. Taylor, *China and Southeast Asia*, p. 19.
14. Copper, *China's Foreign Aid*, p. 29; Taylor, *China and Southeast Asia*, p. 20.
15. Ibid., p. 29.
16. *People's Daily*, February 1, 1961, cited in Copper, *China's Foreign Aid*, p. 29.
17. Copper, *China's Foreign Aid*, pp. 29–30.

18. Melvin Gurtov and Byong-Moo Hwang, *China under Threat: The Politics of Strategy and Diplomacy* (Baltimore, MD: Johns Hopkins University Press, 1980), p. 159–60. The authors note that Chinese aid and support for the National Liberation Front at this time was "modest" as China did not see it as the most important national liberation movement in progress at the time and anyway thought it would ultimately succeed without China's help.
19. Richard M. Bueschel, *Communist China's Air Power* (New York: Praeger, 1968), p. 83.
20. Allen S. Whiting, "How We Almost Went to War with China," *Look*, April 29, 1969, p. 76, cited in Gurtov and Hwang, *China under Threat*, p. 161.
21. Taylor, *China and Southeast Asia*, p. 48.
22. Copper, *China's Foreign Aid*, p. 30.
23. *People's Daily*, November 21, 1979, cited in Allen S. Whiting, "Forecasting Chinese Foreign Policy: IR Theory vs. the Fortune Cookie," in Thomas W. Robinson and David Shambaugh (eds.), *Chinese Foreign Policy: Theory and Practice* (Oxford: Clarendon Press, 1994), pp. 516–17. Also see Hao, "Enduring Ties," p. 14. The author states that the Chinese troops killed of those that remained in Vietnam number in "the thousands."
24. In 1965, US Secretary of Defense Robert McNamara said he feared Chinese intervention if the United States hit really lucrative targets. During that year it was reported the US military did damage amounting to $70 million to North Vietnam, costing the United States $460 million to do it. See Phillip B. Davidson, *Vietnam at War—the History: 1946–1975* (Novato, CA: Presidio Press, 1988), p. 389.
25. Ibid., p. 517.
26. See John Franklin Copper, "China's Foreign Aid in 1976," *Current Scene*, p. 20.
27. Nayan Chanda, *Brother Enemy: The War after the War* (New York: Harcourt Brace Jovanovich, 1986), p. 17. See the section on Cambodia for details on China's $1 billion dollar aid donation.
28. See Henry Kissinger, *On China* (New York: Penguin, 2011), p. 345.
29. Francois Nivolon, "Vietnam on the Aid Trail," December 9, 1977. The author cites the higher figure. This writer feels that was too high. See Copper, "China's Foreign Aid in 1977," p. 25.
30. *New York Times*, June 26, 1977, cited in Copper, *China's Foreign Aid in 1978*, Occasional Papers/Reprints Series in Contemporary Asian Studies, University of Maryland School of Law, Number 6–1979, p. 25.
31. Copper, "China's Foreign Aid in 1976," p. 25.
32. Kissinger states that China terminated its aid in 1976 and ended deliveries the next year. See Kissinger, *On China*, p. 347.
33. Alexander Vuving, "Tradition and Modern Sino-Vietnam Relations," in Anthony Reid and Zheng Yangwen (eds.), *Negotiating Asymmetry: China's Place in Asia* (Singapore: National University of Singapore Press, 2009), p. 9.
34. Suisheng Zhao, "The Making of China's Periphery Policy," in Suisheng Zhao (ed.), *Chinese Foreign Policy: Pragmatism and Strategic Behavior* (Armonk, NY: M. E. Sharpe, 2004), p. 220.

35. A wall poster was observed in Beijing at this time saying: "While people were begging in the streets in some parts of China, the dictator of our country distributed Chinese money to his fellow dictators in Vietnam and Albania." "Quarterly Chronicle and Documentation," *China Quarterly*, January 1978, p. 187, citing a French news agency report of December 1978. See also Copper, *China's Foreign Aid in 1978*, p. 1.
36. Copper, *China's Foreign Aid*, p. 24.
37. Pobzeb Vang, *Five Principles of Chinese Foreign Policies* (Bloomington, IN: Author House, 2008), p. 216. The author cites the following sources: "The Truth about Vietnam-China Relations over the Last Thirty Years, *Chinese Law and Government*, Spring 1983, pp. 33–93; "Facts about Sino-Vietnamese Relations: *Beijing Review*, December 7, 1979, p. 23; *China News Analysis*, April 25, 1980; *Washington Post*, May 17, 1989, p. 31. Another writer also cites this figure; see Chanda, *Brother Enemy*, p. 260 and 325. China also stated that it spent $600 million on homes, jobs, and education for refugees from Vietnam. See "Cooperation between UN and China," *Beijing Review*, October 21, 1985, p. 19. Also see Xinhua, May 26, 1980, cited in Copper, *China's Foreign Aid in 1979–80,* p. 6. The figure of $20 billion in total aid to Vietnam was confirmed recently by a Chinese source; see Hao, "Enduring Ties," p. 14. The author states that 20,000 experts and advisors were sent to Vietnam and "thousands" of Chinese soldiers perished on the battlefields in Vietnam.
38. Xinhua, May 26, 1980 cited in *FBIS*, May 27, 1980, p. 13.
39. Putting this in perspective, according to the Congressional Research Service, the United States spent $686 billion on the Vietnam War in 2008 dollars. See "Iraq War's Price Tag Nears Vietnam's," CBS News, July 25, 2008 (online at cbsnews.com). Given this estimate it would appear that the amount China paid for the war cited here is not inflated.
40. It is interesting to note that China reportedly promised Vietnam $2 billion to agree to China's plans for Cambodia. See Michael Haas, *Genocide by Proxy: Cambodian Pawn on a Superpower Chessboard* (New York: Praeger,1991), p. 249.
41. See Hao, "Enduring Ties," p. 14. The author describes this agreement as the final chapter of border disputes in the area.
42. See Bronson Percival, *The Dragon Looks South: China and Southeast Asia in the New Century* (Westport, CT: Praeger, 2007), pp. 43–45.
43. See Hao, "Enduring Ties," p. 14.
44. Percival, *The Dragon Looks South*, p. 45.
45. "Vietnam-China Relationship Unceasingly Developed," Ministry of Foreign Affairs, online at www.mofa.gov.vn) viewed December 27, 2008.
46. David Shambaugh, "China Engages Asia, Reshaping the Regional Order," *International Security*, Winter 2004/05, p. 81, cited in Percival, *The Dragon Looks South*, p. 45.
47. "Vietnam to Borrow Nearly 200 Million U.S. Dollars from China: Report," *People's Daily Online*, October 30, 2005 (online at http://english.people.com.cn).
48. Thomas Lum, Wayne M. Morrison, and Bruce Vaughn, "China's 'Soft Power' in Southeast Asia," Congressional Research Service, January 4, 2008, p. 7.

49. Roger Mitton, "Beijing Refuses Aid to Hanoi after Rebuff over Taiwan," *Straits Times*, December 22, 2006.
50. Hao, "Enduring Ties," p. 14.
51. Ibid.
52. Ian Storey, "China's 'Charm Offensive' Loses Momentum in Southeast Asia (Part I)," *China Brief*, April 29, 2010.
53. Dennis C. McCornac, "Vietnam's Relations with China: A Delicate Balancing Act," China Research Center, August 1, 2011 (online at chinacenter.net).
54. Ibid.
55. Pham Nuyen, "Adjusting Imports to Ease Reliance on China," Vietnam Net Bridge, January 24, 2011, cited in James Bellacqua, "The China Factor in U.S.-Vietnam Relations," China Strategic Issues Group, March 2012 (online at cna.org).
56. Adam Forde, "Vietnam in 2011: Questions of Domestic Sovereignty," *Asian Survey*, January/February 2012, p. 179.
57. "Vietnam Outbound Investment Tops $10.8 Bln," *Business Times*, January 2, 2012 (online at businesstimes.com.sg).
58. "Interview: Chinese VP's Visit to Vietnam to Boost Bilateral Ties: Ambassador," Xinhua, December 20, 2011 (online at xinhuanet.com). The trade increase figure was for the first 11 months compared to a similar period the previous year.
59. "Vietnam, China Strengthen Comprehensive Strategic Partnership," TalkVietnam, December 13, 2011 (online at talkvietnam.com).
60. "Territorial Rows No Obstacle to Chinese Internet Companies In Vietnam," *Forbes*, January 14, 2013 (online at forbes.com).
61. This seems to refute realist theory since Vietnam, as well as Mongolia, South Korea, and Taiwan that were all seriously threatened by China's rise had drawn closer to China. See Steve Chan, *Looking for Balance: China, the United States, and Power Balancing in East Asia* (Stanford, CA: Stanford University Press, 2012), p. 82.
62. "Hot Oil on Troubled Waters" *Economist*, May 17, 2014, p. 38.
63. Dingding Chen, "China's Deployment of Oil Rig Is Not a Mistake," *The Diplomat,* May 20, 2014 (online at thediplomat.org).
64. "Vietnam's Economy Is Much Dependent on China, Legislator Warns," *Tuoi Tre News*, May 31, 2014 (online at tuoitrenews.com).
65. "Hot Oil on Troubled Waters."
66. "The Perils of Candour," *Economist*, June 7, 2014, p. 48.
67. Khang Vu, "What Awaits Vietnam in 2015," *The Diplomat*, January 16, 2015 (online at thediplomat.org).
68. "As Standoff over Rig Deepens, Vietnam's China Dependent Factories Worry; Suppliers Stay Away," Fox News, June 3, 2014 (online at foxnews.com).
69. Some countries, including the United States, still refer to Myanmar as Burma since the name change was made by the military government that the United States opposed.
70. Xinhua, December 2, 1954, cited in Copper, *China's Foreign Aid*, p. 55.
71. David I. Steinberg, *Burma: A Socialist Nation in Southeast Asia* (Boulder, CO: Westview Press, 1982), p. 123. Nationalist Chinese controlled areas in northern Burma in alliance with local warlords and drug people.

72. Xinhua, January 9, 1958, cited in Copper, *China's Foreign Aid*, p. 56.
73. Copper, *China's Foreign Aid*, p. 56.
74. Ibid.
75. Sidney Klein, *Politics versus Economics: The Foreign Trade and Aid Policies of China* (Hong Kong: International Studies Group, 1968), p. 152.
76. *Peking Review*, January 13, 1961, cited in Copper, *China's Foreign Aid*, p. 56.
77. Ibid., p. 56. Also see Maung Maung Than Tin, "Myanmar and China: A Special Relationship?" *Southeast Asian Affairs,* 2003, pp. 191. Tin calls the agreement a goodwill gesture after the border agreement and the treaty.
78. Copper, *China's Foreign Aid*, p. 57; Steinberg, *Burma*, p. 123. The context was also a military coup that year.
79. For a list of projects begun, suspended, and restarted at this time, see Wolfgang Bartke, *China's Economic Aid* (New York: Holmes and Meier, 1975), pp. 90–91.
80. For details, see Carolyn Wakeman and San San Tin, *No Time for Dreams: Living in Burma under Military Rule* (Lanham, MD: Rowman and Littlefield, 2009), p. 31. An alternative or partial explanation for what happened is that Burma's military leader, Ne Win, needed an enemy in the context of growing domestic political instability. See Steinberg, *Burma*, p. 123.
81. Tin, "Myanmar and China," p. 192.
82. Copper, *China's Foreign Aid*, p. 58, and Tin, "Myanmar and China," p. 193.
83. Ibid.
84. Tin, "Myanmar and China," p. 193.
85. Xinhua, March 9, 1978, cited in Copper, *China's Foreign Aid in 1978*, p. 19.
86. Rangoon Radio, May 8, 1978, cited in Copper, *China's Foreign Aid in 1978,* p. 19.
87. William L. Scully and Frank N. Trager, "Burma 1979: Reversing the Trend," *Asian Survey,* February 1980, pp. 170–71, and *Asia Yearbook 1981*, p. 149. Both are cited in Copper, *China's Foreign Aid in 1979–80*, p. 19. The former source cites the larger amount.
88. See Josef Silverstein, "Burma in 1980: An Uncertain Balance Sheet," *Asian Survey,* February 1981, pp. 212–22.
89. Robert O. Tilman, "Burma in 1986: The Process of Involution Continues," *Asian Survey*, February 1987, p. 261.
90. John Badgley and James F. Guyot, "Myanmar in 1989: Tatmadaw V," *Asian Survey,* February 1990, p. 193.
91. It was said that China was "one of the few states still providing new foreign economic assistance programs to Myanmar and is the major supporter of the Burmese military." See David I. Steinberg, "Myanmar in 1991: The Miasma in Burma," *Asian Survey*, p. 151.
92. One writer reported seeing 200 trucks a day cross the China-Myanmar border, some carrying goods going to Singapore. See Badgley and Guyot, "Myanmar in 1989," p. 194.
93. Tin, "Myanmar and China," p. 199. Author's data come from the *Selected Monthly Economic Indicators* (Yangon: Central Statistical Organization, various issues).

94. Tin "Myanmar and China," p. 200.
95. Hong Zhao, "China and India: Competing for Good Relations with Myanmar," *Journal of East Asian Affairs*, Spring/Summer 2008, p. 180.
96. Daniel L. Byman and Roger Cliff, *China's Arms Sales: Motivations and Implications* (Santa Monica, CA: Rand Corporation, 1999), p. 19.
97. Ibid., pp. 20–21. The authors also mention that Myanmar considered the price of Chinese weapons reasonable and would not buy Russian weapons because of Russia's close relationship with India and its selling weapons to India. Western nations refused to sell Myanmar weapons.
98. Zhao, "China and India," p. 181.
99. Byman and Cliff, *China's Arms Sales*, p. 20.
100. *Jane's Defense Weekly,* December 3, 1994, cited in Tin, "Myanmar and China," p. 197.
101. Kent E. Calder, *Asia's Deadly Triangle: How Arms, Energy and Growth Threaten to Destabilize Asia-Pacific* (London: Nicholas Brealey, 1997), p. 105.
102. It is worth noting that Li's words were taken in part from the Bangkok Declaration that followed a meeting in Thailand's capital in March and April 1993 during which time China put forth the idea that human rights conditions had to be seen in the context of the history and culture of any nation. Many Asian and Third World countries supported this. For details, see John F. Copper and Ta-ling Lee, *Coping with a Bad Global Image: Human Rights in the People's Republic of China, 1993–1994* (Lanham, MD: University Press of America, 1997), pp. 170–71.
103. Tin, "Myanmar and China," p. 195.
104. John Badgly, "Myanmar in 1993: A Watershed Year," *Asian Survey*, 1994, p. 154 and 158.
105. Donald M. Seekins, "Burma in 1998: Little to Celebrate," *Asian Survey*, 1999, p. 18.
106. Maung Maung Than Tin, "Myanmar (Burma) in 2000: More of the Same," *Asian Survey*, 2001 p. 154. It is assumed this was a new loan, though no conditions were cited. The plant was to be built by a Chinese company in Yunnan Province.
107. Zhao, "China and India," pp. 181–82.
108. Lum et al., "China's 'Soft Power' in Southeast Asia," p. 6.
109. Lyall Breckon, "China Caps a Year of Gains," *Comparative Connections*, January 2003, cited in Robert G. Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War* (Lanham, MD: Rowman and Littlefield, 2010), p. 269.
110. Jared Gesner, "China's Role in the World: The China-Burma Relationship," U.S. Economic and Security Review Commission, August 3, 2006. (This is from testimony provided by the author. He noted that perhaps the funds were not delivered.)
111. "Southeast Asia's Disputed Waters: Oil Claims Trigger New Maritime Spat," IISS Strategic Comments, December 2008 (online at www.iiss.org/stratcom).
112. Jeffrey York, "The Junta's Enablers," *International News*, October 6, 2007 cited in Lum et al., "China's 'Soft Power' in Southeast Asia," p. 6.

113. See "Myanmar's Pipeline Politics," *Economist Intelligence Unit Views Wire,* May 23, 2007, cited in Jalal Alamgir, "Myanmar's Foreign Trade and Its Political Consequences," *Asian Survey*, November-December 2008, p. 981.
114. It has been reported that the number of Chinese in Myanmar has increased by tens of thousands. See Donald M. Seekins, "Burma in 1999: A Slim Hope," *Asian Survey,* 2000, p. 21.
115. By 2002, bilateral trade had annually exceeded $600 million with 80 percent of it Chinese exports. See Allen L. Clark, "Burma in 2002: A Year of Transition," *Asian Survey*, 2003, p. 154. Also see Mary P Callahan, "Myanmar in 1994: New Dragon or Still Dragging," *Asian Survey,* 1995, p. 206. The author notes that factories in Myanmar were running at less than 40 percent of capacity because of Chinese competition.
116. Jim Webb, "We Can't Afford to Ignore Myanmar," *New York Times*, August 26, 2009 (online at nyt.com).
117. Wai Moe, "China-Burma Pipeline Work to Start in September," Irrawaddy Online, June 16, 2009 (online at irrawaddy.org).
118. Webb, "We Can't Afford to Ignore Myanmar." The author cites Earth Rights International.
119. "Chinese Investment in Myanmar Tops $8 Billion This Year," Reuters, August 18, 2010.
120. Ibid.
121. Sean Turnell, "Myanmar in 2011: Confounding Expectations," *Asian Survey*, January/February 2012, pp. 159–60.
122. Daniel Ten Kate," Myanmar Seeks 'Win-Win-Win' in Balancing US-China Competition," Bloomberg, December 4, 2011 (online at bloomberg.com); "Chinese Premier Wen to Visit Myanmar, Sources Say," Reuters, December 13, 2011 (online at reuters.com).
123. "China, Myanmar reaffirm ties amid US diplomatic move," CNN, December 1, 2011 (online at cnn.com); "China's Dominance in Myanmar," Business Live, December 2, 2011 (online at businesslive.co.za).
124. Tin Maung Maung Than, "Myanmar in 2013: At the Halfway Mark," *Asian Survey*, January/February 2014, p. 25.
125. Thomas Fuller, "Resentment of China Spreading in Myanmar," *New York Times*, May 19, 2014 (online at nyt.com).
126. Adam Pasick, "China's Cancelled Burma Railway Is Its Latest Derailment in Southeast Asia," Quartz, July 25, 2014 (online at qz.com). However, it was not certain if the project were to be cancelled; some opined that it might be put back on track and the disagreement was mainly over the memorandum of understanding that started the negotiations. See Yun Sen, "China, Myanmar: Stop That Train," *Asia Times,* August 14, 2014 (online at atimes.com).
127. "Latest News and Analysis," Network Myanmar (no date given), (online at networkmyanmar.org). The report cites an article published in July 2013 by the Ash Center at the Harvard Kennedy School suggesting that China had imported $8 billion annually in jade and other precious stones constituting a major foreign exchange earner for Myanmar.

128. Josh Gerstein, "Barack Obama returns to Myanmar amid Fading Reform Hopes," Politico, November 12, 2014 (online at politico.com).
129. At the time of President Obama's visit to Myanmar in November 2014, the US government reported that it had provided $225 million in aid to Burma from 2012 to 2013 and an additional $150 million in fiscal year 2014. "FACT SHEET: U.S. Assistance to Burma," The White House, November 13, 2014 (online at whitehouse.gov). US companies were investing in Burma at the time, but not in large amounts. China's loans and investments far outclassed those from the United States.
130. Xinhua, June 22, 1956, cited in Copper, *China's Foreign Aid*, p. 46.
131. Thomas Fitzsimmons, *Cambodia: Its People, Its Society, Its Culture* (New Haven, CT: HRAF Press, 1959), p. 235, cited in Copper, *China's Foreign Aid*, p. 46.
132. Copper, *China's Foreign Aid*, p. 46.
133. Alain-Gerard Marsot, "China's Aid to Cambodia," *Pacific Affairs*, Summer 1969, pp. 190–92.
134. Xinhua, August 24, 1958, cited in Copper, *China's Foreign Aid*, p. 46.
135. Ibid., p. 47.
136. See Bartke, *China's Economic Aid*, p. 96. The author cites the smaller amount, quoting from Dr. Krug (ed.), *Handbook der ntwicklungshife, Nomo's Baden-Baden.* "Communist China's Economic Aid to Other Countries," U.S. State Department, Intelligence Information Brief #375, February 20, 1951 provides the other figure.
137. Copper, *China's Foreign Aid*, p. 47.
138. Ibid., pp. 47–48.
139. Ibid., p. 48.
140. A plywood factory built with Chinese aid failed to produce a useable product due to poor glue. See P. H. M. Jones, "Cambodia's New Factories," *Far Eastern Economic Review,* May 9, 1963, cited in Copper, *China's Foreign Aid*, p. 47
141. Copper, *China's Foreign Aid*, p. 47. China built the strongest radio station in Southeast Asia in Cambodia using its aid funds.
142. Bartke, *China's Economic Aid,* p. 95.
143. *Peking Review*, May 6, 1966, cited in Copper, *China's Foreign Aid*, p. 48.
144. Copper, *China's Foreign Aid*, p. 48.
145. Bartke, *China's Economic Aid*, p. 96.
146. See Bartke, *China's Economic Aid*, p. 96. The author argues that China had carried out projects in Khmer Rouge controlled areas, even though China's loyalty was to the Sihanouk government and provided aid to it while in exile in China. The Khmer Rouge was at that time closer to the Soviet Union and North Vietnam than China.
147. Bartke, *China's Economic Aid*, p. 96.
148. *La Monde*, September 13, 1975, cited in Copper, *China's Foreign Aid*, p. 151. Also see David P. Chandler, *Brother Number One: A Political Biography of Pol Pot* (Boulder, CO: Westview Press, 1992), p. 111.
149. Robert G. Sutter, *Chinese Foreign Policy after the Cultural Revolution, 1966–1977* (Boulder, CO: Westview Press, 1987), pp. 56–57.

150. FBIS, August 28 and October 22, 1976, cited in Copper, "China's Foreign Aid in 1976," p. 20.
151. *Asia 1977 Yearbook*, p. 143, cited in Copper, China's Foreign Aid in 1976," p. 20.
152. FBIS, December 23, 1976, cited in Copper, "China's Foreign Aid in 1976," p. 20.
153. Chandler, *Brother Number One*, pp. 140–41.
154. Copper, "China's Foreign Aid in 1977," p. 24.
155. *Bangkok Post*, July 25, 1977, cited in ibid.
156. Karl D. Jackson, "Cambodia 1977: Gone to Pot," *Asian Survey*, January 1978, p. 86.
157. Phnom Penh Radio, July 7, 1978, cited in Copper, *China's Foreign Aid in 1978*, p. 13.
158. Ibid., pp. 151–52.
159. Nayan Chanda, "Cambodia's Cry for Help," *Far Eastern Economic Review*, August 11, 1978, p. 13, cited in Copper, *China's Foreign Aid in 1978*, p. 13.
160. Chandler, *Brother Number One*, p. 161.
161. Hanoi Radio, February 21, 1978 translated by FBIS, February 22, 1978, cited in Copper, *China's Foreign Aid in 1978,* p. 13.
162. Kessing's Contemporary Archives, October 27, 1978, cited in Copper, *China's Foreign Aid in 1978*, p. 13.
163. Facts on File, June 30, 1978, cited in Copper, *China's Foreign aid in 1978,* p. 13.
164. Nayan Chanda, "A Dry Season Infiltration," *Far Eastern Economic Review*, November 3, 1978, p. 15 and CBS News, November 9, 1978, both cited in Copper, *China's Foreign Aid in 1978,* p. 14.
165. "Intelligence," *Far Eastern Economic Review*, November 17, 1978, p. 5, cited in Copper, *China's Foreign Aid in 1978,* p. 14.
166. Some of the United Nations' aid was provided by China. In 1980, China donated $1.17 million to the U.N. Conference on Aiding Kampuchean People. See "Quarterly Chronicle and Documentation," *China Quarterly*, cited in Copper, *China's Foreign Aid in 1979–80*, p. 42.
167. *National Review*, April 13, 1979, p. 466, cited in Copper, *China's Foreign Aid in 1979–80*, p. 10. According to one writer, it made it possible for them to eventually oust the Vietnamese occupation a decade later. See Michael Vickery, *Cambodia, 1975–1982* (Boston, MA: South End Press, 1984), p. 247.
168. See Michael Lifer, "Kampuchea in 1980: The Politics of Attrition," *Asian Survey,* 1981, p. 94, and Timothy Carney, "Kampuchea in 1981: Fragile Stalemate," *Asian Survey*, January 1982, p. 89.
169. Garver, *Foreign Relations of the People's Republic of China*, p. 171.
170. *Kessing's Contemporary Archives 1979*, cited in Copper, *China's Foreign Aid in 1979–80*, p. 9.
171. *Asia Yearbook 1981*, p. 168, cited in Copper, *China's Foreign Aid in 1979–80*, p. 9.
172. See Justus M. Van der Kroef, "Cambodia in 1990: The Elusive Peace" *Asian Survey,* January 1991 p. 101, and Fredrick Z. Brown, "Cambodia in 1991: An Uncertain Peace," *Asian Survey*, January 1992, pp. 88–96.

173. Pierre P. Laze, "Cambodia in 1996: Of Tigers, Crocodiles, and Doves," *Asian Survey*, January 1997, pp. 70–71. New aid donations were not provided or were not announced, save a $1 million "package" of military aid in 1996.
174. Sutter, *Chinese Foreign Relations*, p. 264.
175. Percival, *The Dragon Looks South*, p. 41.
176. Judy Lidgerwood and Kheang Un, "Cambodia in 2002: Decentralization and Its Effects on Party Politics, *Asian Survey*, January/February 2003, p.119.
177. Ibid., p. 117.
178. Lyall Breckon, "China Caps a Year of Gains," *Comparative Connections*, January 2003, cited in Sutter, *Chinese Foreign Relations*, p. 269.
179. Ibid, p. 161. David Fullbrook, "China's Growing influence in Cambodia," *Asia Times,* October 6, 2006 (online at atimes.com).
180. The ASEAN-China Free Trade Agreement was proposed in 2000 and a formal agreement was signed in Phnom Penh in 2002.
181. Thomas Lum, Christopher M. Blanchard, Nicolas Cook, Kerry Tombaugh, Susan B. Epstein, Shirley A. Kan, Michael F. Martin, Wayne M. Morrison, Dick Nanto, Jim Nichol, Jeremy M. Sharp, Mark P. Sullivan, and Bruce Vaughn and Thomas Coipuram Jr. "Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World," *Congressional Research Service*, August 15, 2008, p. 38.
182. David Fullbrook, "China's Growing Influence in Cambodia," *Asia Times,* October 6, 2006 (online at atimes.com).
183. William R. Liddle and Saiful Mujani, "Cambodia in 2005: A New Multiparty Presidential Democracy," *Asian Survey*, January/February 2006, p. 161.
184. "China Gives Cambodia $600 Million in Aid," BBC News, April 6, 2006 (online at news.bbc.co.uk/2/hi/asia-pacific/4890400.stm).
185. "Cambodian Gov't Pins Aid Hopes on China," *People's Daily Online,* October 17, 2008 (online at english.people.com.cn/90776/90883/6516822.pdf). The article cites a report from the Cambodian Ministry of Finance reported in the *Phnom Penh Post*.
186. Caroline Hughes, "Cambodia in 2007: Development and Dispossession," *Asian Survey*, January/February 2008, p. 72.
187. Lum et al., "China's 'Soft Power' in Southeast Asia," p. 6.
188. "Cambodia: Hydropower Projects Lack Transparency, Could Displace Thousands," International Rivers, August 27, 2008 (online at internationalrivers.org). It is uncertain how much of this has been or will be delivered. Another source puts China's aid to Cambodia from 2007 to 2009 at $236 million. See *Country Report: Cambodia,* Economist Intelligence Unit, September 2007.
189. Brendan Brady, "Deported Uighurs Highlight China's Ties to Cambodia," *World Politics Review*, January 4, 2010 (online at worldpoliticsreview.com).
190. Ibid.
191. Officials in both China and Cambodia denied there was any connection between the aid and the expulsion of the Uighurs. Others saw a connection

since the aid followed within days. See Robert Carmichael, "Cambodia Wins Chinese Military Aid," Australian Network News, January 3, 2010 (online at australiannetworknews.com).
192. "U.S. Cuts Military Aid to Cambodia for Deporting Uyghurs to China," Associated Press, April 2, 2010 (online at breibart.com).
193. Carmichael, "Cambodia wins Chinese Military Aid."
194. "Cambodia, China Announce $12.6 Billion Deal," Agency France Presse, November 10, 2010.
195. David Chandler, "Cambodia in 2009: Plus C'est la meme Chose," *Asian Survey*, January/February 2010, p. 228.
196. "China and Foreign Aid," *Business Mirror*, July 12, 2010.
197. Chandler, "Cambodia in 2009," p. 230.
198. V. Cheth, "Cambodia Aims for 6 Percent Growth with Donor Help," World Press.com, June 1, 2010 (online at www.worldpress.com).
199. Joshua Kurlantzick, "South China Sea: From Bad to Worse," Expert Brief (Council on Foreign Relations), July 24, 2012 (online at cfr.org).
200. "China Pledges USD70m Aid to Cambodia," Asia News Network, April 1, 2012 (online at asiafront.com).
201. Huang Jinging, "Foreign Aid Triggers Controversy," The 4th Media, December 5, 2011 (online at 4thmedia.org).
202. Prak Chan Thul and Martin Petty, "Analysis: China's Sway over Cambodia Tests Southeast Asian Unity," *Chicago Tribune*, August 12, 2010 (online at chicagotribune.com).
203. "Chinese Checkers," *Economist*, July 21, 2012, pp. 35–36.
204. "China's Aid Contributes Greatly to Cambodia's Economic Growth," *China Daily*, February 2, 2012 (online at chinadaily.com).
205. Zsombar Peter and Khuon Narim, "China Gives 523m, Thanks Cambodia for ASEAN Help," *Cambodia Daily*, April 2, 2012 cited in Kheang Un, "Cambodia in 2012: Beyond the Crossroads?" *Asian Survey*, January/February 2013, p. 148.
206. Un, "Cambodia in 2012," p. l48.
207. "China's Economic Footprint Grows in Cambodia," Aljezeera, July 26, 2013 (online at aljezeera.com).
208. "China Pledges Multimilion-Dollar Development Aid to Cambodia," Radio Free Asia, November 10, 2014 (online at rfa.com).
209. Phoak Kung, "Cambodia-China Relations: Overcoming the Trust Deficit," The Diplomat, October 7, 2014 (online at thediplomat.org).
210. "Cambodia's Hun Sen Slams U.S. Threats over Aid," *Wall Street Journal*, August 3, 2013 (online at wsj.com).
211. Copper, *China's Foreign Aid*, p. 58.
212. *Peking Review,* April 28, 1961, cited in Copper, *China's Foreign Aid*, p. 58.
213. Bartke, *China's Economic Aid*, p. 126.
214. Copper, *China's Foreign Aid*, p. 59.
215. Ibid.
216. Kissinger, *On China*, p. 344.

217. *New York Times*, January 14, 1973, cited in Copper, *China's Foreign Aid,* p. 60. It was also reported that the road was finished and extended from China's border to the Mekong River. See *Bangkok Radio,* November 24, 1972, cited in Bartke, *China's Economic Aid*, p. 127.
218. Ibid., p. 60.
219. Ibid.
220. Copper, "China's Foreign Aid in 1977," p. 25.
221. *FBIS*, May 9 and 11 and June 12, 1977, cited in ibid.
222. Geoffrey C. Gunn, "Laos in 1990: Winds of Change," *Asian Survey*, January 1991, pp. 91–92. China's economic help to Laos at this time was not specified whether it was aid or investments; it was probably both. It is also worth noting that relations had begun to change in 1988, though 1990 seems to have been a turning point—though it was influenced by a change in Sino-Vietnamese relations.
223. Stephen T. Johnson, "Laos in 1992: Succession and Consolidation," *Asian Survey*, January 1993, p. 81.
224. Yves Bourdet, "Laos in 1997: Into ASEAN," *Asian Survey*, 1994, p. 79.
225. Yves Bourdet, "Laos in 2000: The Economics of Political Immobilism," Asian *Survey,* January/February 2001, p. 169.
226. "China, Laos Cooperation Set to Further Prosper: Lao Official," Xinhua News Agency, May 12, 2002, cited in Ian Storey, "China and Vietnam's Tug of War over Laos," *China Brief* (Jamestown Foundation), June 7, 2005.
227. Qian Xiaofeng, "China's Aid Flows Downstream to Laos," IPS Asia-Pacific/ Probe Media Foundation, (online at newsmekong.org/china_s_aid_flows_ downstream_to_laos). The copyright date is 2005; no month or date is given.
228. "Laos-China Trade down This Year," *Vientiane Times*, October 1, 2004 (cited in Storey, "China and Vietnam's Tug of War over Laos."
229. Joshua Kurlantzick, "China's Charm: Implications of Chinese Soft Power," Carnegie Endowment Policy Brief No. 47 (June 2006).
230. Percival, *The Dragon Looks South*, p. 42.
231. Lyell Beckon, "China Caps a Year of Gains," *Comparative Connections*, January 2003, cited in Sutter, *Chinese Foreign Relations*, p. 269.
232. Geoffrey C. Gunn, "Laos in 2006: Changing of the Guard," *Asian Survey*, January/February 2007, p. 187
233. Lum et al., "China's 'Soft Power' in Southeast Asia," p. 7.
234. Geoffrey C. Gunn, "Laos in 2007: Regional Integration and International Fallout," *Asian Survey,* January/February 2008, p. 66.
235. Kristina Jonsson, "Laos in 2008: Hydropower and Flooding (or Business as Usual), *Asian Survey*, January/February 2009, pp. 203–4.
236. See conference on this subject titled "Conference on Multi-level Governance and Transnational Economic Actors: Chinese Investment in Laos and ASEAN Economic Integration," International Institute for Asian Studies, January 31, 2013, and "A Glimpse of Boten, Golden Triangle Special Zones in Laos," *People's Daily Online,* February 1, 2011 (online at english.peoplesdaily.com.cn).
237. Simon Creak, "China—the Largest Foreign Investor in Laos," *New Mandala*, July 20, 2010.

238. Prak Chan Thul and Martin Petty, "Analysis: China's Sway over Cambodia Tests Southeast Asian Unity," *Chicago Tribune*, August 12, 2012. According to another source China was financing 70 percent of the rail project and that construction was to begin in the spring of 2012 but had been delayed. This line, incidentally, will eventually link Laos to 28 other countries including countries in Europe. See Ore Huiying, "Trans-Asian Railway Unlocks Lao Borders," Common Language Project, August 7, 2012 (online at clpmag.org).
239. Ibid. This issue is discussed further in the concluding section of this chapter.
240. "Laos Records Investment Value in Excess of US3.04 Billion," *Vientiane Times*, October 21, 2013 (online at asianews.net).
241. Brendan M. Howe, "Laos in 2012: Growth, Challenges, and Human Security," *Asian Survey*, January/February 2013, p. 153 and p. 155.
242. "Search Projects," China Aid Date (online at chinaaiddata.org) viewed January 30, 2015.
243. "China, Laos Sign Seven Deals," *China Daily*, July 29, 2014 (online at chinadaily.com).
244. In fact, China early on split the nations of Southeast Asia into two groups: friends and enemies. It considered the latter, including the Philippines, targets for supporting wars of national liberation. See Peter VanNess, *Revolution and Chinese Foreign Policy: Peking's Support for Wars of National Liberation* (Berkeley: University of California Press, 1970), p. 135.
245. A. Doak Barnett, *Communist China and Asia: A Challenge to the United States* (New York: Vintage Books, 1960), p. 204. This law affected almost exclusively local Chinese. According to the law their property was liquidated upon the owner's death.
246. See VanNess, *Revolution and Chinese Foreign Policy*, p. 138. It is uncertain how much aid China provided to guerrilla movements in the Philippines at this time. China did help the Hukbalahap movement, which became more active after 1965.
247. Renate Cruz De Castro, "China, the Philippines, and U.S. Influence in Asia," *Asian Outlook*, July 2007, p. 2. According to another source, Zhou Enlai did promise the Philippine government to cease its aid to the Partido Kommunistaang Pilipinas insurgents. See Poon Kim, "China and the ASEAN States: From Hostility to Rapprochement," in Chun-tu Hsueh (ed.), *China's Foreign Relations: New Perspectives* (New York: Praeger, 1982), p. 78.
248. Gurtov and Hwang, *China under Threat*, p. 10.
249. Robert L. Youngblood, "The Philippines in 1981: From 'New Society' to 'New Republic,'" *Asian Survey,* January 1982, p. 233.
250. David G. Timberman, "The Philippines in 1989: A Good Year Turns Sour," *Asian Survey,* January 1990, p. 173.
251. Alice D. Ba, *(Re)Negotiating East and Southeast Asia* (Stanford, CA: Stanford University Press, 2009), p. 91.
252. Carolina G. Hernandez, "The Philippines in 1995: Growth Amid Challenges," *Asian Survey*, January 1996, p. 149
253. Ian James Storey, "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute," *Journal of Contemporary Asia,* April 1999, p. 98.

254. De Castro, "China, the Philippines, and U.S. Influence in Asia," p. 3.
255. Zhang Haibing, "China's Aid to Southeast Asia," in Saw Swee-Hock (ed.), *ASEAN-China Economic Relations* (Singapore: Institute of Southeast Asian Studies, 2007), p. 257.
256. De Castro, "China, the Philippines and U.S. Influence in Asia," p. 3.
257. "China's Loans to RP to Hit $2 billion in 3 years," *Manila Standard*, February 6, 2007 cited in Lum et al., p. 8.
258. Zhang, "China's Aid to Southeast Asia," p. 258.
259. Renate Cruz De Castro, "The Limits of Twenty-First Century Chinese Soft-Power Statecraft in Southeast Asia: The Case of the Philippines," *Issues and Studies*, December 2007, p. 78. Zhang, "China's Aid to Southeast Asia," puts the value of the railroad at $500 million. Another source states that the agreement on the railroad was made the previous year and was for $503 million with the Philippine government providing $107 million. See Carlos H. Aquino Jr. and Josephine Jensen-Joson, "China's Official Development to the Philippine: A Briefing Paper," Official Development Assistance Watch—Philippines, December 2009, p. 22.
260. Raise Robles, "China Will Be Biggest Lender to Philippines: New Deal Puts Beijing Ahead of Tokyo in Loans for the First Time," *South China Morning Post*, January 14, 2007, pp. 1–2.
261. De Castro, "The Limits of Twenty-First Century Chinese Soft-Power," p. 94.
262. Zhang, "China's Aid to Southeast Asia," p. 258. As noted earlier the difference between aid and investments is generally unclear and depending on whether it is a loan or investment money, it is renegotiated or cancelled. The author mentions that various accords were signed and that Huawei, a large Chinese company, signed an agreement to provide equipment to a Philippine company.
263. "Philippines, China Sign Agreements to Boost Trade," Xinhua Financial Network, January 16, 2007, cited in Lum et al., "China's 'Soft Power' in Southeast Asia," p. 9.
264. "Closer Ties Seen with China—Premier Visit," *Business World*, January 9, 2007 (online at lexis-nexis.com). Also see Robles, "China Will Be Biggest Lender to Philippines," pp. 1–2. The latter source cites $6 billion as the total of China's foreign aid pledged to the Philippines.
265. Ibid.
266. Lum et al., "Comparing Global Influence," p. 38.
267. Aquino and Jensen-Joson, "China's Official Development Assistance to the Philippines," pp. 21–22. The authors cite different sources for their data and there were no big discrepancies. All note a high increase in trade and an imbalance in favor of the Philippines.
268. De Castro, "The Limits of Twenty-first Century Chinese Soft-Power," pp. 99–112. For details on deteriorating relations between the Philippines and Taiwan, see Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (New Haven, CT: Yale University Press, 2007), pp. 144–45. The author attributes part of the reason to the Chen

administration's promoting local nationalism that alienated the Chinese community in the Philippines.

269. Renato Cruz de Castro, "The Philippines in 2011: Muddling through a Year of Learning and Adjustment," *Asian Survey*, January/February 2012, p. 210.
270. Ibid., pp. 216–18.
271. Ibid., pp. 211–12.
272. Roel R. Landingin, "ODA Surge Sparks Scandals for Arroyo, Debt Woes for RP," The Philippine ODA Trail, March 30, 2008 (online at http://pcij.org/philippineodatrail/?p=1)
273. "China's ODA to the Philippines," AidData, December 31, 2009 (online at china.aiddata.org).
274. Roel Landingin, "Chinese Foreign Aid Goes Offtrack in the Philippines," Reality of Aid, no date cited (online at realityofaid.org).
275. Ibid. This made it China's largest project in Southeast Asia at the time.
276. Ibid.
277. Paolo G. Monticello, "NorthRail Delayed Anew," *Philippine Daily Inquirer*, February 27, 2012 (online at business.inquirer.net).
278. "Roxas Says North Rail Project Scrapped," ABS-CBN News, March 29, 2012 (online at abs-cbnnews.com).
279. Paolo G. Monticello, "Gov't Eyes Other Financiers for Northrail Project," *Philippine Daily Inquirer*, April 6, 2012 (online at business.inquirer.net).
280. "In Ratings Heaven," *Economist*, April 6, 2013, p. 86.
281. Mick Basa, "Northrail Project up for NEDA-ICC Approval Soon," Rappler, August 21, 2014 (online at rappler.com).
282. "Philippines Expects More Chinese Investment," China Invests Overseas, September 5, 2013 (online at china-invests.net).
283. Survey of China Mainland Press (1402:56), cited in Copper, *China's Foreign Aid*, p. 51.
284. Copper, *China's Foreign Aid*, p. 51.
285. David Mozingo, *Chinese Policy toward Indonesia, 1949–1967* (Ithaca, NY: Cornell University Press, 1976), p. 115 and 157. Later, in 1966, a treaty was signed between the two countries allowing for dual citizenship, temporarily resolving the matter.
286. *Peking Review*, April 22, 1958, cited in Copper, *China's Foreign Aid*, p. 51.
287. Colin Garrett, "China as a Foreign Aid Donor," *Far Eastern Economic Review*, January 19, 1961, cited in Copper, *China's Foreign Aid*, p. 51.
288. Copper, *China's Foreign Aid*, p. 52. The Soviet Union was providing large amounts of aid, perhaps as much as $1 billion in military assistance and was helping the Indonesian government deal with efforts to dislodge the Dutch from the disputed territory of West Irian. See Mozingo, *Chinese Policy toward Indonesia, 1949–1967,* p. 158.
289. Harold C. Hinton, *Communist China in World Politics* (Boston: Houghton Mifflin, 1966), pp. 486–88.
290. Ibid., p. 440.

291. Copper, *China's Foreign Aid*, pp. 52–53. Also, see Donald Hindley, "Foreign Aid to Indonesia and Its Political Implication," *Pacific Affairs*, Summer 1963, pp. 107–19. For details on the Chinese aid projects in Indonesia, see Bartke, *China's Economic Aid*, p. 123.
292. It has long been debated whether and/or to what extent China was involved in the coup attempt or how much assistance Beijing had provided the Communist Party of Indonesia. The new Indonesian government took the position that China had aided the Party and that it was involved in its attempt to seize power. This seemed to be confirmed when Kang Sheng, a member of the Chinese Communist Politburo in 1963, said that the two communist parties have always supported and aided each other. His statement was mentioned in the *Peking Review* in September 13, 1960. See Vang, *Five Principles of Chinese Foreign Policies*, p. 369.
293. Donald E. Weatherbee, "Indonesia in 1985: Chills and Thaws," *Asian Survey*, January 1986, p. 147.
294. Donald K. Emmerson "Indonesia in 1990: A Foreshadow Play," *Asian Survey*, January 1991, p. 180.
295. "China, Indonesia to Resume Relations," *Los Angeles Times,* July 4, 1990 (online at latimes.com).
296. Ibid.
297. Richard Stubbs, *Rethinking Asia's Economic Miracle* (New York: Palgrave Macmillan, 2005), p. 203.
298. Henry Kissinger, *Does America Need a Foreign Policy? Toward a Diplomacy for the 21st Century* (New York: Simon & Schuster, 2001), p. 225. Kissinger also notes that the Clinton administration did not act on the accusations of Indonesians giving him illegal campaign contributions.
299. Antoine So, "Tang: $3 Billion Aid Package to Jakarta Will Go Ahead," *Hong Kong Standard*, August 4, 1998 (FBIS Document ID FTS 19980808000017).
300. "President Jiang Promises Financial Help to Indonesia," *People's Daily*, March 25, 2002, cited in Vang, *Five Principles of Chinese Foreign Policies*, p. 377.
301. Michael S. Malley, "Indonesia in 2002: The Rising Cost of Inaction," *Asian Survey,* January 2003, p. 145. It is worth noting that shortly after this Indonesia cancelled a planned visit by Taiwan's president Chen Shui-bian.
302. Lum et al., "China's 'Soft Power' in Southeast Asia," p. 8.
303. Ibid.
304. Sutter, *Chinese Foreign Relations*, p. 280.
305. "China to Offer $2m Aid to Indonesia," *China View*, May 28, 2005 (online at www.chinaview.com).
306. Storey, "China's 'Charm Offensive" Loses Momentum," p. 1.
307. Ibid.
308. "60 Years Indonesia-China Relations," *Jakarta Post*, April 13, 2010 (online at thejakartapost.com).
309. Prashanth Parameswaran, "The Limits to Sino-Indonesian Relations," *China Brief*, April 12, 2012 (online at jamestown.org).
310. "China Premier Strives for Trust, Investment with Indonesia," *China Digital Times*, April 29, 2011 (online at chinadigitaltimes.com).

311. Helen Brown, "Indonesia, China Mend South China Sea Relations," ABC news, August 11, 2012 (online at abc.net.au).
312. "Indonesia China Reaffirm Maritime Ties," Voice of America, August 10, 2012 (online at voanews.com).
313. "China Defense Relations Bolstered," *Jakarta Globe*, January15, 2013 (online at thejarkataglobe.com).
314. Geoffrey C. Gunn, "Indonesia in 2013: Oligarchs, Political Tribes, and Populists," *Asian Survey*, January/February 2014, pp. 54–54.
315. Prashanth Parameswaran, "China and Indonesia under Jokowi: Show Me the Money," The Diplomat, January 28, 2015 (online at thediplomat.org).
316. Anita Rachman, "Give Us Money and Jobs, Indonesia Says to China," *Wall Street Journal*, June 12, 2015 (online at wsj.com).
317. See James Dunn, *East Timor: A Rough Passage to Independence* (Double Bay, Australia: Longueville Books, 2003), pp. 92–93.
318. Loro Horta, "Timor-Leste: The Dragon's Newest Friend," Discussion Paper #4 2009, Research Institute on Contemporary Southeast Asia (online at irasec.com).
319. Ian Storey, "China and East Timor: Good, But Not Best Friends," *China Brief*, August 15, 2006, p. 1 (online at jamestownfoundation.org).
320. Horta, "Timor-Leste."
321. Sutter, *Chinese Foreign Relations*, p. 149.
322. Story, "China and East Timor," p. 2.
323. Ibid.
324. Horta, "Timor-Leste: The Dragon's Newest Friend." (no page numbers given). Story puts China's aid in 2005 at $6.2 million in 2005. See Story, "China and East Timor," p. 3.
325. Ian Storey, "China's Inroads into East Timor," *China Brief*, March 18, 2009, p. 1 (online at Jamestown.org).
326. Ibid.
327. Ibid.
328. Ibid., p. 2.
329. Ibid., pp. 2–3, June 12, 2015 (online at Jamestown.org).
330. Ibid., p. 1.
331. Ibid.
332. Ibid., pp. 1–2.
333. China felt that any such organization it joined would be controlled by the United States and it would play a secondary role to Japan. Historically China did not have an interest in this kind of diplomacy. See Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New World Order* (New York: Penguin, 2012), p. 276.
334. See Wang Yuzhu, "China-ASEAN Relationship: An Offer-Response Analysis," in Gungwu Wang and Yongnian Zheng (eds.), *China: Development and Governance* (Singapore: World Scientific, 2012), pp. 435–45.
335. The ASEAN-China Summit was held in Singapore where China proposed a China-ASEAN Free Trade Agreement and with that a Preferential Trade Agreement. The idea was to allay fears among ASEAN countries that China

would outcompete ASEAN industries in both domestic and export markets, especially after China joined the World Trade Organization. ASEAN countries were pleased with the deal, which in essence constituted a foreign aid kind of concession. China, of course, sought to ensure its supply of energy and raw materials and the agreement reflected China's security concerns; but it was economically advantageous to the ASEAN nations. See Sutter, *Chinese Foreign Relations*, p. 280.

336. Jacques, *When China Rules the World*, p. 279.
337. Lum et al., "China's 'Soft Power' in Southeast Asia," p. 2.
338. Nathan and Scobell, *China's Search for Security* (New York: Columbia University Press, 2013), p. 56.
339. Phusadee Arunmas, "ASEAN to Get $25bn Loan from China," *Bangkok Post*, August 16, 2009 (online at bangkokpost.com).
340. Brian McCartan, "A Helping Chinese Hand," *Asian Times*, April 30, 2009 (online at atimes.com).
341. Ibid. The author cites a study by Taiwan's Center for Asia-Pacific Studies.
342. "China-ASEAN Fund to Kick Off Soon," Xinhua, October 21, 2009 (online at http://www.chinadaily.com.cn/bizchina/2009-10/21/contentl8827618.htm).
343. Arunmas, "ASEAN to Get $25bn Loan from China."
344. Ibid.
345. For details, see Robert G. Sutter, *China's Rise in Asia: Promises and Perils* (Lanham, MD: Rowman-Littlefield, 2005), pp. 182–83.
346. Chen Ran, "Toward Fairness," *Beijing Review*, January 21, 2010, p. 10. CAFTA promised to expand members' economic growth prospects significantly and the region's global clout. Trade between China and the ASEAN countries had been growing at a rate of 15 percent annually since around 1990 and 20 percent annually from 2003 and would undoubtedly grow at an even faster rate in the future. Also see Le Tian, "China, ASEAN Sign Trade Agreement," *China Daily*, January 15, 2007 (online at chinadaily.com.cn) and "Cashing in on Free Trade," *Beijing Review*, January 21, 2010, p. 13. In conjunction with reaching this watershed agreement China launched the China-ASEAN business portal website and opened the Qinzhou Free Trade Port Area and the Nanning Bonded Logistics Center in Guangxi. The Chinese government also announced 18 joint projects worth a total of $4.89 billion. See Ran, "Toward Fairness," p. 10.
347. "SE Asia to Receive over US$20bn in Chinese Loans to Boost Connectivity," *Want China Times*, November 14, 2014 (online at wantchinatimes.com.tw).
348. Shannon Tiezzi, "China Offers $20 Billion in Loans to ASEAN," The Diplomat, November 15, 2014 (online at thediplomat.org).
349. "China Plans to Give Loans, Aid to Mekong Neighbors," *Taipei Times*, December 22, 2014 (online at taipeitimes.com).
350. The reader is reminded that some writers suggest that among the regions where China has given foreign aid, Africa is listed at the top recently—above Southeast Asia. Since Southeast Asia is only a part of Asia and in this study two other sections of Asia are assessed, this is not a fair comparison. Africa might have been

dissected or cut into different parts and was not for reasons cited in the two chapters on China's aid to Africa.

351. China, however, did provide Thailand with financial assistance during the 1997 Asian meltdown as mentioned earlier. Beijing has also made "investments" in Singapore, Thailand, and Malaysia that are to be regarded as for profit and are not, therefore, categorized as investments to help developing countries.
352. During the 1997 Asian financial crisis, China extended $1 billion in "aid" to Thailand. For details see Sutter, *Chinese Foreign Relations*, p. 263. Thailand was not a recipient of China's foreign aid before this and was generally not seen as an aid recipient at this time. Since this donation Thailand has not received aid from China, though China reportedly offered Thailand $49 million in military aid in 2006 after the United States blocked security assistance following the coup there in September. Apparently this aid was not delivered. See Bruce Vaughn, Thomas Lum, and Wayne M. Morrison, "Southeast Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa* (Washington, DC: U.S. Department of State, 202), p. 101. China's negotiated investments with the Philippines were more than this figure suggests; much of that has been on hold for sometime and may not be actually provided as noted above.
353. In the case of China's "investments" in Southeast Asia, it has officially pledged a total figure that is way below the total if individual cases are added up. This must mean that China considers a lot of its "investments" to be foreign aid or considers the distinction as not meaningful. See Alfred Romman, "Greater Heights for China-ASEAN Ties," *China Daily*, January 16, 2013 (online at chinadaily.com).
354. In the 1980s and 90s and into the new millennia, Southeast Asian countries invested a large amount in China. By the end of 2002, it totaled $45 billion and continued after that. Southeast Asian countries are still investing in China. Recently, however, China has been providing Southeast Asian countries and ASEAN much more. See Sutter, *Chinese Foreign Relations* 3rd edition, p. 215.
355. The Wagner report discussed earlier agrees with this assessment.
356. China, as noted in chapter, has given extensive foreign aid to Indonesia and the Philippines, both regarded as democratic nations.
357. Nathan and Scobell, *China's Search for Security*, p. 149.
358. Of course, as mentioned earlier it was mainly Soviet aid that made possible Hanoi's final victory. China's aid was more important before this. Still, some authors give China much credit for helping Vietnam win the war. It is to a large degree a matter of perception and the amount, as to whose aid was more important.
359. Shee, "China and the Asean States," p. 74. The author, however, states that this was never one of China's top goals.
360. For a list of China's goals and its successes and setbacks as it relates to the 1990s and beyond, see Quansheng Zhao, "China's Foreign Policy in the Post-Cold War Era," in Guoli Liu (ed.), *Chinese Foreign Policy in* Transition (New York: Aldine de Gruyter, 2004) pp. 308–11.
361. Joshua Kurlantzick, "China's Charm: Implications of China's Soft Power," *Policy Brief* (Carnegie Endowment for International Peace), No. 47, 2006, p.3.

362. Sutter, *Chinese Foreign Relations* (third edition), pp. 205–06.
363. See ibid., *Chinese Foreign Relations*, p. 263.
364. Thailand has not received aid from China though China reportedly offered Thailand military aid worth $49 million in 2006 after the United States blocked security-related assistance following the coup in Bangkok in September. See Vaughn, Lum, and Morrison, "Southeast Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, p. 101.
365. See Zhang Yunling, *East Asian Regionalism and China* (Beijing: World Affairs Press, 2005), pp. 31–32.
366. Wang Ynzhong, "Chinese Values, Governance, and International Relations: Historical Development and Present Situation," in Han Sung-joy (ed.), *Changing Values Asia: Their Impact on Governance and Development* (Singapore: Institute of Southeast Asian Studies, 1999), p. 19. Of course, one of the reasons China did not devalue was because of pleading and pressure by the United States and the fact the United States was a huge market for China and Chinese leaders did not want to disrupt this situation.
367. David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007), p. 131.
368. China pledged $22.5 million in the former case and $10 million in the latter case. The meeting China hosted resulted in a group of donors promising $1.9 billion. See Sutter, *Chinese Foreign Relations*, p. 108.
369. In 1997, the United States banned new investments in Myanmar, and in 2003 it outlawed the import of goods from Myanmar and restricted US banks from doing business there. During this time Myanmar experienced unprecedented economic growth and its foreign exchange holdings increased to $3 billion (up from $30 million in 1988). See "In Myanmar, Two Hidden Worlds: Amid Privations, Its Regime Prospers by Trading with China and India," *Wall Street Journal*, June 20, 2009.
370. Ibid.
371. *China Daily*, January 9, 2006, cited in Sutter, *Chinese Foreign Relations*, pp. 278–79.
372. Michael D. Swaine, "China's Regional Military Posture," in David Shambaugh (ed.), *Power Shift China and Asia's New Dynamics* (Berkeley: University of California Press, 2005), p. 179.
373. See Danny Unger, "A Regional Economic Order in East and Southeast Asia," in Quansheng Zhao (ed.), *Future Trends in East Asian International Relations* (London: Frank Cass, 2002), p. 182.
374. Joseph Nye, "The Rise of China's Soft Power," *Wall Street Journal*, December 29, 2005.
375. Ibid. GDP figure is for 2007.
376. Wang Yuzhu, "China-ASEAN Relationship: An 'Offer-Response' Analysis," in Wang and Zheng (eds.), *China: Development and Governance*, p. 442.
377. "ASEAN Eyes Greater Investment from China," Xinhuanet, January 14, 2014 (online at xinhuanet.com).

378. Sutter, *Chinese Foreign Relations*, p. 280. The author cites a study done by the Stanley Foundation.
379. Hongying Wang, "Dangers and Opportunities: The Implications of the Asian Financial Crisis for China," in Gregory W. Noble and John Ravenhill (eds.), *The Asian Financial Crisis and the Architecture of Global Finance* (Cambridge: Cambridge University Press, 2000), p. 154.
380. Ibid.
381. Katherine Tseng Hui-Yi, "The South China Sea Disputes," in Wang and Tseng (eds.), *China: Development and Governance*, p. 525.
382. Nathan and Scobell, *China's Search for Security*, p. 151.
383. See Thomas J. Christensen, *The China Challenge: Shaping the Choices of a Rising* Power (New York: Norton and Company, 2015), p. 18. In 2014, trade between China and both Vietnam and the Philippines increased markedly, in the rate of more than 10 percent. See also "Territorial Dispute in S China Sea Has Little Effect on Trade between Claimants," *Want China Times*, February 6, 2015 (online at wantchinatimes.com).
384. "Maritime Silk Road Plan Could Ease South China Sea Disputes," *Want China Times*, April 26, 2015 (online at wantchinatimes.com.tw).

2 China's Foreign Aid and Investment Diplomacy in South Asia

1. Xinhua, January 3, 1953, cited in John F. Copper, *China's Foreign Aid: An Instrument of Peking's Foreign Policy* (Lexington, MA: D.C. Heath, 1976), p. 53.
2. Argus John Tesidder, *Ceylon: An Introduction to the "Resplendent Land"* (Princeton, NJ: Van Nostrand, 1960), p. 134 and 144.
3. Wolfgang Bartke, *China's Economic Aid* (New York: Holmes and Meier, 1975), p. 170. Bartke notes the aid was for rolling stock and other items. Also see Marshall Goldman, *Soviet Foreign Aid* (New York: Praeger, 1967).p. 46. Goldman says the aid was for building a rubber plantation.
4. Copper, *China's Foreign Aid*, p. 53. See also Sidney Klein, *Politics versus Economics: The Foreign Trade and Aid Policies of China* (Hong Kong: International Studies Group, 1968), p. 145; the author states that there was aid competition with the Soviet Union involved.
5. *Peking Review*, September 30, 1958, cited in Copper, *China's Foreign Aid*, p. 53.
6. Bartke, *China's Economic Aid*, p. 170.
7. Copper, *China's Foreign Aid,* p. 54.
8. Klein, *Politics versus Economics*, p. 153. China's aid to Sri Lanka constituted about a third of Communist Bloc aid up to 1965.
9. Copper, *China's Foreign Aid*, p. 54; Bartke, *China's Economic Aid*, p. 172.
10. See Bartke, *China's Economic Aid*, p. 171. The author notes the aid was for a large building that housed a conference hall.
11. Ceylon called for mediation during the 1962 Sino-Indian conflict, annoying India. See Yogendra K. Malik, Ashok Kapur, Charles H. Kennedy, Mehandra

Lawoti, Robert C. Obest, and Syedur Rahman, *Government and Politics in South Asia* (Boulder, CO: Westview Press, 2009), p. 457.

12. Klein, *Politics versus Economics*, p. 153.
13. Copper, *China's Foreign Aid*, p. 54.
14. Ibid.
15. *People's Daily,* February 12, 1970, cited in Copper, *China's Foreign Aid,* p. 54.
16. *1971 Yearbook on Communist China*, part 12, p. 48, cited in Copper, *China's Foreign Aid,* p. 54.
17. For details on Ceylon's economic travails at the time, see A. Jayarantnam Wilson, "Ceylon: A Time of Trouble," *Asian Survey*, February 1972, cited in Copper, *China's Foreign Aid*, p. 54.
18. *Ceylon Daily News*, May 11, 1972, cited in Copper, *China's Foreign Aid*, p. 54.
19. *The Nation*, May 11, 1972, cited in John F. Copper, *China's Foreign Aid*, p. 55.
20. *The Nation*, February 25, 1972, cited in Copper, "China's Military Assistance," in John F. Copper and Daniel S. Papp (eds.), *Communist Nations' Military Assistance* (Boulder, CO: Westview Press, 1983), p. 114.
21. Nigel Harris, "Maoist China Foreign Policy: 1970s and 1980s," Philadelphia Independent Media Center, April 5, 2008 (online at phillyim.org).
22. *Far Eastern Economic Review*, October 15, 1973, cited in Copper, *China's Foreign Aid*, p. 55.
23. Copper, *China's Foreign Aid*, p. 55.
24. Janos Horvath, *Chinese Technology Transfer to the Third World: A Grants Economy Analysis* (New York: Praeger, 1976), p. 17. The author lists various aid donations, but does not cite the delivery of the patrol boats mentioned above.
25. David Bonavia, "Integration through Development," *Far Eastern Economic Review*, March 18, 1977, cited in Copper, "China's Foreign Aid in 1977," p. 27.
26. Xinhua, May 19, 1978, cited in Copper, *China's Foreign Aid in 1978*, p. 24.
27. Sri Lanka became the leader of the non-aligned nations in 1976.
28. Copper, *China's Foreign Aid in 1978*, pp. 24–25.
29. *China Aktuell,* August 1979, cited in Copper, *China's Foreign Aid in 1979–80,* p. 18.
30. W. A. Wiswa Warnapala, "Sri Lanka in 1979: New Stresses on the Economy and the Polity," *Asian Survey*, February 1980, p. 211.
31. Xinhua, December 1, 1980, cited in Copper, *China's Foreign Aid in 1979–80*, p. 18.
32. Warnapola, "Sri Lanka in 1979," p. 12.
33. Anne Gilk and Gerald Segal, *China and the Arms Trade* (London: Croom Helm, 1985), p. 91 and 178.
34. Saman Kelegama and Deshal de Mel, "Sri Lanka: A Case Study," North South Institute, September 2007.
35. Peter Lee, "Clouds on the Sri Lankan Horizon for China," *Asia Times*, March 31, 2012 (online at atimes.com).
36. Ibid.
37. Somni Sengupta, "Take Aid from China and Take a Pass on Human Rights," *New York Times*, March 9, 2008 (online at nyt.com).

38. It is unclear whether this was to be categorized as an investment or foreign aid. As noted earlier the two have been confused in recent years. In this case, given China's motives, it probably makes little difference
39. Vijay Sakhuja, "Sri Lanka: Beijing's Growing Foothold in the Indian Ocean," China Brief, June 12, 2009 (online at jamestown.org). The writer called this an "investment."
40. Joshua Eisenman, writing in *China Reform Monitor No. 765*, June 12, 2009 (received online from the American Foreign Policy Council).
41. It was uncertain whether China was making a new aid pledge or whether this was the total amount of aid China had promised Sri Lanka. It was also unclear what if any of this was to be considered an investment as opposed to aid. Sri Lanka's minister of foreign affairs Palitha Kohona stated that China's aid had increased fivefold in the past year. See Sengupta, "Take Aid from China and Take a Pass on Human Rights."
42. Sakhuja, "Sri Lanka: Beijing's Growing Foothold in the Indian Ocean." Also see Nira Wickramasinghe, "Sri Lanka in 2008: Waging War for Peace," *Asian Survey*, January-February 2008, pp. 59–65.
43. Sengupta, "Take Aid from China and Take a Pass on Human Rights."
44. "China Is Sri Lanka's Top Lender," *Straits Times*, March 3, 2010 (online at straitstimes.com.sg).
45. "Chinese Billions in Sri Lanka Fund Battle against Tamil Tigers," *Times*, May 2, 2009 (online at timesonline.co.uk).
46. See Hannah Gardner, "China's Aid Revealed in Sri Lanka's Victory Parade," *The National*, June 8, 2009 (online at thenational.ae).
47. Ibid. In 1998 the European Union issued guidelines against weapons sales to Sri Lanka. In 2007, the United States stopped selling arms to Sri Lanka.
48. Ibid. The author quotes Seimon Wezeman of the Stockholm Institute for Peace Studies. The author notes that China provided critical weapons such as 3-D radar, fighter plane, and other weapons.
49. "A Mandate for Momentum," *Beijing Review*, March 25, 2010, pp. 32–33.
50. "The Colombo Consensus," *Economist*, July 10, 2010, p. 43.
51. Sudha Ramachandran, "Sri Lankan Waters Run Deep with China," *Asia Times*, August 13, 2010 (online at atimes.com).
52. B. Raman, "Hambantota and Gwadar—an Update," Institute for Tropical Studies (India), 2009, cited in Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power* (New York: Random House, 2010), p. 191.
53. Kaplan, *Monsoon*, p. 194.
54. Ramachandran, "Sri Lankan Waters Run Deep with China."
55. Jason Burke, "Chinese-Built Port in Sri Lanka Fuels Indian Fears Beijing Is Encircling Them," *Guardian*, November 18, 2010 (online at guardian.co.uk).
56. China-Sri Lanka trade doubled between 2005 and 2008. The balance heavily favored China and Sri Lanka's deficit passed $1 billion in 2008. This had to be made up for by China's aid. "China-Sri Lanka Economic Relations," Saman Kelegama Institute of Policies Studies of Sri Lanka, September 25, 2009 (online at ips.lk).

57. Kaplan, *Monsoon*, p. 194.
58. "Sri Lanka Invites More Chinese Investors," *People's Daily*, July 28, 2011 (online at peopledaily.com.cn).
59. Jonathan Goodhand, "Sri Lanka in 2012: Securing the State, Enforcing the 'Peace,'" *Asian Survey*, January/February 2013, p. 69.
60. N. Manoharan, "China and Its Peripheries: Beijing and India-Sri Lankan Relations," *Issue Brief* (Institute of Peace and Conflict Studies) 2013 (online at ipcs.org).
61. Ibid.
62. Ankit Panda, "China Courts Sri Lanka," The Diplomat, September 16, 2004 (online at thediplomat.org).
63. Dinouk Colombage, "Sri Lanka's Surging Cash Reliance on China," Al Jazeera, August 26, 2014 (online at aljazeera.com).
64. "China-Sri Lanka FTA to Be Signed in June 2015," Xinhuanet, October 28, 2014 (online at xinhuanet.com).
65. Nira Wickramasinghe, "Sri Lanka in 2014: Cracks in the Edifice," *Asian Survey*, January/February 2015, p. 65.
66. *People's Daily,* November 4, 1956, cited in Copper, *China's Foreign Aid*, p. 49. For the historical context of this aid, see John Whelpton, *A History of Nepal* (Cambridge: Cambridge University Press, 2005), p. 133 and 136.
67. This was determined by both geography and history. There is no natural barrier between Nepal and India; there is between Nepal and China—the Himalayan Mountains. After the People's Republic of China was established it had no border with Nepal until it brought Tibet under its control. On the other hand, the government of Nepal in the early 1950s sought greater separation from India and thus sought better relations with China. See Girilal Jain, *India Meets China in Nepal* (Bombay: Asia Publishing House, 1959), p. 1.
68. Narayan Khadka, "Foreign Aid to Nepal: Donor Motivations in the Post-Cold War Period," *Asian Survey*, November 1997, p. 1047.
69. Mao had described Nepal as part of the ancient Chinese empire and suggested this situation be restored. Chinese maps, moreover, showed Nepal and some other areas of the Himalayan area as part of China. See Eugene Bramer Mihaly, *Foreign Aid and Politics in Nepal: A Case Study* (London: Oxford University Press, 1965), p. 152. The author, however, notes that this did not become an issue in Nepal until this time, as Indian influence there had been dominant. Now both China and the Nepalese government sought to change this.Regarding the historical tribute relationship, it is interesting to note that Nepal described it for some time as exchanging of gifts and an equal relationship. Chinese officials translated their documents as saying it was tribute, which was unequal. Later the Chinese military invaded Nepal after it had caused some problems in Tibet and restored the tribute relationship by force. See John W. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (Seattle: University of Washington Press, 2001), p. 139.
70. This seems the best explanation since the aid pledge was well received in Nepal. In fact, Nepalese officials noted that China's aid did not come with high

overheads or cumbersome regulations, as did US and Indian aid. See Bhuwan Lal Joshi and Leo E. Rose, *Democratic Innovations in Nepal: A Case Study of Political Acculturation* (Berkeley: University of California Press, 1966), p. 243. Another writer states that no foreign country would provide technicians for the project and this delayed it. See Whelpton, *A History of Nepal*, p. 133.

71. See Leo E. Rose, *Nepal: Strategy for Survival* (Berkeley: University of California Press, 1971), pp. 226–28. Also see Copper, *China's Foreign Aid,* p. 49.
72. *People's Daily*, March 22, 1960, cited in Copper, *China's Foreign Aid*, p. 49.
73. Copper, *China's Foreign Aid*, p. 49.
74. Khadka, "Foreign Aid to Nepal," p. 1048.
75. *People's Daily*, September 9 and October 29, 1961, cited in Copper, *China's Foreign Aid*, pp. 51–52.
76. See Bartke, *China's Economic Aid*, p. 144. The author notes that large quantities of Chinese-made consumer goods began to show up in Nepal at this time and in some cases the sales of these financed Nepal's part in aid projects.
77. Rose, *Nepal: Strategy for Survival*, p. 240.
78. Ibid., p. 241.
79. "Chinese Communist Road Projects," *China Topics*, August 18, 1964, cited in Klein, *Politics versus Economics*, p. 16. Also see Copper, *China's Foreign Aid*, p. 50.
80. Whelpton, *A History of Nepal*, p. 130.
81. Horvath, *China's Technology Transfer to the Third World*, p. 75
82. Whelpton, *A History of Nepal*, p. 133
83. Copper, *China's Foreign Aid*, p. 50.
84. *People's Daily*, September 8, 1965, cited in Copper, *China's Foreign Aid,* p. 50. Also see Bartke, *China's Economic Aid*, p. 145.
85. Leo E. Rose and John T. Sholz, *Nepal: Profile of a Himalayan Kingdom* (Boulder, CO: Westview Press, 1980), p. 127.
86. Bartke, *China's Economic Aid*, p.145.
87. Klein, *Politics versus Economics*, p.153. Up to 1965, China's aid was double that of the Soviet Union. The Eastern European countries gave no aid at all.
88. Copper, *China's Foreign Aid*, p. 50.
89. Xinhua, November 4 and 27, 1972, cited in Copper, *China's Foreign Aid*, p. 50.
90. *Hong Kong Standard*, November 30, 1972, cited in Copper, *China's Foreign Aid*, p. 51.
91. Copper, *China's Foreign Aid*, pp. 50–51.
92. See Khadka, "Foreign Aid to Nepal," p. 1047.
93. *Japan Times*, December 29, 1975, cited in Copper, *China's Foreign Aid*, p. 51.
94. *FBIS*, March 18, 1977, cited in Copper, "China's Foreign Aid in 1977," p. 27.
95. Lok Raj Baral, "Nepal in 1978: Year of Hopes and Confusions," *Asian Survey*, February 1979, p. 201.
96. *The Asian Student*, February 25, 1978, p. 4, and Xinhua, October 1, 1972, both cited in Copper, *China's Foreign Aid in 1978,* pp. 20–21.
97. Copper, *China's Foreign Aid in 1979–80*, p. 19.
98. Lok Raj Baral, "Nepal 1979: Political System in Crisis," *Asian Survey*, January 1980, pp. 202–3.

99. Y. N. Khanall, "Nepal in 1984: A Year of Complacence," *Asian Survey*, February 1985, pp. 184–85.
100. Lok Raj Baral, "Nepal in 1987: Politics without Power," *Asian Survey*, February 1988, p. 176.
101. Whelpton, *A History of Nepal*, p. 112–13. The weapons consisted of ten anti-aircraft armed vehicles. See Daniel L. Byman and Roger Cliff, *China's Arms Sales: Motivations and Implications* (Santa Monica, CA: Rand Corporation, 1999), p. 52.
102. Dor Bahadur Bista, "Nepal in 1988: Many Losses, Some Gains," *Asian Survey*, February 1989, p. 227.
103. Isabel Hilton, "The Options for Tibetan Refugees Are Narrowing as China Flexes Its Muscles in Landlocked Nepal," *Guardian*, September 9, 2009.
104. Khadka, "Foreign Aid to Nepal," p. 1060.
105. Leo E. Rose, "Nepal and Bhutan in 1999: Some Progress," *Asian Survey*, January/February 2000, p. 191.
106. Ibid.
107. Hilton, "Options for Tibetan Refugees Are Narrowing."
108. Gopal Sharma, "Armed Police to Guard Nepal's Border with China," Reuters, October 6, 2009 (online at www.af.reuters.com).
109. Juan Pablo Cardenal and Heriberto Araujo, *China's Silent Army: The Pioneers, Traders, Fixers and Workers Who Are Remaking the World in Beijing's Image* (New York: Crown Publishers, 2013), p. 223.
110. "Column: China's Nepal Card," Sifynews, August 28, 2008 (online at sify.com).
111. "China Increases Aid to Nepal by 50%," expressindia, April 19, 2009 (online at expressindia.com).
112. "China Doles Out US$19.8 Million Military Aid to Nepal," *Hindustan Times,* January 6, 2010 (online at terminalx.org).
113. Ibid.
114. "West Seti Hydro Electricity Project: Govt Proposes PPP Model," Following Foreign Aid to Nepal, December 18, 2011 (online at foreignaidnepal.com).
115. Joshua Eisenman, "Editor's Note," China Reform Monitor, May 1, 2013 (online at crm@afpc.org).
116. "Nepal Clears China Plan for $1.6 bln Hydroelectric Dam," Following Foreign Aid to Nepal, April 2, 2012 (online at foreignaidnepal.com). Apparently the amount of the aid was increased or the project included some earlier aid or some funds were added by Nepal.
117. Pramod K. Kantha, "Nepal and Bhutan in 2013: A Year of Elections," *Asian Survey,* January/February 2014, p. 211.
118. Yu Jicui, "Nepal Hails Chinese Investment in Hydropower, Infrastructure Sectors," *Global Times,* June 8, 2013 (online at globaltimes.cn).
119. Ibid; "Nepal: Increased Pressure from China Threatens Tibetans," *Human Rights Watch,* April 1, 2014. The flow according to this report declined from 2,000 yearly in 2008 to 200 in 2013.
120. "China Plans Railway to India, Nepal Borders by 2020," Reuters, July 24, 2014 (online at reuters.com).

121. Natali Obiko Pearson, "China Breaks India Monopoly on Nepal Economy as Investment Grows," Bloomberg, December 14, 2014 (online at bloomberg.com).
122. Gopal Sharma, "China Raises Nepal Aid Five-Fold in Regional Diplomacy Push," Reuters, December 26, 2014 (online at reuters.com).
123. "Nepal May Become AIIB's First Client for Rebuilding Funds," *Want China Times*, May 7, 2015 (online at wantchinatimes.com.tw).
124. For background on China's view of Pakistan, see Hinton, *Communist China in World Politics*, pp. 452–57. It is worth noting that Pakistan did grant diplomatic recognition to China early on and supported China's bid for membership in the United Nations; so relations were not completely bad. In addition, Pakistan saw China as possibly balancing Soviet influence in the region.
125. Hinton, *Communist China in World Politics*, pp. 273–96.
126. John W. Garver, "China's Decision for War with India in 1962," in Robert S. Ross and Alastair Iain Johnston (eds.), *New Directions in the Study of Chinese Foreign Policy* (Stanford, CA: Stanford University Press, 2006).
127. *New York Times,* August 1, 1964, cited in Copper, *China's Foreign Aid*, p. 61.
128. Evidence for this comes from the fact that Pakistan's vice minister of national defense met with China's commander in chief of the Air Force at the time and Pakistani president Bhutto said that if the big powers did not stop their military aid to India, Pakistan would seek a remedy "from other sources." See B. L. Sharma, *The Pakistan-China Axis* (New York: Asia Publishing House, 1968), p. 106.
129. China gained a small piece of territory claimed by Pakistan though it surrendered claim to more territory. China adopted Pakistan's stance on Kashmir, which was a territory in dispute between Pakistan and India. See *Peking Review*, March 1, 1963, cited in Joseph Camilleri, *Chinese Foreign Policy: The Maoist Era and Its Aftermath* (Seattle: University of Washington Press, 1980), p. 88.
130. Camilleri, *Chinese Foreign Policy*, p. 88.
131. Donald N. Wilber, *Pakistan Yesterday and Today* (New York: Holt, Rinehart and Winston, 1964), p. 241.
132. Copper, *China's Foreign Aid*, p. 61. China's aid in this case was unique in that Pakistan remained a close US ally.
133. Owen Bennet Jones, *Pakistan: Eye of the Storm* (New Haven, CT: Yale University Press, 2002), p. 74.
134. Camilleri, *Chinese Foreign Policy*, p. 89.
135. Gilks and Segal, *China and the Arms Trade*, p. 26,
136. China did reopen a dispute with India on some Indian military installations allegedly on Chinese territory and mentioned the "grave danger" if India did not dismantle them. China also demanded the return of 800 sheep and 59 yaks it claimed India has stolen. But this, in the minds of most observers, did not constitute aggressive support of Pakistan before or during the war. See Jones, *Pakistan: Eye of the Storm*, p. 79.
137. Robert C. North, *The Foreign Relations of China* (North Scituate, MA: Duxbury Press, 1978), p. 182.

138. *Statesman* (New Delhi), November 16, 1965, cited in B. L. Sharma, *The Pakistan-China Axis* (New York: Asia Publishing House, 1968), p. 115.
139. *Hindustan Times* (India), December 31, 1965, cited in Sharma, *The Pakistan-China Axis*, p. 115. It was also reported that China provided $60 million to Pakistan in June 1965. See Bartke, *China's Economic Aid*, p. 151. The differences in dates can probably be explained by various negotiations involving the aid. However, if one accepts the earlier date, China's aid promise may have been more connected to the pending war than it was otherwise thought. On the other hand, Bartke states that the loan was used in 1967 and cites the goods China provided that did not include arms.
140. Ibid.
141. Sharma, *The Pakistan-China Axis*, p. 115.
142. *Daily Dawn* (Pakistan), March 27, 1966, cited in Sharma, *The Pakistan-China Axis*, p. 116.
143. Sharma, *The Pakistan-China Axis*, p. 117.
144. Ibid., p. 118.
145. *Statesman*, August 9, 1966, cited in Sharma, *The Pakistan-China Axis*, p. 120.
146. Sharma, *The Pakistan-China Axis*, p. 120.
147. Bartke, *China's Economic Aid*, pp. 151–52; Copper, *China's Foreign Aid*, p. 62.
148. Bartke, *China's Economic Aid*, p. 152; *New York Times*, November 15, 1970, cited in Copper, *China's Foreign Aid*, p. 62. Bartke states the loan was for $210 million.
149. Robert G. Sutter, *Chinese Foreign Policy after the Cultural Revolution, 1966–1977* (Boulder, CO: Westview Press, 1987), p. 133.
150. Klein, *Politics versus Economics*, p. 155.
151. Ibid., p 16.
152. Horvath, *Chinese Technology Transfers to the Third World*, p. 51 and p. 78.
153. G. W. Choudhury, *China in World Affairs: The Foreign Policy of the PRC Since 1970* (Boulder, CO: Westview Press, 1982), p. 49.
154. Bartke, *China's Economic Aid*, p. 152.
155. Choudhury, *China in World Affairs*, p. 261.
156. Sutter, *Chinese Foreign Policy after the Cultural Revolution, 1966–1977*, p. 134.
157. Xinhua, February 2, 1972, cited in Copper, *China's Foreign Aid*, p. 63; Bartke, *China's Economic Aid*, p. 152.
158. *New York Times*, June 3, 1972, cited in Copper, *China's Foreign Aid*, p. 63.
159. Copper, "China's Foreign Aid in 1977," p. 26.
160. Xinhua, April 26, 1979 and October 22, 1979, both cited in Copper, *China's Foreign Aid in 1979–80*, p. 15.
161. Samuel S. Kim, "China and the Third World," in Samuel S. Kim (ed.), *China and the World: Chinese Foreign Relations in the Post-Cold War Era* (Boulder, CO: Westview Press, 1994), p. 141.
162. Karachi Radio, July 31, 1980 and August 9, 1980, both cited in Copper, *China's Foreign Aid in 1979–80*, p. 15.
163. Karachi Radio, April 30, 1980, cited in Copper, *China's Foreign Aid in 1979–80*, p. 15.

164. Mohemmed Aftab, "China Confirms Aid in the Face of Threat by Soviet Union," *Asian Wall Street Journal*, November 1, 1980, cited in Copper, *China's Foreign Aid in 1979–80*, p. 17.
165. *Asia Bulletin*, December 30, 1980, p. 35, cited in Copper, *China's Foreign Aid in 1979–80*, p. 15.
166. Xinhua, November 24, 1980, cited in Copper, *China's Foreign Aid in 1979–80*, p. 17.
167. J. Afridi, "China-Pakistan Relations," Council on Foreign Relations, July 6, 2010 (online at cfr.com).
168. Kaplan, *Monsoon*, p. 70. Interestingly Gwadar belonged to Oman until 1958 when it was ceded to Pakistan. Many Pakistani leaders talked about making Gwadar into a large port. The Soviet Union also expressed and interest.
169. John Garver, "Development of China's Overland Transportation Links with Central, South-West and South Asia," *China Quarterly,* March 2006, p.7.
170. Ibid., p. 8.
171. Tarique Naizi, "Gwadar: China's Naval Outpost on the Indian Ocean," *China Brief*, February 28, 2005 (online at jamestown.org).
172. "Economic Viability of Chinese-Aided Strategic Port Development Questioned," *Islamabad the News,* August 26, 2001, cited in ibid., p. 9.
173. "Pakistan, China Set to Sign Important Bilateral Agreement during Wen Jiabao's Visit," *Islamabad News*, April 5, 2005.
174. Ibid.
175. Geoffrey Kemp, *The East Moves West: India, China, and Asia's Growing Presence in the Middle East* (Washington, DC: Brookings Institution, 2010), p. 207.
176. Naizi, "Gwadar: China's Naval Outpost on the Indian Ocean."
177. Kaplan, *Monsoon*, pp. 70–71.
178. Nadeem Malik, "China Pledges $US1bn Honeypot for Pakistan," *Asia Times*, May 15, 2001 (online at http://www.atimes.com/china/CD15Ad05.html).
179. "Finance Minister Speaks on Jamali's China Visit," *Islamabad the Nation*, March 24, 2003, cited in Garver, "Development of China's Overland Transportation Links with Central, South-West and South Asia, p. 10.
180. Ibid., p. 10.
181. Andrew J. Nathan and Andrew Scobell, *China's Search for Security* (New York: Columbia University Press, 2013), p. 162.
182. Niazi, "Gwadar: China's Naval Outpost on the Indian Ocean."
183. Kaplan, *Monsoon*, p. 194 and 290.
184. Tarique Naizi, "China, Pakistan and Terrorism," FPIF Commentary, July 16, 2007 (online at fpif.org/fpifxt/4384/).
185. Willem van Kemenade, "China and Pakistan: New Friends Can't Compare," Yale Global, March 12, 2008 (online at yaleglobal.yale.edu/displaycaricle?id=10490).
186. Khalaid Mustafa, "Pakistan to Set Up 10 Nuclear Power Plants," The News (website), September 24, 2008 (online at www.redorbit.com).
187. Yuka Hayashi, Jason Leow, and C. R. Jayachadran, "Japan, China Offer Large Financial Aid Packages—Tokyo Pledges $100 Billion for International Monetary

Fund as Beijing Plans $500 Million for Pakistan in Landmark Moves," *Wall Street Journal*, November 14, 2008, p. A10.

188. Jane Perlez, "Rebuffed by China, Pakistan May Seek Aid from the I.M.F.," *New York Times,* October 19, 2008, p. 18.
189. Ibid.
190. Cardenal and Araujo, *China's Silent Army*, p. 337. The agreement violated the Nuclear Suppliers Group directives. China's response was that it contributed to stability in South Asia given the US nuclear pact with India in 2005.
191. "1-China Company Aims to Build Pakistan Big Nuclear Plant," *RTRS-Update*, September 19, 2010; 20, 2010.
192. "True Friends: China First Country to Offer Flood Aid," *Express Tribune*, September 11, 2011 (online at tribune.com.pk).
193. Cardenal and Araujo, *China's Silent Army*, p. 336.
194. Anita Joshua, "China Takes Control of Gwadar Port," *The Hindu*, February 18, 2013 (online at thehindu.com).
195. Emanuele Scimia, "China Bets Big on New Global Links," Asia Times, August 7, 2013 (online at atimes.com).
196. Anas Malik, "Pakistan in 2013: A Milestone in Democratic Transition," *Asian Survey*, January/February 2014, p. 181. It was estimated that power cuts caused a loss of 2 percent in the country's GDP, lost jobs, and even given rise to violent protests.
197. "Pakistan Wins China Investment Worth $42 Billion," AFP, November 6, 2014 (online at news.yahoo.com).
198. Mehreen Zahra-Malik, "China Commits $45.6 bln for Economic Corridor with Pakistan," Reuters, November 21, 2014 (online at reuters.com).
199. Pepe Escobar, "Pakistan Enters the New Silk Road," *Asia Times*, April 24, 2015 (online at atimes.com).
200. Shannon Tiezzi, "The China-Pakistan Economic Corridor Gets Even More Ambitious," The Diplomat, August 13, 2015 (online at thediplomat.org).
201. William Burr (ed.), *China, Pakistan, and the Bomb: The Declassified File on U.S. Policy, 1977–1997* (National Security Archive Electronic Briefing Book), March 5, 2004 (online at gwu.edu).
202. George Perkovich, *India's Nuclear Bomb: The Impact on Global Proliferation* (Berkeley: University of California Press, 1999), pp. 196–97.
203. Swaran Singh, *China-South Asia: Issues, Equations, Policies* (New Delhi: Lancer's Books, 2003), p. 192.
204. A US Army intelligence report dated May 14, 1975, stated this. See Edward Timperlake and William C. Triplett II, *Red Dragon Rising: Communist China's Military Threat to America* (Washington, DC: Regnery, 1999), p. 187. Mikio Haruna of Japan's Kyodo News Service obtained the document in 1995.
205. Yogendra K. Malik, Ashok Kapur, Charles H. Kennedy, Mehandra Lawoti, Robert C. Oberst, and Syedur Rahman, *Government and Politics in South Asia* (Boulder, CO: Westview Press, 2009), p. 229.
206. *Proliferation: Threat and Response*, Office of the Secretary of Defense (U.S.), January 2001, cited in Thomas C. Reed and Danny B. Stillman, *The Nuclear*

Express: A Political History of the Bomb and Its Proliferation (Minneapolis: Zenith Press, 2009), p. 249.

207. Ibid.
208. *Asian Recorder*, October 8–14, 1978, cited in Copper, *China's Foreign Aid in 1978*, p. 2. The original source is an article published in *Necletonics* (a magazine published in New York).
209. Reed and Stillman, *The Nuclear Express,* chapter 16.
210. Ibid., p. 254.
211. Ibid.
212. Joby Warrick, "Pakistan's Expanding Nuclear Program," *Washington Post*, July 24, 2006, p. A01.
213. Ibid., pp. 250–51.
214. Deutch's comments are in Senate Hearing 104–510, February 22, 1996. The expert who made this comment is Mark Hibbs of *Nucleonics Week*. Both are cited in Timperlake and Triplett, *Red Dragon Rising*, p. 188.
215. Ibid., p. 189. One company cited was China Nuclear Energy Industry Corporation, a subsidiary of the China National Nuclear Corporation.
216. Kim, "China and the Third World," p. 148.
217. Jeffrey Smith and Joby Warrick, "A Nuclear Power's Act of Proliferation: Accounts by a Controversial Scientist Assert China Gave Pakistan Enough Enriched Uranium in '82 to Make 2 Bombs," *Washington Post*, November 13, 2009. The writers obtained much of their information from Simon Henderson, a former journalist with the *Financial Times*.
218. "China Raises Nuclear Stakes on the Subcontinent," *New York Times*, August 27, 1996, p. A6.
219. Paul K. Kerr and Mary Beth Nikitin, "Pakistan's Nuclear Weapons: Proliferation and Security Issues," Congressional Research Service, February 13, 2013.
220. Sutter, *Chinese Foreign Relations* (third edition), p. 238.
221. Jones, *Pakistan: Eye of the Storm*, p. 205.
222. Ibid., p. 206.
223. Statement by Margaret Tutwiler, spokesperson for the U.S. Department of State, on February 21, 1992, cited in Timperlake and Triplett, *Red Dragon Rising,* p. 191.
224. Ibid., p. 207.
225. John W. Garver, *Protracted Conflict: Sino-Indian Rivalry in the Twentieth Century* (Seattle: University of Washington Press, 2001), p. 237.
226. Ibid., p. 206. Again it should be pointed out that Pakistan was receiving Chinese economic help in the form of foreign aid that it could have used for these purchases.
227. See Sutter, *Chinese Foreign Relations*, pp. 142–43; Lampton, *The Making of Chinese Foreign Policy*, pp. 270–71.
228. Jones, *Pakistan: Eye of the Storm*, p. 206.
229. Alex Wellerstein, "The Price of the Manhattan Project," The Nuclear Security Blog, May 17, 2013 (online at nuclearsecrecy.com).
230. Deborah Brautigam, "China's Foreign Aid in Africa: What Do We Know?" in Robert I. Rotberg (ed.), *China into Africa: Trade, Aid and Influence* (Washington, DC: Brookings Institution Press, 2008), p. 199.

231. Christopher Tang, "The Sino-Pakistan Border: Stability in an Unstable Region," in Bruce A. Elleman, Stephan Kotkin, and Clive Schofield (eds.), *Beijing's Power and China's Borders: Twenty Neighbors in Asia* (Armonk, NY: M. E. Sharpe, 2012), pp. 221–22.
232. Yu Fai Law, *Chinese Foreign Aid: A Study of Its Nature and Goals with Particular Reference to the Foreign Policy and World View of the People's Republic of China, 1952–1982* (Saarbrucken, Germany: Verlag Breitenbach, 1984), p. 223.
233. "Karakoram Highway," *Wikipedia* (online at wikipedia.com).
234. Law, *Chinese Foreign Aid,* p. 224.
235. Copper, "China's Military Assistance," p. 109.
236. *Daily Telegraph*, June 4, 1979, cited in Copper, "China's Military Assistance," p. 109
237. See Asian Recorder, July 30-August 5, 1978 and "Karakoram Highway, *Peking Review*, July 7, 1978, both cited in Copper, *China's Foreign Aid in 1978*. The volume of earth moved, it was said, caused a major earthquake and avalanches.
238. Law, *Chinese Foreign Aid*, p. 224.
239. Mohan Ram, "Karakoram Highway," *Economic and Political Weekly,* July 1, 1978, p. 1058 (online at jstor.org/stable/4366766).
240. Copper, "China's Aid in 1977," p. 27.
241. See Copper, "China's Aid in 1976," p.
242. *Facts on File*, May 7, 1977 and *Far Eastern Economic Review*, May 13, 1977, both cited in Copper, "China's Foreign Aid in 1977." According to the first source, 3,000–7,000 Chinese were taken hostage; the latter sources put the number at 1,200.
243. Barry Kramer, "Low Cost Diplomacy," *Wall Street Journal,* July 22, 1977, cited in Copper, "China's Foreign Aid in 1977," p. 27.
244. According to one source 810 Pakistanis and 82 Chinese were killed. "25th Anniversary of the Karakoram Highway (1978–2003)," *Pakistan Post,* May 16, 2006. Retrieved on 2006–07–10, cited in ibid. It had been reported earlier that 400 Pakistanis and 200 Chinese had been killed building the road. See *Far Eastern Economic Review*, October 20, 1978, p. 78, cited in Law, *Chinese Foreign Aid*, p. 224.
245. Tang, "The Sino-Pakistan Border, p. 222.
246. "China Ships Components for Missiles to Pak: Report," *Times of India*, August 7, 2001, cited in ibid., p. 223.
247. "Karakoram Highway," *Wikipedia* (online at en.wikipedia.org/wiki/Karakoram_Highway), viewed May 12, 2009.
248. Ibid.
249. "China to Help Rebuild Pakistan's Karakoram Highway," Road Traffic Technology, August 3, 2011 (online at roadtraffictechnology.com).
250. Hasnain Kazim, "China's Asphalt Powerplay in Pakistan," Spiegel Online International, July 17, 2012 (online at Spiegel.de/international/world).
251. Ibid.
252. Adam Hodge, "Karakoram Highway: China's Treacherous Pakistan Corridor," *The Diplomat*, July 30, 2013 (online at thediplomat.com)

253. Ibid.
254. See Kaplan, *Monsoon*, p. 290.
255. "China, Pakisgtan Sign Deals Worth USD 1.6 billion to Beef Up CPEC," *Outlook India*, August 12, 2015, cited in Wikipedia (online at en.wikipedia.org).
256. Most of China's aid to Pakistan prior to 1971 went through the government and its projects were aimed at West Pakistan since China's interests were in stabilizing Tibet's border and reaching an amicable agreement on the border with Pakistan. Since East Pakistan did not have a common border with China it did not benefit much from China's aid.
257. Sutter, *Chinese Foreign Policy*, p. 141.
258. Galem W. Choudhury, "Post-Mao Policy in Asia," *Problems of Communism,* July-August 1977 and *Far Eastern Economic Review*, April 22, 1977, both cited in Copper, "China's Foreign Aid in 1977," p. 27. Also see Gilks and Segal, *China and the Arms Trade*, pp. 62–63; this source mentions ten aircraft, possibly trainers.
259. Copper, *China's Foreign Aid in 1978*, p. 25.
260. Ibid.
261. Ibid., pp. 25–26.
262. Copper, *China's Foreign Aid in 1979–80*, p. 20.
263. Asia 1982 Yearbook, p. 25, cited in Copper, "China's Military Assistance" in Copper and Papp (ed.), *Communist Nations Military Assistance,* p. 114.
264. Gilks and Segal, *China and the Arms Trade*, p. 70.
265. "China Supports Bangladesh," *Beijing Review*, December 13, 1982, p. 51.
266. Peter Bertocci, "Bangladesh in 1985: Resolute against the Storms," *Asian Survey*, January 1986, pp. 232–33.
267. William R. Feeney, "Chinese Policy toward Multilateral Financial Institutions," in Samuel S. Kim (ed.), *China and the World*, p. 251.
268. See Byman and Cliff, *China's Arms Sales*, pp. 49–50 for a list of the weapons purveyed to Bangladesh. One source says the weapons China provided were aid. See *Wikipedia* (online at en.wikipedia.org.wiki/Bangladesh-People's_Republic_of_China_relations).
269. "China: Loan to Increase Bilateral Trade," *China Daily*, August 27, 1999 (online at chinadaily.com.cn).
270. "Dhaka Issues Memorial Stamps on Bangladesh-China Diplomatic Relations," *People's Daily*, October 4, 2000 (online at en.people.cn).
271. "China, Bangladesh to Improve Bilateral Ties," *The Hindu,* July 24,2007 (online at hindu.com).
272. China's March on South Asia (online at asiamedia.ucla.edu/article.asp?parentid=23468) cited in *Wikipedia.*
273. "China to Give $1 Million Aid," *China Daily*, November 20, 2007 (online at chinadaily.com.cn).
274. "China Offers Bangladesh More Military Aid, Nuclear Technology," *South Asia News,* April 25, 2008 (online at monsters and critics.com).
275. Ibid.
276. "China Red Cross Gives $30,000 Emergent Aid to Cyclone-Hit Bangladesh," *People's Daily Online*, May 29, 2009 (online at peopledaily.com.cn).

277. Bina D'Costa, "Bangladesh in 2010: Digital Makeover but Continued Human and Economic Insecurity," *Asian Survey*, January/February 2011, p. 144.
278. B. Raman, "Chinese Interest in Hambantota, Chittagong Ports—An Update," Paper #3863 South Asia Analysis Group, June 16, 2010 (online at southasiaanalysis.org).
279. Ibid., p. 145.
280. Xinhua, June 13, 2010, cited in ibid.
281. "China's Investment Spurs Bangladesh Development," Future Directions International, June 15, 2011 (online at fuuredirections.org.au).
282. "China Agrees to Help Finance Deep-Sea Port in Bangladesh," Dredging Today, March 23, 2010 (on line at dredgingtoday.com).
283. Daniel Kostecka, "Hambantota, Chittagong, and the Maldives—Unlikely Pearls for the Chinese Navy," *China Brief*, November 19, 2010 (online at jamestown.com).
284. "Bangladesh Tilts toward China," *Bangladesh Patriot*, October 4, 2010 (online at bangladeshpatriot.com).
285. "Bangladesh Port Holds Key to Economic Growth," *The Daily Star*, September 4, 2012 (online at asianewsnetwork.net); Abul Kalam Azad and Husan Jahid Tusher, "China Offers to Build, Fund It," *The Daily Star*, September 28, 2012 (online at thedailystar.net).
286. "Bangladesh Inks US$1.12bln Deal with Chinese company for bridge Project," *Want China Times*, November 12, 2014 (online at wantchinatimes.com.tw).
287. Joseph Allchin, "China Steals March on Rivals to Invest in Bangladesh," *Financial Times*, June 12, 2014 (online at ft.com). Also see "Building the Somadia Deep Seaport," *New Nation*, August 11, 2014 (online at thedailynewnation.com).
288. Tashfin Chowdury, "Bangladesh Woos China in Snub to West," Al Jazeera, June 23, 2014 (online at aljazeera.com).
289. "Bangladesh Eager to Join BRICS Bank Following Chinese Interest?" Civil Brics, September 15, 2014 (online at civilbrics.ru).
290. "China Base strategy—China Acquires Base in Maldives against India with Some Help from Pakistan," *Dhivehi Observer,* May 8, 2005 (online at enwikipedia.org).
291. Kostecka, "Hambantota, Chittagong, and the Maldives.".
292. "China and the Maldives," Ministry of Foreign Affairs of the People's Republic of China (no date given) (online at fmprc.gov.cn—viewed July 2014).
293. Harsh V. Pant, "China Quietly Sinks New Delhi's Influence in the Indian Ocean," *The Irrawaddy*, January 13, 2013 (online at irrawaddy.org).
294. "News Analysis: Maldives President Lauds China's Foreign Policy," Xinhua, September 1, 2012 (online at xinhuanet.com)
295. "China, Maldives Firm Up Defense Ties amid GMR Row," India Defense Forum, December 11, 2012 (online at defenceforumindia.com).
296. "Maldives-China Military Agreement to Provide $3.2 Million Free Aid," December 18, 2012 (online at china-defense-mashup.com)
297. "Maldives and China Sign Grant Aid Agreement of 50 Million Yuan," *News from the Maldives*, December 5, 2013 (online at maldivehighcommission.org).

298. Pant, "China Quietly Sinks New Delhi's Influence in the Indian Ocean."
299. "Chinese Govt Announces Aid to Maldives" *China Daily,* August 16, 2014 (online at chinadaily.com.cn).
300. Teddy Ing, "Maldives Announces Support for China's "Maritime Silk Road," *South China Morning Post,"* September 16, 2014 (online at scmp.com).
301. Charu Sudan Kasuri, "Worry over Xi's Visit to the Maldives," *Telegraph*, September 14, 2014 (online at telegraphindia.com).
302. "Maldives Constitutional Amendment Opens Door for Chinese Military Base," *Want China Times*, July 25, 2015 (online at wantchinatimers.com.tw). The conditions were that the nation involved must invest more than $1 billion in the Maldives and 70 percent of the land must be reclaimed from the sea.
303. Paul J. Smith, "Bhutan-China Border Disputes and Their Geopolitical Implications," in Bruce Elleman, Stephen Kotkin and Clive Schofield (eds.), *Beijing's Power and China's Borders: Twenty Neighbors in Asia* (Armonk, NY: M. E. Sharpe, 2013), pp. 23–33.
304. Mei Jingya, "28 Years on: China, Bhutan Gain Remarkable Headway in Border Talks," SinaEnglish, August 12, 2012 (online at english.sina.com).
305. "China Says Ready for Fair Border Solution with Bhutan," *Economic Times*, July 28, 2014 (online at economictimes.indiatimes.com).
306. As noted above, this loan is said to be a for-profit venture by China. It should also be considered a pledge of future financial help at this time.
307. Michael Martina, "China Replaces Britain in World's Top Arms Exporters: Report," Reuters, March 18, 2013 (online at reuters.com).
308. Ibid., pp. 201–2.
309. Cardenal and Araujo, *China's Silent Army*, p. 335.
310. Tibet is also the origin of important rivers in Southeast Asia, but importantly for the discussion here is the Bramaputra River that flows into India and Bangladesh and that China has dammed and even considered diverting. See Elizabeth Economy and Michael Levi, *By All Means Necessary: How China's Resource Quest Is Changing the World* (New York: Oxford University Press, 2014), pp. 160–63.
311. Nathan and Scobell, *China's Search for Security*, pp. 198–99.
312. Klein, *Politics versus Economics*, p. 102.
313. Only 5 percent of South Asia's trade is within the region. See ibid.
314. See Doak A. Barnett, *Communist China and Asia: A Challenge to the United States* (New York: Vintage Books, 1960), chapter 11, for details on China's early foreign policy objectives in the region. For a post-1970 assessment, see Choudhury, *China in World Affairs*, chapter 9. It is noteworthy that the Soviet Union took much of the foreign aid it was giving China prior to 1960, and aid that China repaid, to give aid to India. China was very upset by this. (See chapter 4.)
315. Making matters worse for China, the US CIA at this time made efforts to foment trouble in Tibet.
316. Edward N. Luttwak, *The Rise of China vs. the Logic of Strategy* (Cambridge, MA: Belknap Press, 2012), p. 232.

317. Bill Emmott, *Rivals: How the Power Struggle between China, India and Japan Will Shape Our Next Decade* (Boston, MA: Houghton Mifflin Harcourt, 2008), p. 54.
318. Nathan and Scobell, *China's Search for Security*, p. 17. The authors speak of China's "long term alignment" with Pakistan.
319. Robert Kaplan in *Monsoon* has made this argument as noted earlier in this chapter.
320. This issue is pursued in subsequent chapters, especially those on China's aid to Africa.
321. This term was first used in the United States by a consulting firm in a report to the US Office of Net Assessment. China called the concept "Western propaganda." However, top Chinese naval officers have suggested that China acquire bases in places where the Chinese navy needs to conduct extended operations. See Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W. W. Norton, 2011), p. 230. The author cites "Chinese Admiral Floats Idea of Overseas Naval Bases," Reuters, December 30, 2009.
322. Billy Tea, "Unstringing China's Strategic Pearls," *Asia Times*, March 11, 2011 (online at atimes.com).
323. John W. Garver, "China's Influence in Central and South Asia," in David Shambaugh (ed.), *Power Shift: China and Asia's New Dynamics* (Berkeley: University of California Press, 2005), p. 217.
324. Kemp, *The East Moves West,* pp. 205–11.
325. Henry Sokolski, "Pakistan's Nuclear Plans: What's Worrisome, What's Avertable?" in Henry Sokolski (ed.), *Pakistan's Nuclear Future: Reining in the Risk* (Carlisle, PA: Strategic Studies Institute, 2010), p. 2. According to the author, the United States obtained information on training and data from security cameras but not a permissive action link (PAL) that would enable the United States to "kill" them in the event of a seizure.
326. Cardenal and Araujo, *China's Silent Army*, p. 231.
327. "New Humility for the Hegemon," *Economist*, July 30, 2011, p. 11.
328. See David Shambaugh, *China Goes Global: The Partial Power* (New York: Oxford University Press, 2013), pp. 103–5, and Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New World Order* (New York: Penguin, 2012), pp.338–39.
329. Cardenal and Araujo, *China's Silent Army,* p. 232.
330. Shambaugh, *China Goes Global*, p. 104.
331. "Parsnips Unbuttered," *Economist*, May 25, 2013, p. 39.
332. See Sutter, *Chinese Foreign Relations* (third edition), pp. 245–50.
333. "India and Pakistan Joining SCO: A Strategic Move by China: Duowei," *Want China Times*, July 13, 2015 (online at wantchinatimes.com.tw).
334. Robert D. Kaplan, *The Revenge of Geography: What the Map Tells Us about Coming Conflicts and the Battle against Fate* (New York: Random House, 2012), p. 228.

3 China's Foreign Aid and Investment Diplomacy in Northeast and Central Asia

1. *North Korea: A Case Study in the Techniques of Takeover* (Washington, DC: U.S. Department of State, 1961), pp. 116–17.
2. See Werner Levi, *Modern China's Foreign Policy* (Minneapolis: University of Minnesota Press, 1953), p. 294. Another writer puts the number at 900,000 killed. See Garver, *Foreign Relations of the People's Republic of China* (Englewood Cliffs, NJ: Prentice Hall, 1993), p. 289. Also, see Michael Hickey, *The Korean War* (New York: Overlook Press, 1999), p. 466. Hickey puts the numbers at: 401,401 killed, 486,995 injured, and 21,211 captured of a total of 909,607. He says the numbers are from a Joint Chief of Staff estimate. China has not revealed any such figures and regards such as a national secret. North Korea officially provides no statistics, though tour guides at a war memorial in Pyongyang say the number of Chinese killed was around 300,000. See Hamish McDonald, "China Shifts Korea Stance as It Counts Cost of Alliance," *The Age*, February 14, 2005 (online at www.theage.com/au/news/north-korea/china-shifts-korea-stance-as-it-counts-cost-of-alliance/2005/02/13/11078229852786.html).
3. *Korean War Casualty Statistics,* 1999 (online at http://www.centurychina.com/history/krwarcost.html). No details are supplied about where or how the data were collected.
4. Given that China suffered a much larger number of soldiers killed and injured in Korea than in Vietnam and China reported (see Volume 2, Chapter 1) that the Vietnam War cost it $20 billion, the above-cited figure seems very low. Putting China's costs in perspective, the United States spent an estimated $320 billion (in 2008 dollars) on the war. See "Iraq War's Price Tag Nears Vietnam's," CBS News, July 25, 2008 (online at www.cbsnews.com). The source cited is the Congressional Research Service.
5. Yang Peixin, "China Tackles Her Financial Problems," *People's China*, February 1, 1050, p. 5, cited in Melvin Gurtov and Byong-Moo Hwang, *China under Threat: The Politics of Strategy and Diplomacy* (Baltimore, MD: Johns Hopkins University Press, 1980), p. 27.
6. Gurtov and Hwang, *China under Threat,* p. 27. In this connection it is worth noting that in the summer of 1949 Zhou Enlai suggested it was desirable to have working relations with the United States for the "well-being of the Chinese people." His remarks were seen as reflecting the idea that China needed foreign aid, more than the Soviet Union could provide, and that China should seek aid from the United States. This did not have any results, however, because, it was said American aid would have adversely affected the class struggle going on in China by encouraging pro-Nationalist and other counterrevolutionaries and subsequently because of a US policy of hostility toward China. See pp. 35–39.
7. Harold C. Hinton, *China's Turbulent Quest* (New York: Macmillan, 1970), p. 43. The author also notes that, in the minds of some Chinese leaders, it was

unnecessary since the South Korean government at the time could have been overthrown by insurgency operations—which Mao and his military were good at.

8. Recently Chinese scholars have stated openly that had there been no Korean War there would exist no Taiwan question today. They have also questioned the thesis then advanced that a collapse of North Korea would have been fatal to revitalizing China's rust belt in Manchuria. See McDonald, "China Shifts Korea Stance." Likely Chinese scholars would not have said this publicly if it went against China's policy.
9. See Nikita Khrushchev, *Khrushchev Remembers* (Boston, MA: Little Brown, 1970), p. 367 and 401.
10. Li Sang-jo said that Kim did not consult with Mao about his war plans. See *North Korean News*, June 26, 1989, cited in Garver, *Foreign Relations of the People's Republic of China*, p. 286.
11. See Harold C Hinton, *Communist China in World Politics* (Boston, MA: Houghton Mifflin, 1966), p. 211.
12. Hinton, *China's Turbulent Quest*, p. 43.
13. Garver, *Foreign Relations of the People's Republic of China,* p. 286.
14. Allan Whiting, *China Crosses the Yalu: The Decision to Enter the Korean War* (New York: Macmillan, 1960), p. 45 and 47. The view has also been propounded that the United States played a part in starting the war as a pretext for launching a broad attack on Asian Communism, though this is not a widely accepted view. See I. F. Stone, *The Hidden History of the Korean War* (New York: Monthly Review Press, 1952), and David Horowitz, *From Yalta to Vietnam: American Foreign Policy in the Cold War* (Harmondsworth: Penguin Books, 1967).
15. Robert R. Simmons, *The Strained Alliance: Peking, Pyongyang, Moscow and the Politics of the Korean War* (New York: The Free Press, 1975), chapter 5. This view has been supported recently, in 2010, by a release of documents and more candid writing on the subject on the sixtieth anniversary of the war. See Mark O'Neill, "Beijing's Giant U-Turn," *South China Morning Post*, July 25, 2010 (online at www.scmp.com). The author states that Stalin did not tell Mao about the planned invasion when Mao was in the Soviet Union in early 1950. In addition, when Mao made the decision to join the war effort, the rest of the Chinese leadership opposed it.
16. Gurtov and Hwang, *China under Threat*, p. 44. Henry Kissinger argues that Kim Il-sung manipulated China and the Soviet Union because of their mutual suspicions and started the war. Mao felt that the "project" should be delayed until the completion of the Chinese civil war and the conquest of Taiwan. Henry Kissinger, *On China* (New York: Penguin Press, 2011), pp. 122–23.
17. Alan Lawrance, *China's Foreign Relations since 1949* (London: Routledge, 1975), pp. 16–17. It is interesting to note in this connection that for many years after the war, China's position was that the United States started the war. Recently, however, China's official news agency stated that on June 25, 1950, "the North Korean army marched over the 38th parallel and started the attack." See Malcolm Moore, "China Rewrites History on Korean War," *Telegraph*, June 25, 2010.

18. One author, for example, notes that when threatened by McArthur's forces that were approaching the Yalu River in November 1950, Kim Il-sung appealed to China for help—"exactly what tributary states were expected to do when threatened by an outside power." See Steven W. Mosher, *Hegemon: China's Plan to Dominate Asia and the World* (San Francisco: Encounter Books, 2000), p. 46.
19. See, for example, Doak A. Barnett, *Communist China and Asia: A Comparative Analysis of Governments and Parties* (New York: Praeger, 1963), pp. 288–89.
20. *People's Daily*, November 27, 1951, cited in Copper, "China's Military Assistance," in John F. Copper and Daniel S. Papp (eds.), *Communist Nations' Military Assistance* (Boulder, CO: Westview Press, 1983), p. 104.
21. One of the reasons China did not announce much of its aid, not to mention the fact that as a practice it did not divulge its arms aid, was the fact that Mao supported the war while some other Chinese leaders did not.
22. Alexander Eckstein, *Communist China's Economic Growth and Foreign Trade: Implications for U.S. Policy* (New York: Council on Foreign Relations, 1966), p. 161.
23. What may be considered proof of this is that debts owed due to trade deficits were later cancelled. Details on this are provided below. It is worthy of note that much of the aid China provided to North Korea was free aid or grants and consisted largely of items purchased from the Soviet Union; it was especially costly (and galling) for China to do this. (See Volume 1, Chapter 4 for further details on this point.)
24. The New China News Agency announced the amounts of these aid pledges on November 23, 1953. For further details on their use, see John F. Copper, *China's Foreign Aid: An Instrument of Peking's Foreign Policy* (Lexington, MA: D.C. Heath, 1976), p. 25.
25. These agreements were announced in *People's Daily,* September 28, 1958. For more details, see Copper, *China's Foreign Aid*, p. 25.
26. Kissinger, *On China*, p. 276
27. *People's Daily*, October 14, 1960, cited in Copper, *China's Foreign Aid*, p. 25,
28. It was said that this treaty was negotiated and signed in response to the US defense treaty signed with South Korea in 1953. See Pobzeb Vang, *Five Principles of Chinese Foreign Policies* (Bloomington, IN: Author House, 2008), p. 519. The time lag, however, makes one wonder if this was really true. The more immediate event was a military takeover of the government in South Korea. For other details, see Copper, "China's Military Assistance," in Copper and Papp (eds.), *Communist Nations Military Assistance*, p. 104. Kissinger describes the treaty, because it was one-sided (China would help Korea; the reverse was not meaningful) as in the nature of the tributary relationship of the past. Kissinger, *On China*, p. 276.
29. Chae-Jin Lee, *China and Korea: Dynamic Relations* (Stanford, CA: Hoover Institution Press, 1996), pp. 99–100.
30. For the former, see *People's Daily*, October 18, 1970. Aid was also mentioned in an article in the New China News Agency on September 9, 1971.
31. See Copper, "China's Military Assistance," pp. 104–5.

32. Copper, *China's Foreign Aid*, p. 24.
33. The figure on announced aid, however, agrees with other writers who made this calculation. See, for example, Muller, *The Foreign Aid Programs of the Soviet Bloc and Communist China*, p. 235. Muller puts China's official aid to North Korea at $376.9 million up to 1960. Another writer puts China's total aid to North Korea at between $1 billion and $8 billion, but does not give a cut off date, so this figure seems to some include aid given during phase two. See Garver, *Foreign Relations of the People's Republic of China*, p. 221.
34. As noted above the war cost the United States $330 billion (in 2008 dollars). Keeping in mind that US manpower and material costs were much higher than China's it is still unreasonable to think that the United States spent 128 times more.
35. Such a large amount would seem reasonable in light of the $20 billion China said it provided to Vietnam. Clearly China provided more aid to North Korea.
36. See Sidney Klein, *Politics versus Economics: The Foreign Trade and Aid Policies of China* (Hong Kong: International Studies Group, 1968), pp. 64–65.
37. Ibid., p. 79. Also see, Chou-ming Li, "China's Industrial Development: 1958–1963," in Roderick MacFarquhar (ed.), *China under Mao: Politics Takes Command* (Cambridge,: MIT Press, 1966), p. 202.
38. Young C. Kim, "North Korea in 1980: The Son Also Rises," *Asian Survey*, January 1981, p. 123.
39. *Vantage Point*, October 1980 (no page number indicated), cited in Kim, "North Korea in 1980," p. 122.
40. *Asian Yearbook 1981* (Far Eastern Economic Review), p. 173.
41. Kim Il Sung traveled to China in 1982 ostensibly to get more aid and it was probably granted, though likely it was not as much as Kim wanted. See Law, *Chinese Foreign Aid,* p. 200.
42. Mike Tharp, "The North, the South and the Superpower Glacier," *Far Eastern Economic Review,* November 12, 1982 and Melinda Lin, "China Shuffles the Cards," *Newsweek*, October 4, 1982. The latter source says "at least twenty MiG-21s."
43. See The MiG-21 Page (online at www.topedge). Com/panels/aircraft/sites/kraft/mig1.htm) viewed February 8, 2009.
44. *Korean Herald*, September 9, 1983, cited in Young Whan Kihl, "North Korea in 1982: Transforming 'the Hermit Kingdom,'" *Asian Survey*, January 1983, p. 109.
45. Daily Report, *Foreign Broadcast Information Service*, January l6, 1985, p. D-5.
46. *North Korea News*, August 3, 1987, and *Country Report-China, North Korea*, The Economist Intelligence Unit, Number 4, 1987, p. 28, both cited in Norman D. Levin, "Evolving Chinese and Soviet Policies toward the Korean Peninsula," in June Teufel Dreyer (ed.), *Chinese Defense and Foreign Policy* (New York: Paragon House, 1989), p. 192.
47. In fact, it was reported that Soviet aid increased and exceeded Chinese aid by a considerable extent, though China did not seem to care. See B. C. Koh,

"North Korea in 1988: The Fortieth Anniversary," *Asian Survey*, January 1989, pp. 40–41.

48. See Levin, "Evolving Chinese and Soviet Policies," pp. 192–93.
49. Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War* (second edition), (Lanham, MD: Rowman and Littlefield, 2010), p. 203.
50. See John J. Tkacik Jr., "How the PLA Sees North Korea," in Andrew Scobell and Larry M. Wortzel (eds.), *Shaping China's Security Environment: The Role of the People's Liberation Army* (Carlisle, PA: U.S. Army War College, 2006), p. 150. China did not want to think of the possibility of US forces in South Korea moving north, the impact of a united Korea on Japan or Russia, and other problems this might create. China also had a territorial dispute with South Korea that might have created a problem. See Charles K. Armstrong, "Sino-Korean Border Relations," in Bruce E. Elleman, Stephen Kortkin, and Clive Schofield, (eds.), *Beijing's Power and China's Borders: Twenty Neighbors in Asia* (Armonk, NY: M.E. Sharpe, 2013, pp. 119–20.
51. See Kim, "The Making of China's Korea Policy in the Era or Reform," pp. 380–81. Of course, the fact that the Soviet Union virtually terminated its aid to North Korea and sought better relations with South Korea for economic reasons was another factor.
52. Mark E. Manyin and Mary Beth Nikitin, "Foreign Assistance to North Korea," Congressional Research Service, September 9, 2009, p. 18.
53. Ed Paisley, "Prepared for the Worst," *Far Eastern Economic Review*, February 10, 1994, cited in Bruce Cummings, *Parallax Visions: Making Sense of American-East Asian Relations at the End of the Century* (Durham, NC: Duke University Press, 1999), p. 248.
54. Tkacik, "How the PLA Sees North Korea," p. 150.
55. Sutter, *Chinese Foreign Relations*, p. 248. It was reported that China cut shipments in the early 1990s during the first North Korean nuclear crisis, to restrain the North Korean government but restored them in 1996 during the famine there, when there was a possible collapse of the government and/or large numbers of Koreans crossing the border into China. See also Marcus Noland, *Avoiding the Apocalypse: The Future of the Two Koreas* (Washington, DC: Institute for International Economics 2000), pp. 187–88.
56. Jen Hui-wen, "Inside Story of Vicissitudes of Sino-DPRK Relations, 1990–1994," *Hsin Pao*, July 19, 1996, and *Chosun Ilbo,* July 20, 2996, both cited in Kim, "The Making of China's Korea Policy in the Era of Reform," pp. 386–87.
57. *Diplomatic White Paper 1998,* cited in Kim, "The Making of China's Korea Policy in the Era of Reform," p. 387.
58. See Marcus Noland, Sherman Robinson, and Tao Wang, "Rigorous Speculation: The Collapse and Revival of the North Korean Economy," Working Paper No. 99–1, The Peterson Institute for International Economics, 1999.
59. You Ji, "China and North Korea: A Fragile Relationship of Strategic Convenience," *Journal of Contemporary China,* August 2001, pp. 387–98 and

Meng Liu, "China and the North Korean Crisis: Facing Test and Transition," *Pacific Affairs*, Fall 2003, pp. 347–73. North Korea did undertake some reforms, including increasing tourism and allowing gambling. Interestingly it was reported that Pyongyang proposed a "foreign economic zone" in the northern part of the country next to the border with China for which the Chinese government expressed its disapproval and in 2002 arrested the China-born official who was to responsible for the zone. See Sutter, *Chinese Foreign Relations*, p. 248.

60. John W. Garver, "China's U.S. Policies," in Yong Deng and Fei-ling Wang (eds.), *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham, MD: Rowman and Littlefield, 2005), p. 220.
61. Professor Ren Xiao of the Shanghai Institute of International Affairs said this at a workshop at the Georgia Institute of Technology on January 18, 2003, cited in ibid.
62. "China Breaks with Its Wartime Past," *Far Eastern Economic Review*, August 7, 2003, pp. 24–24, cited in ibid.
63. Sutter, *Chinese Foreign Relations*, p. 249. Sutter even suggests that China was considering regime change as an option in dealing with North Korea.
64. Victor Cha, *The Impossible State: North Korea, Past and Future* (New York: Harper Collins, 2012), pp. 338–39. China's northeast benefited from Mao's policies that focused on heavy industry more than Deng's free-market policies. The area shares an 870-mile border with North Korea.
65. Andrew Scobell, "Terrorism and Chinese Foreign Policy," in Deng and Wang (eds.), *China Rising*, p. 316.
66. Ibid.
67. Andrew Scobell, "China and North Korea: The Close but Uncomfortable Relationship," *Current History*, September 2002, pp. 280–81.
68. Cha, *The Impossible State*, p. 340.
69. Samuel Kim, "Chinese-North Korean Relations at a Crossroads," *International Journal of Korean Studies,* Spring-Summer 2003, p. 44.
70. Sutter, *Chinese Foreign Relations*, p. 249.
71. See Charles Hutzler and Gordon Fairclough, "The Koreas: China Breaks from Its Wartime Past," *Far Eastern Economic Review*, August 7, 2003.
72. Jae Ho Chung, "China's Korea Policy under the New Leadership: Stealth Changes in the Making?" *Journal of East Asian Affairs,* Spring/Summer 2004, p. 10.
73. Ibid., p. 45. This included China's providing money for training key North Korean bureaucrats, teaching them about modern economic management. See also Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (New Haven, CT: Yale University Press, 2007), p. 158
74. See "China, Russia, ROK Agree to Offer DPRK Energy Aid," *People's Daily,* February 26, 2004, cited in Jianwei Wang, "China's Multilateral Diplomacy in the New Millennium" in Deng and Wang (eds.), *China Rising*, p. 186.
75. Kurlantzick, *Charm Offensive*, p. 158.
76. "Six-Party Talks Conclude as Disagreements Exist," *People's Daily*, February 28, 2004, cited in ibid. US diplomats gave China considerable credit for its work in arranging and handling the talks.

77. Sutter, *Chinese Foreign Relations* (second edition), p. 207–08.
78. It was reported that half of North Korea's foreign trade was with China and more than half of its foreign investments came from China. See Sutter, *Chinese Foreign Relations* (second edition), p. 208.
79. See You Ji, "Dealing with 'North Korea Dilemma': China's Strategic Choices," RSIS Working Paper, January 21, 2011, p. 10.
80. Joseph Kahn and David E. Sanger, "China Rules Out Using Sanctions on North Korea," *New York Times,* May 11, 2005.
81. Manyin and Nikitin, "Foreign Assistance to North Korea," p. 22. The author cites Nicholas Eberstadt and Heather Dresser of the American Enterprise Institute as his source.
82. Noland, *Avoiding the Apocalypse*, pp. 187–88.
83. Manyin and Nikitin, "Foreign Assistance to North Korea," p. 22.
84. See You Ji, "Dealing with 'North Korea Dilemma'" p. 10. The author cites Yong Whan Kihl and Hong Nack Kim, *North Korea: The Politics of Regime Survival* (Armonk, NY: M. E. Sharpe, 2005), p. 197. Also see Gordon G. Chang, "Fatal Attraction: China's Strengthening Partnership with North Korea, *World Affairs*, May/June 2011, p. 48.
85. Sutter, *Chinese Foreign Policy*, p. 252. This point is discussed further below.
86. Ibid.
87. "N Korea Mass Imports Chinese Vehicles," *Chosun Ilbo*, July 7, 2009 (online at english.chosun.com).
88. Chang, "Fatal Attraction," pp. 48–49.
89. Hyung-jin Kim, "Report: China to Make Massive Investment in N. Korea," Associated Press, February 15, 2010.
90. Peter M. Beck, "North Korea in 2010: Provocation and Succession," *Asian Survey*, January/February 2011, p. 36.
91. Chang, "Fatal Attraction," pp. 43–44.
92. Ibid., p. 46.
93. Dick K. Nanto and Mark E. Manyin, "China-North Korea Relations," Congressional Research Service, December 28, 2010, p. 17. This could be true if China's foreign assistance to most other countries recently is categorized as investments and not aid. Even if it were not true, but came close, it would mean that China's aid to North Korea is much more than any other sources of information available indicated and exceeds China's aid to any other country.
94. Jeremy Page, "Pyong Execution Upends China's Economic Strategy," *Wall Street Journal,* December 18, 2013, p. 4.
95. Beina Xu and Jayshree Bajoria, "The China-North Korea Relationship," Council on Foreign Relations, August 22, 2014 (online at cfr.com).
96. Peter M. Beck, "North Korea in 2011: The Next Kim Takes the Helm," *Asian Survey*, January/February 2012, p. 68.
97. Andrew Scobell and Mark Cozad, "China's North Korea Policy: Rethink or Recharge," *Parameters*, Spring 2014, pp. 51–54. Incidentally the authors state that China's aid to North Korea is decided at the very top echolons of government in China avoiding input from the foreign aid and investments bureaucracy.

This suggests they want to keep China's financial help to North Korea a secret because of possible public outrage at its scope and North Korea's lack of gratitude for it, not to mention the embarrassment Pyongyang has caused China.

98. Peter Hayes and Roger Cavozos, "North Korea in 2014: A Fresh Leap into Thin Air," *Asian Survey*, January/February 2015, p. 122, and Eric Talmadge, "Why Russia Is Bolstering Ties with North Korea," *Guardian,* June 4, 2014 (online at theguardian.com).
99. Dana R. Dillon, *The China Challenge* (Lanham, MD: Rowman and Littlefield, 2007), p. 70.
100. For a general discussion of this topic, see Dillon, *The China Challenge*, pp. 68–69.
101. Richard D. Fisher Jr., *China's Military Modernization: Building for Regional and Global Reach* (Stanford, CA: Stanford University Press, 2010), p. 50.
102. Vang, *Five Principles of Chinese Foreign Policies*, p. 522.
103. Ibid.
104. Cummings, *Parallax Visions*, p. 135.
105. Ibid.
106. Thomas Reed and Danny Stillman, *The Nuclear Express: A Political History of the Bomb and Its Proliferation* (Minneapolis: Zenith Press, 2009), p. 261
107. Thomas Woodrow, "China Opens Pandora's Nuclear Box," *China Brief*, December 10, 2002 (online at jamestown.com).
108. Shen Zhihua, "A Bang, A Whimper," *News China*, August 2014, p. 53 and p. 55. All of this happened during several trips by US Secretary of State Kissinger to China, suggesting Kissinger may have known about it.
109. Dillon, *The China Challenge*, pp. 68–69.
110. William T. Tow, "China and the International Strategic System," in Thomas W. Robinson and David Shambaugh (eds.), *Chinese Foreign Policy: Theory and Practice* (Oxford: Claredon Press, 1994), p. 152.
111. There were subsequent reports of Chinese companies engaging in sales or transfers of items that helped North Korea pursue of a nuclear weapon and improve on them once it had them. This point is mentioned below.
112. Reed and Stillman, *The Nuclear Express,* p. 329.
113. See Fisher, *China's Military Modernization*, p. 49 and p. 51.
114. Garver, "China's U.S. Policies," in Deng and Wang (eds.), *China Rising*, p. 219.
115. Ibid.
116. Ibid.
117. The Cox Report can be found at www.house.gov/coxreport. For an evaluation of the report, see Alastair Iain Johnston, W. K. H. Panofsky, Marco Di Capua, and Lewis R. Franklin, "The Cox Committee Report: An Assessment," Center for International Security and Cooperation, Stanford University, December 1999.
118. Various publications mention China's foreign aid to North Korea and its help to the latter to go nuclear. The Central Intelligence Agency and the Congressional Research Service mention both in some of their publications (cited earlier) but do not assign any monetary value to the nuclear help. The South Korean press has stated that North Korea spent $500 to 600 million developing long-range

missiles and $800 to 900 million on nuclear weapons—suggesting China's aid facilitated or even paid for those efforts. See "South Korea Paid Astronomical Sums to N. Korea," *Chosun Ilbo,* December 4, 2010 (online at English.chosun.com). This writer believes this is probably a low estimate.

119. See John Larkin and Donald Macintyre, "Arsenal of the Axis," *Time*, July 7, 2003. Iran is mentioned, among other nations. There seems to be evidence at least that North Korea has helped Iran in the processing of uranium, an area where North Korea's technology is ahead. See Damien McElroy, "North Korea and Iran Increase Collaboration on Nuclear Missile, Report Claims," *Telegraph*, July 21, 2011.
120. McElroy, "North Korea and Iran Increase Collaboration."
121. Israel learned of the facility at al Kibar by intelligence it acquired regarding Syrian contacts with Chon Chibu, a leader of North Korea's nuclear program. See Peter W. Singer, "The War of Zeros and Ones," *Popular Science,* September 2014, p. 42.
122. Ibid.
123. "China's Missile Exports and Assistance to East Asia," Center for Nonproliferation Studies, April 5, 2006, cited in Fisher, *China's Military Modernization*, p. 69.
124. "Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions: January-June 2003," Central Intelligence Agency, November 2003, cited in Dillon, *China Challenge*, p. 69. Also see Bill Gertz, *The China Threat: How the People's Republic Targets America* (Washington, DC: Regnery, 2000), p. 111. The latter cites the items transferred.
125. Reed and Stillman, *The Nuclear Express*, p. 263.
126. Larry A. Niksch, "North Korea's Nuclear Weapons Program," *Issue Brief (*Congressional Research Service), April 28, 2003.
127. Reed and Stillman, *The Nuclear Express*, p. 261
128. "N. Korea's Arms Export Routes Getting Harder to Track," *Chosun Ilbo*, June 29, 2009 (online at English.chosun.com).
129. Ibid.
130. "N Korea 'Earning $2 Billion a Year in Arms Deals with Iran.'" *Chosun Ilbo*, July 16, 2009 (online at english.chosun. com).
131. "Burma's Nuclear Secrets," *Sydney Morning Herald,* August 1, 2009 (online at smh.com.au).
132. Jon Herskovitz, "Q+A-How North Korea Earns Money from Arms Sales," Reuters, July 4, 2009 (online at wwwe.reuters.com/article/2009/07/04/us-korea-north-proliferation-sb-idUSTRESS630WA200090704). The think tank cited is the Institute for Policy Analysis.
133. See James Steinberg and Michael E. O'Hanlon, *Strategic Reassurance and Resolve: U.S. China Relations in the Twenty-First Century* (Princeton, NJ: Princeton University Press, 2014), pp. 124–25.
134. For details, see Robert A. Rupen, "The Mongolian People's Republic and Sino-Soviet Competition," in A. Doak Barnett, *Communist Strategies in Asia: A*

Comparative Analysis of Governments and Parties (New York: Praeger, 1963), p. 268.

135. *People's Daily*, April 10, 1954 cited in Copper, *China's Foreign Aid*, p. 32.
136. Urdadyn Bulag, "The Cult of Ulanhu: History, Memory, and the Making of National Heroes," *Central Asian Survey*, March 1998, pp. 11–33.
137. Mongolia was part of China during the Ch'ing (Qing) Dynasty. At Yalta Roosevelt made excuses to the Soviet Union for its entrance into the war with Japan, including Mongolia's independence. China regarded this as a sellout.
138. *People's Daily*, August 30, 1956, cited in Copper, *China's Foreign Aid*, p. 32.
139. Copper, *China's Foreign Aid*, p. 32. In 1957, the Soviet Union announced that it had already granted $225 million in aid to Mongolia and was giving another $61 million.
140. Farw Rahall, "Mongolia between China and Russia," *Asian Survey*, July 1978, pp. 659–65.
141. In fact, Mongolia seemed to be a barometer of relations between China and the Soviet Union and aid an even better indicator. See Robert A. Rupen, "The Mongolian People's Republic and Sino-Soviet Competition," in A. Doak Barnett, *Communist Strategies in Asia*, p. 268. The author notes that Soviet aid donations seemed to follow and were a reaction to Chinese aid. Also see George Murphy, *Soviet Mongolia: A Study of the Oldest Political Satellite* (Berkeley, CA: University of California Press, 1966), p. 148 and 177. The author states that Chinese aid "impelled" the Soviet Union to match it "gift for gift" and to call for an end to Chinese labor in Mongolia. Some of the earlier aid projects could not have been undertaken without Chinese labor and Chinese workers were to be eligible for Mongolian citizenship "if required."
142. *People's Daily*, December 30, 1958, cited in Copper, *China's Foreign Aid*, p. 33.
143. *People's Daily,* June 1, 1960, cited in Copper, *China's Foreign Aid*, p. 33. Also see Harrison Salisbury, *War between Russia and China* (New York: Norton, 1969) for details on how this affected Sino-Soviet relations.
144. See Copper *China's Foreign Aid*, p. 33 for details on Soviet aid to Mongolia at this time.
145. Rahal, "Mongolia between China and Russia," pp. 660–62.
146. Gurtov and Hwang, *China under Threat*, p. 208.
147. Rahal, "Mongolia between China and Russia," p. 662.
148. Hinton, *Communist China in World Politics*, pp. 478–83.
149. Ibid.
150. *Vice-Premier Chen Yi Answers Questions Put by Correspondents* (Peking: Foreign Languages Press, 1966), pp. 20–21.
151. Rahal, "Mongolia between China and Russia," p. 212. The treaty stated that the two countries "will jointly undertake all necessary measures, including military ones, aimed at ensuring the security, independence and territorial integrity of both countries." One writer notes that it was clearly aimed at China. See Henry S. Bradsher, *Afghanistan and the Soviet Union* (Durham, NC: Duke University Press, 1983), p. 97.

152. G. W. Choudhury, *China in World Affairs: The Foreign Policy of the PRC Since 1970* (Boulder: Westview Press, 1982), pp. 154–55.
153. Ibid., p. 155.
154. Yu Bin, "China and Russia: Normalizing Their Strategic Partnership," in David Shambaugh (ed.), *Power Shift: China and Asia's New Dynamics* (Berkeley: University of California Press, 2005), p. 232.
155. Sutter, *Chinese Foreign Relations* (second edition), pp. 257–58.
156. Sutter, ibid., p. 312.
157. Judith Kornberg and John R. Faust, *China in World Politics: Policies, Processes, Prospects* (Boulder: Lynn Rienner, 2005), p. 36. In Inner Mongolia, because of China's policy of pushing Han Chinese to move there, Mongols comprise only 19 percent of the population.
158. James Brooke, "Mongolia: China's Canada? Beijing Is Reaching out to a Former Satellite of the Soviets," *International Herald Tribune*, July 10, 1964, cited in High Beam Research (online at highbeam.com/doc/1P1–96300295.hltml).
159. Nyamosor Tuba, "Mongolia in 2005: Sharing Power, Dealing with Corruption," *Asian Survey*, January/February 2006, p. 83.
160. Stephen Nearer, "Mongolia in 2006: Land of the Rising Khan," *Asian Survey,* January/February 2007, p. 75.
161. "Mongolia's Office Building Completed with Chinese Aid," *China View*, January 5, 2009 (online at news.xinhuanet.com/English/2009–01–05/content_10608183.htm).
162. Ganbat Namjilsangrav, "Mongolia Asks China for 3 Billion Crisis Loan," Associated Press, January 15, 2009.
163. Uradyn E. Bulag, "Mongolia in 2009: From Landlocked to Land-Linked Cosmopolitan," *Asian Survey*, January-February 2010, p. 99.
164. Ibid., p. 100 and 102.
165. Justin Li, "Chinese Investment in Mongolia: An Uneasy Courtship between Goliath and David," *East Asia Forum*, February 2, 2011
166. "Background Note: Mongolia," U.S. Department of State, March 8, 2011 (online at www.state.gov/r/pa/ei/bgn/2779.htm).
167. Elizabeth C. Economy and Michael Levi, *By All Means Necessary: How China's Resource Quest Is Changing the World* (New York: Oxford University Press 2014), p. 68.
168. Ibid., p. 62.
169. "Foreign Investment Law Faces Another Revision," *Economist Intelligence Unit*, October 11, 2013 (online country.eiu.com).
170. Ibid., p. 69.
171. In 2011 it was a whopping 16.9 percent. See Li Narangoa, "Mongolia in 2011: Resources Bring Friends and Wealth," *Asian Survey*, January/February 2012, p. 83. In 2013 it was 11.7 percent.
172. *People's Daily*, March 26, 1965, cited in Copper, *China's Foreign Aid*, p. 64. One writer states that China offered Afghanistan a loan of $60 million in 1964 and this aid was subsequently used. See Shen-yu Dai, "China and Afghanistan," *China*

Quarterly, January-March 1966, p. 220. The author cites no source. The writer suggests the aid reflected a general improvement in relations and China's interest in rebuilding the Silk Road. He also mentions Afghanistan's support for China's position on nuclear weapons and the fact China was about to conduct its first nuclear test at this time. He also mentions that the border treaty just concluded between the two countries and China's growing interest in Pakistan. Dai also mentions another loan worth "equivalent to" 10 million pounds under a technical and economic cooperation agreement, but again does not cite any source.

173. It was reported that half of it was for purchasing Chinese commodities and the rest was for development projects. See Louis Dupree, *Afghanistan* (Princeton, NJ: Princeton University Press, 1973), p. 641.
174. Copper, *China's Foreign Aid*, p. 64; Gerald Segal, "China and Afghanistan," *Asian Survey*, November 1981, p. 1161. The loan may have related to China signing a border agreement with Afghanistan two years earlier in 1963, though this is only speculation and the two were probably not related or only vaguely so. In any event the boundary accord was negotiated in secret and it being only 40-plus miles long and in an area of very rough terrain was not terribly important to China. See Artemy M. Kalinovsky, "Sino-Afghani Border Relations," in Elleman, Kortkin and Schofield (eds.), *Beijing's Power and China's Borders*, p. 13.
175. Copper, *China's Foreign Aid*, p. 65.
176. Ibid.
177. The donation was reported by Radio Pakistan on May 23, 1972. Evidence of it being used was cited in the *New York Times* on June 7, 1973. See Copper, *China's Foreign Aid*, p. 65 regarding both.
178. Copper, *China's Foreign Aid*, p. 65.
179. Hatizullah Emadi, "China's Politics and Developments in Afghanistan," *Journal of Asian and African Studies,* January 1993, pp. 108–12, cited in Kalinovsky, "Sino-Afghani Border Relations," in Elleman et al. (eds.), *Beijing's Power and China's Borders,* p. 16. It is interesting to note that China's aid and its closer relations with Afghanistan led to intellectuals in Kabul forming a Maoist organization and leading some activities at Kabul University.
180. Bhabani Sen Gupta, *Afghanistan: Politics, Economics and Society* (Boulder, CO: Lynne Rienner, 1986), p. 24.
181. Segal, "China and Afghanistan," p. 1161.
182. One writer puts China's aid up to 1979 at $75 million and Soviet aid at $1.3 billion. See Gargi Dutt, "China and the Developments in Afghanistan," in K. P. Misra (ed.), *Afghanistan in Crisis* (New York: Advent Books, 1981), p. 41.
183. Gurtov and Hwang, *China under Threat*, pp, 252–53. Also, see Mark Urban, *War in Afghanistan* (New York: St. Martin's Press, 1988), p. 24. Urban says that China reacted to an Afghan-Soviet treaty and sent weapons into Afghanistan via their common 47-mile long border.
184. According to one observer, the PRC worked with the United States to supply arms and the mules needed to get them to Afghanistan to supply the *mujahedeen's* resistance to the Soviet invasion starting around 1980. The US, he says,

paid the costs and China supplied the goods. See James Mann, *About Face: A History of the Curious Relationship with China from Nixon to Clinton* (New York: Knopf, 1999), p. 137.

185. Segal, "China and Afghanistan," p. 1165. The author, for example, notes that China denied training guerrillas and said that it did not cut contacts with the Soviet Union as a result of its invasion and occupation.
186. Hasan H. Karrar, *The New Silk Road: China's Central Asian Foreign Policy since the Cold War* (Vancouver: UBC Press, 2009), p. 41.
187. See ibid., p. 42. The explanation for this is that the United States, prior to 1986, did not want to send US-made weapons to the Mujahedeen and thus acquired Eastern European and Chinese weapons.
188. George Crile, *Charlie Wilson's War: The Extraordinary Story of the Largest Covert Operation in History* (New York: Atlantic Monthly Press, 2003), pp. 268–69 and 465–66.
189. See Sutter, *Chinese Foreign Relations*, pp. 79–80.
190. Choudhury, *China in World Affairs*, p. 145.
191. Elie Krakowski, "Afghanistan: The Geopolitical Implications of Soviet Control," in Rosanne Klass (ed.), *Afghanistan: The Great Game Revisited* (New York: Freedom House, 1987), pp. 169–70.
192. A number of Asian countries did not want to get involved in what they called a "cold war" between the Soviet Union and China. This may have influenced Chinese thinking. See Choudhury, *China in World Affairs*, p. 126.
193. Cordovez Harrison, *Out of Afghanistan* (New York: Oxford University Press, 1995), p. 34.
194. Ibid., p. 155.
195. The Soviet Union reported that there were five training camps for the Mujahedeen in China. Chinese arms consisted of machine guns, anti-aircraft guns, recoilless rifles and a variety of mines. See Urban, *War in Afghanistan*, p. 123.
196. Emadi, "China's Politics and Developments in Afghanistan," p. 115.
197. Klass, *Afghanistan*, p. 61, and *People's Daily*, March 13, 1980 in Brasher, *Afghanistan and the Soviet Union*, p. 162.
198. Garver, *Foreign Relations of the People's Republic of China*, p. 275.
199. "China Provides Relief Goods Worth RS94 million for Afghan Displaced Persons," *Business Recorder*, October 22, 2001 (online at lexis-nexis.com).
200. "China Aid Pledge for Afghans," BBC News, January 24, 2002 (online at news.bbc.co.uk/2/hi/asia-pacific/1777116.stm).
201. Ibid.
202. For details, see Martin I. Wayne, "Inside China's War on Terrorism," *Journal of Contemporary China*, March 2009, p. 249.
203. "China Offers Aid, Debt-Relief to Afghanistan," *China Daily*, April 2, 2004 (cited in Rollie Lal, "China's Relations with South Asia," in Joshua Eisenman, Eric Heginbotham, and Derek Mitchell (eds.), *China and the Developing World: Beijing's Strategy for the Twenty-First Century* [Armonk, NY: M. E. Sharpe, 2007], p. 146).

204. "A Growing Partnership," *Beijing Review*, April 8, 2010, p. 14.
205. Michael Winer, "China Willing to Spend Big on Afghan Commerce," *New York Times*, December 29, 2009 (online at nyt.com).
206. Richard Lardner, "Chinese Company's Contract to Mine Afghanistan's Rich Copper Deposits Criticized as a Bad Deal," Associated Press, November 1, 2009. The author notes that China stated that the project was of mutual benefit to both countries; thus it would have some of the characteristics of aid.
207. "A Growing Partnership," *Beijing Review*, April 8, 2010, p. 14.
208. Ibid.
209. "China Builds Closer Ties to Afghanistan through Wakkan Corridor," *China Brief*, January 7, 2010.
210. "A Growing Partnership," *Beijing Review*, April 8, 2010, p. 14.
211. Roman Muzalevaky, "The Economic Underpinnings of China's Regional Security Strategy in Afghanistan," *Eurasian Daily Monitor*, April 19, 2010, p. 1.
212. Ibid. Also see James Risen, "U.S Identified Vast Mineral Riches in Afghanistan" *New York Times*, June 13, 2010 (online at nyt.com).
213. Yu Xiaodong, "SCO Summit: Neighborhood Watch," *News China*, August 2012, p. 11.
214. Brian Spegele, "Beijing Pushes for Greater Central Asian Role in Stabilizing Afghanistan," *Wall Street Journal*, June 6, 2012 (online at wsj.com).
215. Raffaello Pantucci and Alexandros Petersen, "Shifts in Beijing's Afghan Policy: A View from the Ground," *China Brief*, November 5, 2012 (online at jamestown.org).
216. Raffaello Pantucci and Alexandros Petersen, "China and Central Asia in 2013," *China Brief*, January 18, 2013 (online at jamestown.org).
217. "Zhong-A jingmao guanzi ji Zhong-guo dui A yuanzhu," (China-Afghanistan Economic and Trade Relations and China's Aid to Afghanistan," Embassy of the PRC in Afghanistan, November 10, 2013 (online at af.china-embassy.org) cited in Zhao Huasheng, "Chinese View of Post-2014 Afghanistan," in Michael Wills, Xenia Domandy, and Michael Keating, Mark N. Katz, Kathleen Colins, Christine Fair, Larry P. Goodson, Sumitha Narayanan Kutty, Kritian Coats Ulrihsen, Zhao Huasheng, and Kuniko Ashizawa, *Asia Policy 17* (National Bureau of Asian Research), January 2014, p. 57.
218. Vanda Felbab-Brown, "Afghanistan in 2013: On the Cusp . . . or on the Brink?" *Asian Survey*, January/February 2014, p. 175.
219. Elizabeth Wishnick, "Post-2014 Afghanistan Policy and the Limitations of China's Global Role," *Central Asian Affairs*, No. 1 2014, p. 135.
220. Ibid., p. 137.
221. Ibid., p. 143.
222. Ibid., pp. 147–50.
223. In 2009, conflicts between Uighurs and Chinese in Xinjiang's capital city left more than a 100 dead. In October 2013 a Uighur-driven vehicle plowed into a crowd in Tiananmen Square killing two and wounding 40. In early 2014 a group of Uighurs attacked people at a train station in Yunnan Province killing 29 and injuring 140. These events caused considerable consternation in China.

224. William Dalrymple, "Afghanistan: As China Forges New Alliances, a New Great Game Has Begun," *Guardian*, March 18, 2014 (online at theguardian.com).
225. Thomas Ruttig, "Copper and Peace: Afghanistan's China Dilemma," Afghanistan Analysts Network, July 11, 2015 (online at afghanistan-analysts.org).
226. John W. Garver, "China's Influence in Central Asia: Is It Increasing? in Shambaugh (ed.), *Power Shift,* p. 205.
227. See Garver, *Foreign Relations of the People's Republic of China*, p. 74.
228. Jim Nichol, "Central Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, p. 65.
229. Yitzhak Schichor, "China's Central Asian Strategy and the Xinjiang Connection: Predicaments and Medicaments in a Contemporary Perspective," *The China and Eurasia Forum Quarterly*, May 2008, p. 56.
230. Karrar, *The New Silk Road Diplomacy*, p. 4.
231. See Bruce A. Elleman, Stephen Kotkin, and Clive Schofield (eds.), *Beijing's Power and China's Borders: Twenty Neighbors in Asia* (Armonk, NY: M. E. Sharpe, 2013). In fact, this is the theme of this book.
232. Karrar, *The New Silk Road Diplomacy,* p. 4.
233. Nichol, "Central Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, p. 65.
234. For background, see John W. Garver, "China's Influence in Central and South Asia," in David Shambaugh (ed.), *Power Shift*, pp. 205–27.
235. Nathan and Scobell, *China's Search for Security,* p. 86.
236. Nichol, "Central Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, p. 65.
237. Garver, "China's Influence in Central Asia," p. 208.
238. Ibid.
239. Ibid., p. 212.
240. Steven Blank, "Kazakhstan's Border Relations with China," in Elleman, Kotkin, and Schofield (eds.), *Beijing's Power and China's Borders*, p. 104.
241. Ibid., p. 77.
242. Garver, "China's Influence in Central Asia," pp. 72–73.
243. "Chinese, Kazakh Banks Sign Accords," British Broadcasting Service, December 12, 2009 (online at www.zibb.com).
244. Daniel Christopher O'Neill, "China's Support for Investment in Kazakhstan: Good Neighbor, Good Economics or Good Geopolitics?" Scholar Research Brief (IREX), October 2009 (online at irex.org).
245. Jim Nichol, "Kazakhstan: Recent Developments and U.S. Interests," Congressional Research Service, August 10, 2012, p. 11.
246. "China Launches Trans-border Trade Center near Kazakhstan Border," Xinhua, December 2, 2011 (online at xinhuanet.com).
247. Juan Pablo Cardenal and Heribert Araujo, *China's Silent Army: The Pioneers, Traders, Fixers and Workers Who Are Remaking the World in Beijing's Image* (New York: Crown, 2014), pp. 44–45.
248. Ibid., pp. 8–49.

249. "China's Investments in Kazakhstan Standing at $13 billion," *Tegri News*, July 21, 2012 (online at tegrinews.kz).
250. Richard Weitz, "Sino-Kazakh Ties on a Roll," *China Brief*, January 18, 2013 (online at Jamestown.org).
251. China, Kazakhstan Agree to Ink Deals Worth $30 Billion," *Asahi Shimbun*, September 7, 2013 (online at ajw.asahi.com).
252. "China Eye to Eye with Kazakhstan on Enriching Cooperation," State Council of the People's Republic of China, December 15, 2014 (online at english.gov.cn).
253. "China's Investments in Kazakhstan Standing at $13 Billion."
254. Nargis Kassenova, "China as an Emerging Donor in Tajikistan and Kyrgyzstan," IFRI/Russian NIS Center, January 2009, cited in Erica Marat, "Kyrgyzstan: China's Regional Playground," in Elleman, Kotkin and Schofield (eds.), *Beijing's Power and China's Borders*, p. 131.
255. Ibid.
256. Garver, "China's Influence in Central and South Asia," p. 212.
257. Ibid., pp. 73–74.
258. Ibid., p. 74.
259. "China Is Ready to Build a Railroad through Kyrgyzstan," www.for.kg, May 31, 2009, cited in Marat, "Kyrgyzstan: China's Regional Playground," p. 132.
260. Marat, "Kyrgyzstan: China's Regional Playground," pp. 132–33.
261. Elena Avdeyeva, "Wishes and Opportunities: Kyrgyzstan Is Improving Its Doctrine of Multi-vector Cooperation," *Delyi Parus,* January 18, 2010 cited in Marat, "Kyrgyzstan: China's Regional Playground," p. 133.
262. Edward Wong, "China Quietly Extended Footprints into Central Asia," *New York Times*, January 2, 2011 cited in Marat, "Kyrgyzstan: China's Regional Playground," p. 135.
263. Andrew J. Nathan and Andrew Scobell, *China's Search for Security* (New York: Columbia University Press, 2012), p. 94.
264. Nazgul Jenish, "Walls and Windmills: Economic Development in Central Asia," in David B.H. Denoon (ed), *China, the United States, and the Future of Central Asia* (New York: New York University Press, 2015), p. 62.
265. Marat, "Kyrgyzstan: China's Regional Playground," pp. 127–41.
266. Jim Nichol, "Kyrgyzstan: Recent Developments and U.S. Interests," Congressional Research Service, January 19, 2012, p.9.
267. Rafaella Pantucci, "China's Slow Surge in Kyrgyzstan: A View from the Ground," *China Brief*, November 11, 2011 (online at Jamestown.org).
268. "PRC to Provide Credit Aid," Moscow Radio Rossii Network, March 8, 1993 in FBIS-SOV-93–0445, cited in Karrar, *The New Silk Road*, p. 59.
269. Afghanistan and Pakistan, of course, also border on China.
270. Nichol, "Central Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, pp. 74–75.
271. Ibid.
272. Ibid., p. 75.

273. Jim Nichol, "Turkmenistan: Recent Developments and U.S. Interests," Congressional Research Service, August 17, 2912, p. 5 and 8.
274. Pantucci and Peterson, "China and Central Asia in 2013."
275. Jenish, "Walls and Windmills: Economic Development in Central Asia," in Denoon (ed), *China, the United States, and the Future of Central Asia*, p. 62.
276. Nichol, "Central Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, p. 76. This comment suggests China considered this aid as opposed to an investment, and as noted many times throughout this book the two for all intents and purposes cannot be distinguished from one another.
277. Ibid.
278. Ibid.
279. "Shanghai Cooperation Organization Summit Opens," Radio Free Europe/Radio Liberty, June 15, 2006 (online at frerl.org).
280. Li Xin and Xin Daleng, "Chinese and Russian Interests in Central Asia," in Denoon (ed.), *China, the United States, and the Future of Central Asia*, p. 141.
281. Jim Nichol, "Uzbekistan," Congressional Research Service, August 3, 2012, p. 8.
282. "Uzbekistan and China Sign Trade and Economic, Investment and Financial Agreements Totaling $5.2 Billion," *Turkish Weekly*, June 9, 2012 (online at turkishweekly.net).
283. Jianwei Wang, "China's Multilateral Diplomacy in the New Millennium, " in Yong Deng and Fei-ling Wang (eds.), *China Rising*, p.177.
284. Sutter, *Chinese Foreign Relations*, p. 121; Zhao Huasheng "China's View of and Expectations from the Shanghai Cooperation Organization," *Asian Survey,* May/June 2013, pp. 436–37.
285. For background on the SCO's founding as it relates to the countries involved, see Jean-Pierre Cabestan, "The Shanghai Cooperation Organization, Central Asia, and the Great Powers, an Introduction: One Bed Different Dreams?" *Asian Survey,* May/June 2013, pp. 423–24.
286. Ibid., pp. 424–26. Also see Robert G. Sutter, *China's Rise in Asia: Promises and Perils* (Lanham, MD: Rowman and Littlefield, 2005), p. 256.
287. Sutter, *China's Rise in Asia*, p. 256.
288. Nathan and Scobell, *China's Search for Security*, p. 165.
289. Garver, "China's Influence in Central and South Asia," in Shambaugh (ed.), *Power Shift*, p. 211.
290. Nathan and Scobell, *China's Search for Security,* p. 165.
291. Douglas E. Schoen and Melik Kaylan, *The Russia-China Axis: The Cold War and the America's Crisis Leadership* (New York: Encounter Books, 2014), 12.
292. Wang, "China's Multilateral Diplomacy in the New Millennium," p. 181.
293. Sutter, *Chinese Foreign Relations* (third edition), p. 209.
294. Ariel Sznajder, *China's Shanghai Cooperation Organization* (Berkeley: University of California Press, 2006), p. 101.
295. Mathew Hall, *The Shanghai Cooperation Organization: A Partner for Stabilizing Afghanistan*, Center for Defense and Strategic Studies (Australian Defense College), 2009, pp. 7–8.

296. In addition to these six nations, Mongolia, India, Pakistan, and Iran have observer status. The ten nations together comprise over 25 percent of the world's land area and 45 percent of its population.
297. Sutter, *Chinese Foreign Relations*, pp. 314–19.
298. Jiang Zemin, "Amplify the 'Shanghai Spirit' and Promote World Peace," Xinhua, June 7, 2002, cited in Thomas G. Moore, "Chinese Foreign Policy in the Age of Globalization," in Deng and Wang (eds.), *China Rising*, p. 141.
299. Nichol, "Central Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, p. 68.
300. Wang, "China's Multilateral Diplomacy in the New Millennium," p. 183. This turned out to be premature and the idea was dropped; it, however, might be seen as a long-range idea.
301. "SCO Major Force in International Counter-terrorism," Xinhua, January 16, 2004, cited in Wang, "China's Multilateral Diplomacy in the New Millennium," p. 183. The budget was $3.5 million annually.
302. Xu Tao, "SCO: Example for the World," *Beijing Review*, June 12, 2004, p. 26, cited in Wang, "China's Multilateral Diplomacy," p. 183.
303. Willy Lam, "Beijing's NATO Hits a Stumbling Block," CNN.com, May 16, 2002, cited in Wang, "China's Multilateral Diplomacy," p. 183.
304. Nichol, "Central Asia," in *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, p. 69.
305. Yu Bin, "Party Time," *Comparative Connections* (no date provided), cited in Sutter, *China's Rise in Asia*, p. 257.
306. Wang, "China's Multilateral Diplomacy and the New Millennium," pp. 183–84.
307. Zhongqi Pan, "China's Changing Image of and Engagement in World Order," in Sujian Guo and Jean-Marc F. Blanchard (eds.), *"Harmonious World" and China's New Foreign Policy* (Lanham, MD: Lexington Books, 2008), p. 48.
308. Xinhua, October 15, 2009, reported on CCTV (online at English.cctv.com/20091015,shtml).
309. Ibid.
310. "China to Provide 10-Billion-Loan to SCO Members," Xinhua, June 16, 2009 (online at xinhuanet.com).
311. Ariel Cohen, "The Dragon Looks West: China and the Shanghai Cooperation Organization," Heritage Foundation Lectures, August 3, 2006, cited in Stefan Halper, *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century* (New York: Basic Books, 2010), p. 79.
312. Sutter, *Chinese Foreign Relations* (third edition), p. 108.
313. Yu, "SCO Summit," p. 12.
314. Alexander Cooley, "In Central Asia, Public Cooperation and Private Rivalry," *New York Times,* June 8, 2012 (online at nyt.com).
315. Shannon Tiezzai, "The New, Improved Shanghai Cooperation Organization," The Diplomat, September 13, 2014 (online at thediplomat.org).
316. Gary J. Schmitt, "Facing Reality: Multilateralism for the Asia-Pacific Century," in Gary J. Schmitt (ed.), *The Rise of China: Essays on the Future of Competition* (New York: Encounter Books, 2009), p. 100.

317. Julie Boland, "Ten Years of the Shanghai Cooperation Organization: A Lost Decade? A Partner for the U.S.? 21st Century Defense Initiative Policy Paper (Bookings Institution), June 20, 2011, p. 7.
318. It has never been said that China has extended foreign aid to Russia, though as mentioned in Volume 1, Chapter 4, it did provide a loan. The use of the funds China has provided the SCO has not been disclosed, but it seems reasonable that Russia has used or at least benefited from some of the money.
319. Cooley, "In Central Asia, Public Cooperation and Private Rivalry."
320. Sutter, *Chinese Foreign Relations* (third edition), p. 109.
321. Boland, "Ten Years of the Shanghai Cooperation Organization," pp. 26–27.
322. While it does not seem possible this statement is true, if one considers the many different definitions of foreign aid and the way it is counted plus the fact the time frame was not specified it may have validity or near validity.
323. Hugh White, *The China Choice: Why America Should Share Power* (Collingwood, Australia: Black Inc., 2012), p. 13.
324. The reader is reminded that in the Qing Dynasty, China incorporated Mongolia and made it part of China along with Taiwan and Tibet. In 1921 the Soviet Union wrested Mongolia away from China and made it a puppet state. Some observers feel China harbors a territorial ambition toward Mongolia. See Mosher, *Hegemon*, p. 109. This writer believes that Chinese leaders wish to exert more power and influence globally but plan to do this through trade, aid, and other forms of commerce. (See the concluding chapter of Volume 3.)
325. Zhang Ruiyan, Xia Jisheng, and An Weihua, "The Emergence of the Third World," in Harish Kapur (ed.), *As China Sees the World* (New York: St. Martins Press, 1987), p. 82.
326. This author believes, based on the data on China's foreign assistance presented in this book, that may have been true at one time based on counting all of the help China gave to China cited here. It is certainly not true now.
327. In the sense that North Korea was and is dependent upon China for its survival this is certainly true. Also the reader is reminded that North Korea is the only country with which China has a formal defense treaty. Other countries have been dependent on China's foreign assistance, such as Albania. But none has depended on China for such a long period of time and remains dependent as North Korea.
328. In 2010 the South Korean press reported that China provided $1.9 billion in aid to North Korea during the period 1998–2008 stating that South Korea provided 150 percent as much. See "South Korea Paid Astronomical Sums to N. Korea," *Chosun Ilbo*, December 4, 2010 (online at English.chosun.com).
329. Chang, "Fatal Attraction," p. 46.
330. In 2006, China froze North Korea's assets in Macau in the Bank of China and later that year cut oil flows to North Korea for a short time. The next year a North Korean ship was held in Hong Kong perhaps in reaction to its nuclear test. See David M. Lampton, *The Three Faces of Chinese Power: Might, Money and Minds* (Berkeley: University of California Press, 2008), p. 67.

331. David Hundt, "Rogue en Vogue: North Korea and the War on Terror," in Sally-Ann Totman and Scott Burchill (eds.), *Global Crisis and Risks* (South Melbourne: Oxford University Press, 2008), pp. 138–51
332. See Scott Snyder and See-won Byun, "Pyongyang Tests Beijing's Patience," *Comparative Connections*, July 2009, p. 105.
333. Garver, "China's U.S. Policies," p. 220.
334. David Hundt, "China's 'Two-Koreas' Policy: Achievements and Contradictions," *Political Science,* No. 2, 2010, p. 137
335. Nathan Scobell, *China's Search for Security*, pp. 132–33.
336. Ibid., pp. 133–37.
337. David Shambaugh, *China Goes Global: The Partial Power* (New York: Oxford University Press, 2013), p. 40.
338. See Mark E. Manyin and Mary Beth Nikitin, "Foreign Assistance to North Korea," Congressional Research Service, March 20, 2012, Introduction (no page number provided).
339. Ibid., p. 20. However, this was never done because of doubts it would work.
340. It is uncertain how important a factor this was at the time. It certainly became a concern later. See Nathan and Scobell, *China's Search for Security*, p. 15.
341. Nathan and Scobell, *China's Search for Security*, p. 168.
342. "Children 'Damaged' by Materialism," BBC News, February 26, 2008 (online at bbc.co.uk).
343. Bulag, "Mongolia in 2009," p. 100.
344. Ibid., p. 83.
345. Ibid.
346. William Maley, "Afghanistan in 2010: Continuing Governance Challenges and Faltering Security," *Asian Survey*, January/February 2011, p. 92.
347. See Shambaugh, *China Goes Global*, p.40. Shambaugh notes that the "selective multilateralists" in China believe that getting involved in global governance is going too far. Chang Gong, who authored the recently published book *China Is Not Disruptive,* discusses this issue at length.
348. Nathan and Scobell, *China's Search for Security*, p. 111 and pp. 167–68.
349. Zhao, "Chinese Views of Post-2014 Afghanistan," pp.57–58.
350. Ibid., p. 167.
351. "Timeline: Xinjiang Unrest," BBC News, July 10, 2009 (online at bbc.co.uk).
352. Graham E. Fuller and S. Frederick Starr, "The Xinjiang Problem," Central Asia-Caucasus Institute, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University (no date given), p. 21. The authors note that China has sent 15,000 nonmilitary personnel to Xinjiang to maintain stability there.
353. Cardenal and Araujo, *China's Silent Army,* p. 278.
354. Lan Xinshen, "A New Direction for West China," *Beijing Review,* January 21, 2010, pp. 26–27.
355. Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W.W. Norton, 2011), p. 138. This was certainly on the minds of Chinese foreign policy decision makers. How serious it was is

a different matter. It can be argued that Beijing did not want to see the United States leave too quickly and may even have envisioned working with the United States in realizing its security and other objectives. See, for example, Richard Weitz, "China's Military Goals, Policy, Doctrine, and Capabilities in Central Asia," in Stephen J. Blank (ed.), *Central Asia after 2014* (Carlisle, PA: U.S. Army War College Press, 2014), pp. 89–90.

356. Christensen, *The China Challenge*, pp. 247–51.
357. Ibid.
358. Cardenal and Araujo, *China's Silent Army*, p. 277.
359. Ibid., p. 45. Some note that China is now engaged in a "building craze" that goes far beyond its borders and that connects to Beijing's desire to greatly expand its influence throughout the world.
360. Nathan and Scobell, *China's Search for Security*, p. 165.
361. President Xi Jinping cites the connection in his recent book. See Xi, *The Governance of China*, p. 317.

4 Using Aid and Investment Diplomacy to Isolate Taiwan

1. For a synopsis of China's views and policy toward Taiwan, see Robert G. Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War* (Lanham, MD: Rowman and Littlefield, 2010), chapter 7.
2. For what may be considered China's official position on Taiwan, see *The Taiwan Question and the Reunification of China* (Beijing: Taiwan Affairs Office and Information Office of the State Council, 1993).
3. Ibid. The more popular view is that the United States changed its position when Mao's forces defeated Chiang Kai-shek's armies and established the People's Republic of China See John W. Garver, *Foreign Relations of the Peoples Republic of China* (Englewood Cliffs, NJ: Prentice Hall, 1993), p. 50 for a discussion of this.
4. This is called the "national inheritance principle" in international law.
5. The Constitution of the People's Republic of China also states that Taiwan belongs to China. It reads: "Taiwan is part of the sacred territory of the People's Republic of China. It is the lofty duty of the entire Chinese people, including compatriots in Taiwan, to accomplish the great task of reunifying the motherland" (in preamble).
6. A. Doak Barnett, *Communist China and Asia: A Challenge to the United States* (New York: Vintage Books, 1960), p. 77. Barnett says that fostering revolution throughout Asia, which some others said was his first objective, was a lower priority.
7. Kuo-kang Shao, *Zhou Enlai and the Foundations of Chinese Foreign Policy* (New York: St. Martin's Press, 1966), pp. 180–81.
8. Samuel S. Kim, "Taiwan and the International System: The Challenge of Legitimation," in Robert G. Sutter and William R. Johnson (eds.), *Taiwan*

in World Affairs (Boulder, CO: Westview Press, 1994), p. 149. Kim calls the context a zero-sum one.

9. Some writers suggest that Mao had other motives, mainly testing US-Taiwan relations. See Thomas E. Stolper, *China, Taiwan and the Offshore Islands* (Armonk, NY: M. E. Sharpe, 1985), p. 35. The author suggests that the United States was put in the awkward position of having to risk a costly and unpopular war without clear objectives or breaking with Chiang Kai-shek and sacrificing Nationalist troops on the islands. Garver notes that China was aware that Washington and Taipei were in the process of concluding a mutual defense treaty and China acted for that reason. See *Foreign Relations of the People's Republic of China,* p. 47. A Chinese scholar notes that the recovery of Taiwan was too closely related to the legitimacy of the Chinese Communist Party, calling it its "historical curse." See Wang Shuzhong, "The Post-War International System," in Harish Kapur (ed.), *As China Sees the World* (New York: St. Martin's Press, 1987), p. 36.
10. Alice Langley Hsieh, *Communist China's Strategy in the Nuclear Era* (Englewood Cliffs, NJ: Prentice-Hall, 1962), pp. 17–18.
11. Ibid. p. 18. This, it is worth noting, has been cited as early evidence of a serious deteriorating in Sino-Soviet relations.
12. According to one author, China had two major motives in giving aid: competing with Taiwan and obtaining sources of raw materials. See Carol Lancaster, "Foreign Aid in the Twenty-First Century: What Purposes?" in Louis A. Picard, Robert Groelsema, and Terry F. Buss (eds.), *Foreign Aid and Foreign Policy: Lessons for the Next Half-Century* (Armonk, NY: M. E. Sharpe, 2008), p. 47.
13. See Robert C. North, *The Foreign Relations of China* (North Scituate, MA: Duxbury Press, 1978), p. 133. Also see Garver, *Foreign Relations of the People's Republic of China*, p. 55.
14. According to one writer, Mao indicated a willingness to renounce the use of force to liberate Taiwan in exchange for Washington engaging in talks at the ministerial level with China. Garver, *Foreign Relations of the People's Republic of China*, p. 55. Garver suggests China may have been willing to agree to the de facto separation of Taiwan from China. This view, however, is contradicted by the fact the Soviet Union called for the avoidance of hostilities in the Taiwan Strait area, no matter by whom—requiring China to pledge not to use military force against Taiwan. In any event, China refused. See John Gittings, *The World and China: 1922–1972* (New York: Harper and Row, 1974), p. 199.
15. Garver, *Foreign Relations of the People's Republic of China*, pp. 55–56. This proposal was not very realistic in view of the fact it was contingent on foreign minister-level talks with the United States.
16. Mao may have calculated that improved Sino-American ties would undercut Chiang Kai-shek's regime, which would "fall into China's hands." See George McT. Kahin, *The Afro-Asian Conference* (New York: Cornell University Press, 1956), pp. 28–29.

17. Barnett, *Communist China and Asia*, p. 407.
18. Ibid., p. 408. Zhou likened the situation to America's incorporation of Hawaii. Other Chinese leaders appealed to both the leaders and the people of Taiwan to be patriotic and resist imperialism.
19. R. G. Boyd, *Communist China's Foreign Policy* (New York: Praeger, 1962), p. 34.
20. Garver, *Foreign Relations of the People's Republic of China*, p. 58.
21. Chinese leaders, especially Mao, regarded the Soviet Union's response in supporting China weak and even tantamount to a two-China policy regarding China's desire to incorporate Taiwan. This negatively impacted Beijing's view of and its trust in the Soviet Union. See Garver, *Foreign Relations of the People's Republic of China*, p. 60.
22. See North, *The Foreign Relations of China*, p. 128. Arguably this was one of the reasons Sino-Soviet relations not long after this deteriorated badly, indicating the degree to which Taiwan was a sensitive issue and one that Chinese leaders were committed to resolving in their own favor.
23. On the other hand, in 1962, there was a near-crisis over Taiwan. The United States responded by giving Taiwan $90 million in military aid placing atomic canons (canons capable of firing atomic shells) on Quemoy, just shouting distance from China. At that point Chinese leaders again saw they could not get Taiwan back by coercive means. See North, *The Foreign Relations of China*, p. 117.
24. "Interview of Premier Chou En-lai with the Committee of Concerned Asian Scholars, July 19, 1971, held in the Hall of the People, Peking," *Peking Review*, July 23, 1971, cited in North, *China's Foreign Relations*, p. 165,
25. James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton* (New York: Knopf, 1999). Also see Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (New York: Henry Holt, 2015), p. 85. The author argues that Mao was influenced by the advice of Chen Yi, one of his generals, to so act.
26. See John F. Copper, *China Diplomacy: The Washington-Taipei-Beijing Triangle* (Boulder, CO: Westview Press, 1992), pp. 31–39.
27. See Mann, *About Face*, chapter 2.
28. See David Bonavia, *Deng* (Hong Kong: Longman, 1989), p. 222. The author notes that Deng understood that the conflict over Taiwan might set back relations with the United States by ten years. Also, see Michael D. Swaine, "Chinese Decision-Making Regarding Taiwan," in David M. Lampton (ed.), *The Making of Chinese Foreign and Security Policy in the Era of Reform, 1978–2000* (Stanford, CA: Stanford University Press, 2001), p. 289.
29. Thus, Beijing turned to less aggressive means of dealing with Taiwan—including giving more economic aid to underdeveloped nations to help Beijing in the diplomatic war against Taipei and in the fight for the UN seat. See Robert G. Sutter, *Chinese Foreign Policy: Developments After Mao* (New York: Praeger, 1986), pp. 98–99.
30. Bonavia, *Deng*, p. 209.

31. See Maria Hsia Chang, *Return of the Dragon: China's Wounded Nationalism* (Boulder, CO: Westview Press, 2001), chapter 9.
32. Yong Deng, *China's Struggle for Status: The Realignment of International Relations* (Cambridge: Cambridge University Press, 2008), p. 19.
33. Michael Yahuda, *Towards the End of Isolationism: China's Foreign Policy after Mao* (New York: St. Martin's Press, 1983), p. 210. Another writer, a Chinese scholar, put it this way: "Any person or political group that maintains Chinese unification and territorial integrity wins the people's support and the appreciation of historians. Any person or political group that tries to divide China, to surrender the territory of our motherland to others and, thus, to harm the integrity of our motherland, will be cast aside by the people and condemned from generation to generation." Liu Ji, "Making the Right Choices in Twenty-First Century Sino-American Relations," in Suisheng Zhao (ed.), *Chinese Foreign Policy: Pragmatism and Strategic Behavior* (Armonk, NY: M. E. Sharpe, 2004), p. 249.
34. See Ross Terrill, *The New Chinese Empire and What It Means to the United States* (New York: Basic Books, 2003), pp. 210–12.
35. *Deng Xiaoping: Speeches and Writings* (New York: Pergamon Press, 1984), p. 87.
36. Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge: MIT Press, 2007), p. 416.
37. Willem Van Kemenade, *China, Hong Kong, Taiwan, Inc.* (New York: Doubleday, 1997), p. 193.
38. Sheng Lijun, *China's Dilemma: The Taiwan Issue* (Singapore: Institute of Southeast Asian Studies, 2001), p. 92.
39. For details on the talks and the significance of the agreements, see Hungdah Chiu, *Koo-Wang Talks and the Prospect of Building Constructive and Stable Relations across the Taiwan Straits* (Baltimore: University of Maryland School of Law, 1993).
40. Sutter, *Chinese Foreign Relations*, p. 153; Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (New Haven, CT: Yale University Press, 2007), p. 42.
41. Chih-cheng Lo, "New Leadership Team, New Approaches toward Taiwan?" in Tun-jen Cheng, Jacques deLisle, and Deborah Brown (eds.), *China under Hu Jintao: Opportunities, Dangers and Dilemmas* (Singapore: World Scientific, 2006), p. 255.
42. For details, see John F. Copper, *Playing with Fire: The Looming War with China over Taiwan* (Westport, CT: Praeger, 2006), chapters 1, 5 and 6.
43. John F. Copper, *Taiwan's 2000 Presidential and Vice Presidential Election: Consolidating Democracy and Creating a New Era of Politics* (Baltimore: University of Maryland School of Law, 2000), pp. 40–41.
44. China adopted what some called a "wait and see" strategy. See Willy Wo-Lap Lam, "Will Cross-Strait Tensions Ease?" *China Brief,* January 31, 2002 (online at Jamestown.com). Also see Evan S. Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs,* November-December 2003.

45. John F. Copper, "Taiwan in Gridlock: Thoughts on the Chen Shui-bian Administration's First Eighteen Months," in John F. Copper (ed.), *Taiwan in Troubled Times: Essays on the Chen Shui-bian Presidency* (Singapore: World Scientific, 2002), pp. 27–28.
46. Richard Bush, "Taiwan Faces China," in David Shambaugh (ed.), *Power Shift: China and Asia's New Dynamics* (Berkeley: University of California Press, 2005), pp. 173–74.
47. These were, and are, commonly cited figures. They are in reality probably considerably higher.
48. "Taiwan Fruit Arrives in Mainland," *China Daily*, May 16, 2005; Eugene Tang, "China Buys More Taiwan Produce to Woo Chen Supporters," Bloomberg, October 17, 2006.
49. See Jing Huang, "China's Taiwan Policy: Past and Present," in Uk Heo and Shale A. Horowitz (eds.), *Conflict in Asia—Korea, China-Taiwan, and India-Pakistan* (Westport, CT: Praeger, 2003), pp. 25–41.
50. China had already gained diplomatic recognition by 11 Communist countries by January 1950. Foreign aid was not a factor in these nations establishing ties with China; it was rather a matter of promoting bloc solidarity and the division of the world into two camps or blocs at this time. A number of other countries early on decided to grant the People's Republic of China diplomatic recognition, mainly based on the view that it was the de facto government. These nations included Switzerland, Sweden, Denmark, Finland, Norway, and the United Kingdom (mainly because it had to deal with Beijing on issues relating to Hong Kong). India, Indonesia, Burma, and Ceylon also granted recognition.
51. Copper, *China's Foreign Aid*, pp. 46–47.
52. Ibid.
53. Ibid., p. 49.
54. David Mozingo, *Chinese Policy toward Indonesia, 1949–1967* (Ithaca, NY: Cornell University Press, 1976), pp. 90–92.
55. Copper, *China's Foreign Aid*, pp. 71–72.
56. Ceylon had granted diplomatic recognition to Beijing in 1950, but formal relations were not established at that time.
57. Copper, *China's Foreign Aid*, p. 53.
58. For the dates when China established diplomatic relations with African countries, see Bruce D. Larkin, *China and Africa, 1949–1970: The Foreign Policy of the People's Republic of China* (Berkeley: University of California Press, 1971), pp. 66–67. Formal relations were decided between China and Guinea in 1959, though ambassadors arrived in early 1960.
59. Copper, *China's Foreign Aid,* p. 111.
60. Ibid., p. 110.
61. Ibid., p. 89.
62. Ibid., p. 92.
63. Ibid., p. 108.
64. Ibid., p. 94.

65. Bih-jaw Lin, "The Republic of China and Africa: A Case of Positive Adaptation," in Yu San Wang (ed.), *The Foreign Policy of the Republic of China on Taiwan: An Unorthodox Approach* (New York: Praeger, 1990), p. 146.
66. Copper, *China's Foreign Aid*, p. 58. There is a discrepancy in the dates of both diplomatic ties and China's aid, with some sources citing both in 1962. The Geneva Conference was held in 1961 and this may have caused the confusion or delays in making the formal announcements.
67. Ibid., p. 80.
68. Ibid., p. 34.
69. Samuel S. Kim, *China, the United Nations, and World Order* (Princeton, NJ: Princeton University Press, 1979), pp. 102–3.
70. Ibid., p. 103.
71. Further details on this are to be found in Volume 3, Chapter 3.
72. The People's Republic of China joining the United Nations was not actually a matter of admission, but rather taking the China seat. This issue was debated and voted on every year after 1949. With the world clearly divided into capitalist/democratic nations and Communist ones, the vote early on was along bloc lines and Taipei had strong support to keep the China seat. As the world became less rigidly bipolar and as a number of new nations entered the world organization in the 1960s, this was much less true. The United States in this case, to keep Taipei in, demanded that the representation (of China) issue be considered an "important question," which required a two-thirds majority to pass. Meanwhile, China, seeing the UN as an imperialist-controlled body, did not make a serious effort to get the China seat. While the vote was slowly going Beijing's way, it reversed in the period 1966–69 as a result of the radicalism displayed by China during the Cultural Revolution. When the violent and more activist (especially as reflected in China's diplomacy) stage of the Cultural Revolution ended in 1969 and as China and the United States both sought a Sino-American rapprochement due in the former case to badly deteriorating relations with the Soviet Union culminating in a border war that year and President Nixon desperately wanting to extricate the United States from the Vietnam War and seeing improved ties with China as the means to accomplish this, Washington's resolve to support Taipei's continued role in representing China in the UN waned. Thus, in 1971, when Nixon's "groundbreaking" trip to China had already been announced, the vote in the UN tipped to favor Beijing representing China.
73. According to the estimates that Bartke and Horvath cited in chapter 1, it was in the range of 14- to 16-fold. The CIA's estimate put it at much bigger than that. See *Communist Aid to the Less Developed Countries of the Free World*, Central Intelligence Agency, August 1977. These are estimates of China's aid to Third World countries only and do not include arms aid, though the estimates still seem useful in this case to indicate China's increased focus on the Third World and its use of foreign aid giving to reflect this. Aid to communist countries, of course, was not included.

74. *Communist Aid to the Less Developed Countries of the Free World*, Central Intelligence Agency, August 1977, p. 7.
75. See Wei-chin Lee, "Taiwan's Foreign Aid," *Asian Affairs*, Spring 1993, p. 44. Taiwan's foreign aid at first was agricultural products some of which was extra or leftover American aid.
76. For details, see Alice Langley Hsieh, *Communist China's Strategy in the Nuclear Era* (Englewood Cliffs, NJ: Prentice-Hall, 1962), chapter 5.
77. By 1970, Taiwan had $624 million in foreign exchange reserves, which stabilized the exchange rate and established its creditworthiness throughout the world. See Ralph N. Clough, *Island China* (Cambridge: Harvard University Press, 1978), p. 79. Taiwan thereafter accumulated foreign exchange at a very rapid rate. By early 1994, Taiwan possessed 86.8 billion by early 1994 based on a high savings rate and a favorable foreign trade balance. See Fredrick F. Chien, *Opportunity and Challenge* (Tempe: Arizona Historical Foundation, 1995), p. 164.
78. See Gary D. Rawnsley, *Taiwan's Informal Diplomacy and Propaganda* (New York: St. Martin's Press, 2000), p. 32. It is also worth noting that Taiwan's constitution cites "the promotion of international cooperation and performing international duties" as national objectives. Finally, Taiwan was grateful for the large amount of aid it received from the United States between 1950 and 1965 (US$1.5 billion in economic and technical and 2.4 billion in military aid) which it, unlike most aid recipient countries, utilized very effectively and could pass on its experience to others.
79. See Lin Bih-jaw, "The Republic of China and Africa: A Case of Positive Adaptation," in Wang Yu San (ed.), *Foreign Policy of the Republic of China on Taiwan: An Unorthodox Approach* (New York: Praeger, 1990), p. 152.
80. Rawnsley, *Taiwan's Informal Diplomacy and Propaganda*, p. 33. The author notes that Taiwan, by 1980, had sent received 7,500 people from 20 other countries for training.
81. Lee, "Taiwan's Foreign Aid Policy," pp. 44–45.
82. Hung-mao Tien, *The Great Transition: Political and Social Change in the Republic of China* (Stanford, CA: Hoover Institution Press, 1989), p. 223.
83. Ibid.
84. *China Topics*, March 1973 and *Current Scene*, September 1972, both cited in Copper, *China's Foreign Aid*, p. 148.
85. Copper, *China's Foreign Aid*, p. 148.
86. Lome Radio, September 26, 1972, "Aid and Trade in 1972," U.S. Department of State News Release, June 1973, and Xinhua, February 13, 1973—all cited in Copper, *China's Foreign Aid*, p. 149.
87. David H. Shin and Joshua Eisenman, *China and Africa: A Century of Engagement* (Philadelphia: University of Pennsylvania Press, 2012), p. 301.
88. See *Facts on File*, February 13–19, 1972; *Miami Herald*, February 2,1972; *El Siglo*, December 30, 1972, all cited in Copper, *China's Foreign Aid*, p. 149.
89. Copper, *China's Foreign Aid*, p. 149.
90. *New York Times,* July 4, 1971 and *Prensa Latina*, October 25, 1971, both cited in Copper, *China's Foreign Aid*, p. 147.

91. Copper, *China's Foreign Aid*, p. 150.
92. Ibid.
93. *Facts on File 1975*, cited in Copper, *China's Foreign Aid*, p. 150.
94. Copper, *China's Foreign Aid in 1979–80*, p. 24.
95. In 1977 three countries established diplomatic relations with China, in 1978 there were two, and in 1979 there were three. Most of these nations were not poor countries and none made the move for foreign aid. For a list see Garver, *The Foreign Relations of the People's Republic of China*, p. 82.
96. Ian Taylor, "Taiwan's Foreign Policy and Africa: The Limitations of Dollar Diplomacy," *Journal of Contemporary China*, No. 30, 2002, p. 126.
97. Samuel S. Kim, "Taiwan and the International System: The Challenge of Legitimation," in Robert G. Sutter and William R. Johnson (eds.), *Taiwan in World Affairs* (Boulder, CO: Westview Press, 1994), p. 168.
98. *Republic of China Yearbook 1990–91* (Taipei: Kwang Hwa Publishing Co., 1990), p. 226.
99. Joshua Eisenman, "China's Post-Cold War Strategy in Africa: Examining Beijing's Methods and Objectives," in Joshua Eisenman, Eric Heginbotham, and Derek Mitchell (eds.), *China and the Developing World: Beijing's Strategy for the Twenty-First Century* (Armonk, NY: M. E. Sharpe, 2997), p. 37.
100. Lee, "Taiwan's Foreign Aid Policy," p. 51.
101. Ibid.
102. Gerald Chan, "Taiwan as an Emerging Foreign Aid Donor: Developments, Problems and Prospects," *Pacific Affairs*, Spring 1997, pp. 51. Gambia reportedly received $30 million over three years, a considerable sum in view of its GDP was $45 million. See Taylor, "Taiwan's Foreign Policy and Africa," p. 130.
103. Brautigam, *Chinese Aid and African Development*, p. 57.
104. Ibid., p. 42. China also promised to finish any of Taiwan's projects. See also "Taiwan's Foreign Policy and Africa," p. 134.
105. Kim, "Taiwan and the International System," p. 168.
106. Lee, "Taiwan's Foreign Aid Policy," p. 49.
107. Chan, "Taiwan as an Emerging Foreign Aid Donor," p. 45.
108. "China, Sao Tome: Beijing Suspends Sao Tome Aid over Taiwan Recognition," Agence France Presse, May 26, 1997 and "Sao Tome and Principe: Beijing Gives Sao Tome Three Months for Debt Repayment," Agence France Presse, August 13, 1997.
109. "Taiwan: Chad President to Arrive for State Visit," Central News Agency, October 25, 1997.
110. "Taiwan: Chad's Prime Minister on Weeklong Visit to Taipei," Central News Agency, November 5, 1998.
111. "Taiwan: Taiwan Gives Liberia $90,000 after Beijing Cut Ties" Agence France Presse, September 10, 1997.
112. "Taiwan: Taiwan-Liberia Agricultural Cooperation Accord Approved," Central News Agency, April 30, 1998. Before Liberia's switch in diplomatic recognition it was reported that Taiwan had offered Liberia $500 million in aid. Officials in

Taipei denied this saying that this amount exceeded Taiwan's entire foreign aid budget for the year. See "Taiwan, Liberia: Official Denies $500 Million Loan to Liberia," Central News Agency, February 27, 1997.

113. Lee, "Taiwan's Foreign Aid Policy," p. 53.
114. In the early 1990s, Taiwan lost diplomatic ties with two other important nations: South Korea and Saudi Arabia (though aid was not related to either nation deciding to recognize Beijing).
115. Shinn and Eisenman, *China and Afria*, p. 345.
116. *The Star*, December 2, 1994, cited in Ian Taylor, *China and Africa: Engagement and Compromise* (London: Routledge, 2006), p. 143.
117. Agence France Press, September 5, 1994, cited in Taylor, *China and Africa*, p. 143.
118. Cris Alden, *China in Africa* (London: Zed Books, 2007), p. 33; Taylor, *China and Africa*, p. 143. Alden cites the former figure; Taylor cites the latter one.
119. Taylor, *China and Africa*, p. 144.
120. Ian Taylor, "Taiwan's Foreign Policy and Africa," p. 127. Interestingly, Taiwan had also allocated $40 million to convert an atomic bomb facility into a vocational center for demobilized soldiers. See Richard J Payne and Cassandra R. Veney, "Taiwan and Africa: Taipei's Continuing Search for International Recognition," *Journal of Asian and African Studies*, November 2001, p. 448.
121. Alden, *China in Africa*, p. 33.
122. Trade between the two countries amounted to $14.5 million in 1991; but in 1994 it was $900 million. See Taylor, *China and Africa*, p. 142.
123. Taylor, "Taiwan's Foreign Policy and Africa," p. 127. South Africa also was looking at future or potential trade and other economic gains. This turned out to be right: by 2004 China had become South Africa's largest trading partner. See Lampton, *The Three Faces of Chinese Power*, p. 71. See Alden, *China in Africa*, p. 33 regarding South Africa's hopes for a Security Council seat.
124. Taipei was given little warning. In fact, South Africa's ambassador in Taipei was informed of the decision only ten minutes before. See Taylor, *China and Africa*, p. 147.
125. Ibid., pp. 147–48.
126. See *China Daily*, November 29, 1996, cited in Taylor, *China and Africa*, p. 147.
127. Rawnsley, *Taiwan's Informal Diplomacy and Propaganda*, p. 32.
128. "ROC to Increase International Aid," *Free China Journal*, April 10, 1998, p. 2, cited in Rawnsley, *Taiwan's Informal Diplomacy and Propaganda*, p. 33.
129. See *Economist*, May 2, 1998, p. 78, cited in Rawnsley, *Taiwan's Informal Diplomacy and Propaganda*, p. 32.
130. Chen Jie, *Foreign Policy of the New Taiwan* (Cheltenham, UK: Edward Edgar, 2002), p. 107.
131. Michael Field, "Tongan Princess Switches to China in the Name of God and Money," (online at michaelfield.org/tonga1.htm). The piece was written in January 1999.

132. In 2003, China promised the Pacific Islands Forum an increase in aid. In 2006, Premier Wen Jiabao announced further economic ties with PIF, saying China would provide more economic aid, abolish tariff for the least developed of PIF countries (which Tonga is), annul the debts of these countries, provide anti-malaria medicine and training for 2,000 government officials and staff. See "China Offers Aid Package to Pacific Islands," *China Daily*, April 5, 2006 (online at chinadaily.com.cn).
133. Sutter, *Chinese Foreign Relations*, p. 195.
134. The opposition Democratic Progressive Party opposed foreign aid on the basis of it being used to "buy" diplomatic ties and thus obstruct Taiwan's move toward independence. See Lee, "Taiwan's Foreign Aid Policy," p. 55.
135. Ibid., pp. 788–89.
136. See Alexander Casella, "Macedonia: Taiwan's Lost Gambit," *Asia Times*, July 11, 2001 (online at atimes.com).
137. "Beijing Vetoes Longer UN Macedonia Stay," *Boston Globe*, February 26, 1999 (online at lexisnexis.com).
138. Wang, "China's New Frontier Diplomacy," p. 26.
139. For Zhu's exact statement and the reaction in Taiwan, see John F. Copper, *Taiwan's 2000 Presidential and Vice Presidential Election: Consolidating Taiwan's Democracy and Creating a New Era of Politics* (Baltimore: University of Maryland School of Law, 2000).
140. Chinese leaders were also focused on the nation's economic development and assumed that Chen could not be worse than Lee Teng-hui. They adopted a wait-and-watch position toward Chen. Hence there was a slight delay before China took up an angry position toward President Chen.
141. T. Y. Wang, "Taiwan's Bid for UN Membership," in Edward Friedman (ed.), *China's Rise, Taiwan's Dilemmas and International Peace* (London: Routledge, 2006), p. 185.
142. Czeslaw Tubilewicz, "Taiwan's Macedonian Project,' 1999–2001," *China Quarterly*, September 2004, p. 784.
143. "Chinese President Jiang Zemin Meets Macedonia's Trajkovski in Beijing," BBC Monitoring Asia Pacific, April 28, 2002 (online at lexisnexis.com).
144. Dennis V. Hickey, *Foreign Policy Making in Taiwan: From Principle to Pragmagism* (London: Routldge, 2013), p. 15.
145. "China Grants 2m-Euro aid to Macedonia," BBC Monitoring Asia Pacific, January 5, 2007 (online at lexisnexis.com).
146. Casella, "Macedonia: Taiwan's Lost Gambit."
147. Craig S. Smith, "China Issues New Warning to Taiwan, Just in English," *New York Times*, August 8, 2002 (online at query.nytimes.com). The amount of the aid pledge was not reported by China, but was confirmed in "Background Note: Nauru," U.S. Department of State, Bureau of East Asian and Pacific Affairs, October 2007 (online at state.gov). Another source puts the offer at $60 million in aid and $77 million in immediate debt relief. See Anthony Van Fossen, "The Struggle for Recognition: Diplomatic Competition between

China and Taiwan in Oceania," *Journal of Chinese Political Science*, Vol. 12, No. 2, 2007, p. 135.

148. Nauru reportedly asked Taiwan to increase its annual $10 million in aid five-fold. See Van Fossen, "The Struggle for Recognition," p. 135.
149. See Hickey, *Foreign Policy Making in Taiwan*, p. 46. Chen had promised in 2000 that if he was elected he would not to engage in the practice of "buying diplomatic ties." Thus he was especially sensitive to this charge.
150. Chien-min Chao and Chih-chia Hsu, "China Isolates Taiwan," in Edward Friedman (ed.), *China's Rise, Taiwan's Dilemmas and International Peace* (London: Routledge, 2006), p. 53.
151. Van Fossen, "The Struggle for Recognition," p. 135.
152. See Richard C. Bush, *Untying the Knot: Making Peace in the Taiwan Strait* (Washingon, DC: Brookings, 2005), pp. 226–27 for further details. In May 2005, reportedly in return for Taiwan promising to bail out Air Nauru by paying the outstanding debt of $13.5 million on its only jet, Nauru re-recognized Taipei. See Van Fossen, "The Struggle for Recognition," p. 136.
153. "Chen Calls New Heads of Nauru, Solomon Islands," *Taipei Times*, December 29, 2007; "Sino-Pacific Relations," *Wikipedia* (viewed August 2011).
154. At that time Taipei offered President Taylor $1 million for his campaign. But apparently this was not enough. See Taylor, "Taiwan's Foreign Policy and Africa," p. 129.
155. Eisenman, "China's Post-Cold War Strategy in Africa," p. 37. Also see "Relationships between China and Liberia," *Wikipedia* (No date cited.) (online at wikipedia.org).
156. Kurlantzick, *Charm Offensive*, p. 156. China pays for peacekeeping through the UN, but picks up some expenses beyond this.
157. The next year China announced that it was writing off Liberia's debt and was providing fresh concessionary loans and special preferential tariffs for Liberian-made products selling in the Chinese market. See "Business Prospects in Liberia Bright: Chinese Official," *People's Daily Online*, February 13, 2006 (online at english.peopledaily.com.cn).
158. "Chinese Republic Promises 600 Peacekeeking Force for Liberia," *Prospective,* January 20, 2005, and "China Offers Liberian Famers $1 Million in Tools," Xinhua, May 5, 2006, both cited in Eisenman, "China's Post-Cold War Strategy in Africa," p. 37.
159. R. Evan Ellis, *China in Latin America: The Whats & Wherefores* (Boulder, CO: Lynne Rienner, 2009), p. 15.
160. "Dominica: Taiwan Severs Ties," *New York Times*, March 31, 2004 (online at query.nytimes.com). Also see Kurlantzick, *Charm Offensive*, p. 142. It was reported elsewhere that China's aid consisted of an immediate donation of $11 million plus $100 million (both grants) to be provided over a size-year period. See He Li, Rivalry between Taiwan and the PRC in Latin America," *Journal of Chinese Political Science* Fall 2005, p. 88.
161. "China Opens Embassy in Commonwealth of Dominica," *China Daily*, June 17, 2004 (online at chinadaily.com.cn).

162. "Taiwan Severs Ties with Dominica, Condemns PRC's 'Dollar Diplomacy,'" AFP, March 30, 2004 (from FBIS, CPP20040330000058).
163. BBC News, January 21, 2005 (online at news.bbc.co.uk) and Steven W. Mosher, "Red China on the March: The People's Republic moves into Grenada," nationalreviewonline, February 14, 2006.
164. "Grenada Picks China over Taiwan," BBC News, January 21, 2005 (online at news.bbc.co.uk).
165. Melody Chen, "Taiwan, Grenada Set to Cut Ties," *Taipei Times*, January 27, 2005 (online at taipeitimes.com). The writer cites the paper *The Grenada*. Reportedly China's aid to Grenada amounted to $1,500 per capita. See *National Review*, May 5, 2007, p. 10. Later it was reported in Taiwan that China promised Grenada $250 million at this time. See "Taiwan Accuses China of Buying Former Ally Senegal," *China Post*, May 20, 2007, p. 1.
166. 'Taiwan Sues," Goliath Business News on Demand, March 1, 2007 (online at goliath.ecnext.com).
167. Kurlantzick, *Charm Offensive*, p. 143.
168. Alden, *China in Africa*, p. 21.
169. "Senegal Picks China over Taiwan," BBC News, October 26, 2005 (online at news.bbc.co.uk).
170. Caitlin Fitzsimmons, "A Troubled Frontier," *South China Morning Post*, January 17, 2008, cited in Stefan Halper, *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century* (New York: Basic Books, 2010), p. 109.
171. "Taiwan Accuses China of Buying Former Ally Senegal," *China Post*, May 20, 2007, p. 1.
172. C. Fred Bergsten, Bates Gill, Nicholas R. Lardy and Derek Mitchell, *China: The Balance Sheet* (New York: Public Affairs, 2006), p. 120.
173. "African Countries Supporting China on the Adoption of the Anti-Succession Law," Ministry of Foreign Affairs, People's Republic of China, March 22, 2005 (online at focac.org).
174. "China Thanks Africans for Defeating Taiwan's Bid to Join UN," Associated Press, September 28, 2007 (online at ap.com).
175. Chad had broken relations with Taipei in 1972 and reestablished ties in 1997.
176. Keith Bradsher, "Chad, Dumping Taiwan, Forges Link to China," *International Herald Tribune,* August 8, 2006 (online at iht.com).
177. "China, Chad Resume Diplomatic Relations," CBS News, August 7, 2006 (online at cbsnews.com).
178. Alden, *China in Africa*, p. 34.
179. Eisenman, "China's Post-Cold War Strategy in Africa," p. 38.
180. Keith Bradsher, "Chad's Switch to Beijing's Side Draws Angry Response in Taiwan," *New York Times*, August 8, 2006 (online at nytimes.com).
181. Kurlantzick, *Charm Offensive*, p. 143.
182. Alden, *China in Africa,* pp. 33–34.

183. Thomas Pearmain, "Chad Chooses China: Future of Chad's Energy Sector Likely to Change Dramatically," *Global Insight Daily Analysis*, August 9, 2006 (online at uofaaweb.ualberta.ca).
184. Alden, *China in Africa*, p. 34.
185. Ibid., p. 21.
186. For details on this matter, see Peter Kien-hong Yu, *The Second Long March: Struggling against the Chinese Communists under the Republic of China (Taiwan) Constitution* (New York: Continuum, 2009), p. 126. Also see Cardenal and Araujo, *China's Silent Army*, p. 249. According to the latter, China pledged $430 million: $30 million in cash, $300 million through buying Costa Rican bonds, $100 million in Chinese goods (including building a stadium).
187. Dave Kopel, "The Threat from Sino-America," *TSC Daily*, July 16, 2007 (online at www.tscdailyl.com/article.aspx?id=071107E).
188. Ellis, *China in Latin America*, p. 217. The latter amount comes from a Taiwan source that mentioned it was $430 million.
189. "Taiwan-Costa Rica Diplomatic Ties Cut," *China Post*, June 8, 2007, p. 1.
190. Ellis, *China in Latin America*, p. 217. It was reported elsewhere that China purchased only $150 million of $300 promised for the bonds at the time. See Jamil Anderlini, "Beijing Uses Foreign Reserves to Target Taiwan," *Financial Times,* September 11, 2008 (online at ft.com). Also see 2008 Report to Congress, p. 52.
191. Taiwan had just provided $2 million for equipment to Costa Rica and was expected to soon deliver $3 million in goods. Also there were talks with Taiwan on a $15 million donation for a road. See Ellis, *China in Latin America*, p. 216.
192. Ellis, *China in Latin America*, p. 235.
193. David Chang, "Why Tiny Nations Matter to Taiwan," *China Post*, June 11, 2007, p. 2.
194. Ko Shu-ling, "Presidential Office Defends Aid Policy," *Taipei Times*, August 24, 2007 (online at taipeitimes.com).
195. "Malawi to Establish Ties with China, Official Says," *Taiwan News*, January 6, 2008 (online at taiwannews.com.tw); "Malawi Agonizes over Whether to Ditch Friend Taiwan in Favor of China," *International Herald Tribune*, January 1, 2008.
196. Eisenman, "China's Post-Cold War Strategy in Africa," p. 37.
197. Chung-chian Teng," Hegemony or Partnership: China's Strategy and Diplomacy toward Latin America," in Eisenman et al. (eds.), *China and the Developing World*, p. 102.
198. Michael A. Glosny, "Stabilizing the Backyard: Recent Developments in China's Policy toward Southeast Asia," in Eisenman et al. (eds.), *China and the Developing World*, p. 174.
199. Chung-chian Teng, "Hegemony or Partnership: China's Strategy and Diplomacy toward Latin America," in Eisenman et al. (eds.), *China and the Developing World,* p. 102.
200. In May 2008, Foreign Minister Huang resigned under pressure amid talk of the Chen administration's use of foreign aid, in particular its attempt to establish

relations with Papua New Guinea using aid. See Jonathan Adams, "Taiwan Foreign Minister Resigns over Diplomatic Blunder," *International Herald Tribune*, May 6, 2008 (online at iht.com).

201. Joe Hung, "Time to Stop Checkbook Diplomacy," *China Post*, June 11, 2007, p. 2.
202. This was amplified by the fact that the Chen administration's pushing Taiwanization caused the number of Chinese wanting to go to Taiwan for education to decline markedly at a time when it was more difficult to go to the United States (due to 9/11), making China a much more attractive alternative. See Kurlantzick, *Charm Offensive*, pp. 70–71.
203. Taiwan was at a disadvantage being a democracy due to the unsavory aspects of foreign aid being published and it being seen as a waste of money. This was true of Taiwan's aid to African countries. In one case Taiwan was criticized for offering aid that obstructed democracy—in the case of Fiji in 2006 as Western governments were trying to isolate the military government for setting back democracy. See "Give Fiji's Government Time," Fiji Broadcasting Corporation, March 25, 2008 (cited in Wikipedia, viewed August 2011).
204. One writer even states that China's rise and its "use of its new wealth and power to isolate Taiwan . . . the Republic of China might become legally nonexistent." Chien-min Chao and Chih-chia Hsu, "China Isolates Taiwan," in Edward Friedman (ed.), *China's Rise, Taiwan's Dilemmas and International Peace* (London: Routledge, 2006), p. 58.
205. See Bates Gill, *Rising Star: China's New Security Diplomacy* (Washington, DC: Brookings Institution, 2007), pp. 142–43.
206. Hickey, *Foreign Policy Making in Taiwan*, p. 11.
207. Ibid, p. 90.
208. Chao and Hsu, "China Isolates Taiwan," p. 61. This author tentatively agrees with this conclusion, but not so strongly.
209. Taylor, "Taiwan's Foreign Policy and Africa," p. 126.
210. Ibid., p. 144.
211. Ibid.
212. Shambaugh, *China Goes Global*, p. 262.
213. Kurlantzick, *Charm Offensive*, p. 142.
214. In 2001, it was 10 of 29 countries; in 2002, 12 of 28 supported Taiwan's UN bid; in 2003, 16 of 27; in 2004, 15 of 27; in 2005, 11 of 26; in 2006, 16 of 25; and in 2007, 15 of 24. See the websites of the Ministry of Foreign Affairs and the United Nations.
215. Taylor, "Taiwan's Foreign Policy and Africa," p. 136.
216. "Taiwan's Next Leader Urges in Cash Diplomacy," Agence France Presse, May 6, 2008 (online at afp.com).
217. This writer interviewed some top officials in China in the spring of 2008 at which time they said they did not now want to isolate Taiwan diplomatically, though they did say that if a nation that had ties with Taiwan wanted to establish formal diplomatic relations with China they could not refuse.
218. "China Rejects Panama's Wish for Diplomatic Relations: Wikileaks," *China Post,* May 12, 2011 (online at chinaapost.com.tw). The wikileaks information

came from a US cable and said that China's foreign minister Yang Jiechi specifically told the government of Panama it did not want to establish diplomatic relations to avoid hurting relations with Taiwan.

219. See Jenny W. Hsu, "Ties between Taiwan and Paraguay Still Strong: Ma," *Taipei Times,* February 21, 2009, p. 3.
220. "Taiwan Not Opposed to Kiribati-China Relations: Ma," *Taipei Times*, June 8, 2010 (online at taipeitimes.com).
221. "MOFA to Release First White Paper on Foreign Aid Policy in May," *China Post*, April 21, 2009 (online at chinapost.com.tw).
222. Xi Jinping, *The Governance of China* (Beijing: Foreign Languages Press, 2014), pp. 260–65.
223. Halper, *The Beijing Consensus*, p. 109.

Selected Bibliography for Volume II

Books

Arase, David. *Japan's Foreign Aid: Old Constituencies and New Directions.* London: Routledge, 2012.

Ba, Alice D. *(Re)Negotiating East and Southeast Asia.* Stanford, CA: Stanford University Press, 2009.

Barnett, A. Doak. *Communist China and Asia: A Challenge to the United States.* New York: Vintage Books, 1960.

———. *Communist Strategies in Asia: A Comparative Analysis of Governments and Parties.* New York: Praeger, 1963.

———. *The Making of Foreign Policy in China: Structure and Process.* Boulder, CO: Westview Press, 1985.

Bartke, Wolfgang. *China's Economic Aid.* New York: Holmes and Meier, 1975.

Bradsher, Henry S. *Afghanistan and the Soviet Union.* Durham, NC: Duke University Press, 1983.

Browne, Stephen. *Aid and Influence: Do Donors Help or Hinder?* New York: Taylor and Francis, 2006.

Brugger, Bill. *China since the "Gang of Four."* New York: St. Martins Press, 1980.

Burr, William, ed. *China, Pakistan, and the Bomb: The Declassified File on U.S. Policy, 1977–1997.* National Security Archive Electronic Briefing Book, March 4, 2004.

Bush, Richard D. *Untying the Knot: Making Peace in the Taiwan Strait.* Washington, DC: Brookings, 2005.

Byman, Daniel L., and Roger Cliff. *China's Arms Sales: Motivations and Implications.* Santa Monica, CA: Rand Corporation, 1999.

Calder, Kent E. *Asia's Deadly Triangle: How Arms, Energy and Growth Threaten to Destabilize Asia-Pacific.* London: Nicholas Brealey, 1997.

Camilleri, Joseph. *Chinese Foreign Policy: The Maoist Era and Its Aftermath.* Seattle: University of Washington Press, 1980.

Cardenal, Juan Pablo and Heriberto Araujo. *China's Secret Army: The Pioneers, Traders, Fixers and Workers Who Are Remaking the World in Beijing's Image.* New York: Crown, 2014.

Chai, Weinberg. *The Foreign Policy of the People's Republic of China.* New York: G.P. Putnam's Sons, 1972.

Chai, Weinberg, ed. *The Foreign Relations of the People's Republic of China.* New York: G.P. Putnam's Sons, 1971.

Chandler, David P. *Brother Number One: A Political Biography of Pol Pot.* Boulder, CO: Westview Press, 1992.

Chanda, Nayan. *Brother Enemy: The War after the War.* New York: Harcourt Brace Jovanvich, 1986.

Chen, Jie. *Foreign Policy of the New Taiwan.* Cheltenham, UK: Edward Edgar. 2002.

Chen, King, ed. *China and the Three Worlds: A Foreign Policy Reader.* White Plains, NY: M. E. Sharpe, 1979.

Cheng, Tun-jen, Jacques deLisle, and Deborah Brown. *China under Hu Jintao: Opportunities, Dangers and Dilemmas.* Singapore: World Scientific, 2006.

Choudhury, G. W. *China in World Affairs: The Foreign Policy of the PRC Since 1970.* Boulder, CO: Westview Press, 1982.

Class, Rosanne. *Afghanistan: The Great Game Revisited.* New York: Freedom House, 1987.

Copper, John F. *China's Foreign Aid: An Instrument of Peking's Foreign Policy.* Lexington, MA: D.C. Heath, 1976.

———. *China's Global Role: An Analysis of Peking's National Power Capabilities in the Context of an Evolving International System.* Stanford, CA: Hoover Institution Press, 1980

———. *Playing with Fire: The Looming War with China over Taiwan.* Westport, CT: Praeger, 2006.

———. *The KMT Returns to Power: Elections in Taiwan 2008 to 2012.* Lanham, MD: Lexington Books, 2013.

———. *Taiwan: Nation-State or Province?* (sixth edition). Boulder, CO: Westview Press, 2013.

Copper, John F. ed. *Taiwan in Troubled Times: Essays on the Chen Shui-bian Presidency*. Singapore: World Scientific, 2002.

Copper John F., and Daniel S. Papp, eds. *Communist Nations' Military Assistance.* Boulder, CO: Westview Press, 1983.

Copper, John F., and Ta-ling Lee. *Coping with a Bad Global Image: Human Rights in the People's Republic of China, 1993–1994.* Lanham, MD: University Press of America, 1997.

Crile, George. *Charlie Wilson's War: The Extraordinary Story of the Largest Covert Operation in History.* New York: Atlantic Monthly Press, 2003.

Cummings, Bruce. *Parallax Visions: Making Sense of American-East Asian Relations at the end of the Century.* Durham, NC: Duke University Press, 1999.

Currier, Carrie Liu and Manochehgr Dorraj, eds. *China's Energy Relations with the Developing World.* New York: Continuum, 2011.

Davidson, Phillip B. *Vietnam at War—the History: 1946–1975.* Novato, CA: Presidio Press, 1988.

Deng, Yong. *China's Struggle for Status: The Realignment of International Relations.* Cambridge: Cambridge University Press, 2008.

Deng, Yong, and Fei-ling Wang, eds. *In the Eyes of the Dragon: China Views the World.* Lanham, MD: Rowman and Littlefield, 1999.

Deng, Yong, and Fei-ling Wang, eds. *China Rising: Power and Motivation in Chinese Foreign Policy.* Lanham, MD: Rowman and Littlefield, 2005.

Denoon, David B. H. ed. *China, the United States, and the Future of Central Asia.* New York: New York University Press, 2015.

Dillon, Dana. *The China Challenge.* Lanham, MD: Rowman and Littlefield, 2007.

Dittmer, Lowell, ed. *South Asia and Nuclear Security: China, Pakistan and India*. New York: Taylor and Francis, 2005.

Dittmer, Lowell, and George T. Yu. *China, the Developing World, and the New Global Dynamic.* Boulder, CO: Lynne Rienner, 2009.

Dreyer, June Teufel, ed. *Chinese Defense and Foreign Policy.* New York: Paragon House, 1989.

Dunn, James. *East Timor: A Rough Passage to Independence.* Double Bay, Australia: Longueville Books, 2003.

Dupree, Louis. *Afghanistan.* Princeton, NJ: Princeton University Press, 1973.

Economy, Elizabeth, and Michael Levi. *By All Means Necessary: How China's Resource Quest Is Changing the World.* New York: Oxford University Press, 2014.

Economy, Elizabeth, and Michel Oxenberg, eds. *China Joins the World: Progress and Prospects.* New York: Council on Foreign Relations, 1999.

Eisenman, Joshua, Eric Heginbotham, and Derek Mitchell, eds. *China and the Developing World: Beijing's Strategy for the Twenty-First Century.* Armonk, NY: M. E. Sharpe, 2007.

Elleman, Bruce, Stephen Kotkin, and Clive Schofield, eds. *Beijing's Power and China's Borders: Twenty Neighbors in Asia*. Armonk, NY: M. E. Sharpe, 2013.

Ellis, R. Evan. *China in Latin America: The Whats and Wherefores.* Boulder, CO: Lynn Rienner, 2009.

Emmott, Bill. *Rivals: How the Power Struggle between China, India and Japan Will Shape Our Next Decade.* Boston, MA: Houghton Mifflin Harcourt, 2008.

Fai, Law Yu. *Chinese Foreign Aid: A Study of Its Nature and Goals with Particular Reference to the Foreign Policy and World View of the People's Republic of China, 1952–1982.* Saarbrucken, Germany: Verlag Breitenbach, 1984.

Fall, Bernard. *Street without Joy.* Harrisburg, PA: Stackpole, 1961.

Fingleton, Eamonn. *In the Jaws of the Dragon: America's Fate in the Coming Era of Chinese Hegemony.* New York: St. Marin's Press, 2008.

Finkelstein, David M. *Washington's Taiwan Dilemma, 1949–1950: From Abandonment to Salvation.* Fairfax, VA: George Mason University Press, 1993.

Fisher, Richard D. Jr. *China's Military Modernization: Building for Regional and Global Reach.* Stanford, CA: Stanford University Press, 2010.

Fishman, Ted. *China, Inc.: How the Rise of the Next Superpower Challenges America and the World.* New York: Scribner, 2005.

Fitzgerald, C. P. *China Views Its Place in the World.* London: Oxford University Press, 1969.

Fravel, M. Taylor. *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes.* Princeton, NJ: Princeton University Press, 2008.

Friedberg, Aaron L. *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia.* New York: W. W. Norton, 2011.
Friedman, Edward, ed. *China's Rise, Taiwan's Dilemmas and International Peace.* London: Routledge, 2006.
Garver, John W. *Foreign Relations of the People's Republic of China.* Englewood Cliffs, NJ: Prentice Hall, 1993.
———. *Protracted Conflict: Sino-Indian Rivalry in the Twentieth Century.* Seattle: University of Washington Press, 2001.
Gilks, Anne, and Gerald Segal. *China and the Arms Trade.* London: Croom Helm, 1985.
Gill, Bates. *Rising Star: China's New Security Diplomacy.* Washington, DC: Brookings, 2007.
Gittings, John. *The World and China: 1922–1972.* New York: Harper and Row, 1974.
Goldstein, Avery. *Rising to the Challenge: China's Grand Strategy and International Security.* Stanford, CA: Stanford University Press, 2005.
Goodman, David S. G., and Gerald Segal, eds. *China in the 1990s: Crisis Management and beyond.* Oxford: Claredon Press, 1991.
Gupta, Bhabani Sen. *Afghanistan: Politics, Economics and Society.* Boulder, CO: Lynne Rienner, 1986.
Gurtov, Melvin, and Byong-Moo Hwang. *China under Threat: The Politics of Strategy and Diplomacy.* Baltimore, MD: Johns Hopkins University Press, 1980.
Halper, Stefan. *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century.* New York: Basic Books, 2010.
Harding, Harry, ed. *China's Foreign Relations in the 1980s.* New Haven, CT: Yale University Press, 1984.
Harrison, Cordovez. *Out of Afghanistan.* New York: Oxford University Press, 1995.
Haas, Michael. *Genocide by Proxy: Cambodian Pawn on a Superpower Chessboard*. New York: Praeger,1991.
Heilmann, Sebastian, and Dirk H. Schmidt, *China's Foreign Political and Economic Relations: An Unconventional Global Power* (Lanham, MD: Rowman and Littlefield, 2014).
Hickey, Dennis V. *Foreign Policy Making in Taiwan: From Principle to Pragmatism*. London: Routledge, 2013.
Hickey, Michael. *The Korean War.* New York: Overlook Press, 1999.
Hinton, Harold C. *China's Turbulent Quest.* New York: Macmillan, 1970.
———. *Communist China in World Politics.* Boston, MA: Houghton Mifflin, 1966.
———. *Three and a Half Powers: The New Balance in Asia.* Bloomington: University of Indiana Press, 1975.
Horowitz, David. *From Yalta to Vietnam: American Foreign Policy in the Cold war.* Harmondsworth: Penguin Books, 1967.
Horvath, Janos. *Chinese Technology Transfer to the Third World: A Grants Economy Analysis.* New York: Praeger, 1976.
Hsieh, Alice Langley. *Communist China's Strategy in the Nuclear Era.* Englewood Cliffs, NJ: Prentice-Hall, 1962.

Hsiung, James C., ed. *Beyond China's Independent Foreign Policy: Challenges for the U.S. and Its Allies.* New York: Praeger, 1985.

Hsiung, James C., and Samuel S. Kim, eds. *China in the Global Community.* New York: Praeger 1980.

Hsueh, Chun-tu, ed. *China's Foreign Relations: New Perspectives.* New York: Praeger, 1982.

Hudson, G. F., Richard Lowenthal, and Roderick MacFarquhar. *The Sino-Soviet Dispute: Documented and Analyzed.* New York: Praeger, 1961.

Hughes, Christopher. *Taiwan and Chinese Nationalism: National Identity and Status in International Society.* London: Routledge, 2007.

Hung, Ho-fung, ed. *China and the Transformation of Global Capitalism.* Baltimore, MD: Johns Hopkins University Press, 2009.

Hutton, Will. *The Writing on the Wall: Why We Must Embrace China as a Partner or Face It as an Enemy.* New York: Free Press, 2006.

Jacobson, C. G. *Sino-Soviet Relations since Mao: The Chairman's Legacy.* New York: Praeger, 1981.

Jacques, Martin. *When China Rules the World: The End of the Western World and the Birth of a New World Order.* New York: Penguin, 2012.

Jain, Girilal. *India Meets China in Nepal.* Bombay: Asia Publishing House, 1959.

Johnson, Alastair Iain, and Robert S. Ross, eds. *New Directions in the Study of China's Foreign Policy.* Stanford: Stanford University Press, 2006.

Joint Economic Committee of the U.S. Congress. *China Looks to the Year 2000.* Washington, DC: U.S. Government Printing Office, 1986.

Jones, Owen Bennett. *Pakistan: Eye of the Storm.* New Haven, CT: Yale University Press, 2002.

Jones, Peter. *China and the Soviet Union, 1949–84.* New York: Facts on File Publications, 1985.

Joshi, Bhuwan Lal, and Leo E. Rose. *Democratic Innovations in Nepal: A Case Study of Political Acculturation.* Berkeley: University of California Press, 1966.

Kang, David C. *China Rising: Peace, Power, and Order in East Asia.* New York: Columbia University Press, 2007.

Kaplan, Irvin, ed. *Zaire: A Country Study.* Washington, DC: U.S. Government Printing Office, 1978.

Kaplan, Robert D. *Asia's Cauldron: The South China Sea and the End of a Stable Pacific*. New York: Random House, 2015.

———. *The Revenge of Geography: What the Map Tells Us about Coming Conflicts and the Battle against Fate*. New York: Random House, 2013.

———. *Monsoon: The Indian Ocean and the Future of American Power*. New York: Random House, 2010.

Karrar, Hasan H. *The New Silk Road: China's Central Asian Foreign Policy since the Cold War.* Vancouver: UBC Press, 2009.

Kemenade, Willem Van. *China, Hong Kong, Taiwan, Inc.* New York: Doubleday, 1997.

Kim, Hyo-sook and David M. Potter, eds. *Foreign Aid Competition in Northeast Asia.* Sterling, VA: Kumarian Press, 2012.

Kim, Samuel S., ed. *China and the World: Chinese Foreign Relations in the Post-Cold War Era.* Boulder, CO: Westview Press, 1994.

———. *China and the World: New Directions in Chinese Foreign Policy.* Boulder, CO: Westview Press, 1989.

Kissinger, Henry. *On China*. New York: Penguin, 2011.

Klass, Rosanne, ed. *Afghanistan: The Great Game Revisited.* New York: Freedom House, 1987.

Klein, Sidney. *Politics versus Economics: The Foreign Trade and Aid Policies of China.* Hong Kong: International Studies Group, 1968.

———. *The Road Divides: Economic Aspects of the Sino-Soviet Dispute.* Hong Kong: Green Pagoda Press, 1966.

Koppel, Bruce M., and Robert M. Orr Jr., eds. *Japan's Foreign Aid: Power and Policy in a New Era.* Boulder, CO: Westview Press, 1993.

Kornberg, Judith, and John R. Faust. *China in World Politics: Policies, Processes, Prospects*. Boulder, CO: Lynn Rienner, 2005.

Kurlantzick, Joshua. *Charm Offensive: How China's Soft Power Is Transforming the World.* New Haven, CT: Yale University Press, 2007.

Lampton, David M. *The Making of Chinese Foreign and Security Policy in the Era of Reform, 1978–2000.* Stanford, CA: Stanford University Press, 2001.

———. *The Three Faces of Chinese Power: Might, Money and Minds.* Berkeley: University of California Press, 2008.

Law Fai Yu. *Chinese Foreign Aid: A Study of Its Nature and Goals with Particular Reference to the Foreign Policy and World View of the People's Republic of China, 1952–1982.* Saarbrucken, Germany: Verlag Breitenbach, 1984.

Lawrance, Alan. *China's Foreign Relations since 1949.* London: Routledge, 1975.

Lee, Chae-Jin. *China and Korea: Dynamic Relations.* Stanford, CA: Stanford University Press, 1996.

Levi, Werner. *Modern China's Foreign Policy.* Minneapolis: University of Minnesota Press, 1961.

Lilley, James R., and David Shambaugh, eds. *China's Military Faces the Future.* Armonk, NY: M. E. Sharpe, 1999.

Liu, Guoli, ed. *Chinese Foreign Policy in Transition.* New York: Aldine De Gruyter, 2004.

Mancall, Mark. *China at the Center: 300 Years of Foreign Policy.* New York: The Free Press, 1984.

Mann, James. *About Face: A History of the Curious Relationship with China from Nixon to Clinton.* New York: Knopf, 1999.

Mihaly, Eugene Bramer. *Foreign Aid and Politics in Nepal: A Case Study.* London: Oxford University Press, 1965.

Malik, Yogendra K., Robert C. Obest, and Syedur Rahman, *Government and Politics of South Asia.* Boulder, CO: Westview Press, 2009.

Misra, K. P., ed. *Afghanistan in Crisis.* New York: Advent Books, 1981.

Mosher, Steven W. *Hegemon: China's Plan to Dominate Asia and the World.* San Francisco: Encounter Books, 2000.

Mozingo, David. *Chinese Policy toward Indonesia, 1949–1967.* Ithaca, NY: Cornell University Press, 1976.

Muller, Kurt. *The Foreign Aid Programs of the Soviet Bloc and Communist China: An Analysis.* New York: Walker and Company, 1964.

Murphy, George. *Soviet Mongolia: A Study of the Oldest Political Satellite.* Berkeley: University of California Press, 1966.

Nathan, Andrew J. and Robert S. Ross. *The Great Wall and the Empty Fortress: China's Search for Security.* New York: W. W. Norton, 1997.

Nathan, Andrew J. and Andrew Scobell. *China's Search for Security.* New York: Columbia University Press, 2013.

Neuhauser, Charles. *Third World Politics: China and the Afro-Asian People's Solidarity Organization, 1957–1967.* Cambridge: Harvard University Press, 1968.

Noble, Gregory W., and John Ravenhill, eds. *The Asian Financial Crisis and the Architecture of Global Finance.* Cambridge: Cambridge University Press, 2000.

Noland, Marcus. *Avoiding Apocalypse: The Future of the Two Koreas.* Washington, DC: Institute of International Economics, 2000.

North Korea: A Case Study in the Technique of Takeover. Washington, DC: U.S. Department of State, 1961.

North, Robert C. *The Foreign Relations of China.* North Scituate, MA: Duxbury Press, 1978.

O'Leary, Greg. *The Shaping of Chinese Foreign Policy.* New York: St. Martin's Press, 1980.

Percival, Bronson. *The Dragon Looks South: China and Southeast Asia in the New Century.* Westport, CT: Praeger, 2007.

Pettis, Michael. *Avoiding the Fall: China's Economic Restructuring.* Washington, DC: Carnegie Endowment, 2013.

Picard, Louis, Robert Groelsema, and Terry F. Buss, eds. *Foreign Aid and Foreign Policy: Lessons for the Next Half-Century.* Armonk, NY: M. E. Sharpe, 2008.

Pillsbury, Michael. *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower.* New York: Henry Holt, 2015.

Pye, Lucien. *Asian Power and Politics: Cultural Dimensions of Authority.* Cambridge, MA: Harvard University Press, 1985.

Rawnsley, Gary D. *Taiwan's Informal Diplomacy and Propaganda.* New York: St. Martin's Press, 2000.

Reed, Thomas C., and Danny B. Stillman. *The Nuclear Express: A Political History of the Bomb and Its Proliferation.* Minneapolis: Zenith Press, 2009.

Reid, Anthony, and Zheng Yangwen, eds. *Negotiating Asymmetry: China's Place in Asia.* Singapore: National University of Singapore Press, 2009.

Roberts, Priscilla, ed. *Behind the Bamboo Curtain: China, Vietnam and the World Beyond.* Washington, DC: Woodrow Wilson Center Press, 2006.

Robinson, Thomas W., and David Shambaugh, eds. *Chinese Foreign Policy: Theory and Practice.* Oxford: Claredon Press, 1994.

Rose, Leo E. *Nepal: Strategy for Survival.* Berkeley: University of California Press, 1971.

Rose, Leo E. and John T. Sholz. *Nepal: Profile of a Himalayan Kingdom.* Boulder, CO: Westview Press, 1980.

Rossabi, Morris, ed. *China among Equals: The Middle Kingdom and Its Neighbors, 10th-14th Centuries.* Berkeley: University of California Press, 1983.

Roy, Denny. *China's Foreign Relations.* Lanham, MD: Rowman and Littlefield, 1998.

Seagrave, Sterling. *Lord of the Rim: The Invisible Empire of the Overseas Chinese.* New York: G. P. Putnam's Sons, 1995.

Schell, Orville, and John Dulury. *Wealth and Power: China's Long March to the Twenty-First Century*. New York: Random House, 2013.

Schoen, Douglas E., and Melik Kaylan. *The Russia-China Axis: The New Cold War and America's Crisis of Leadership.* New York: Encounter Books, 2014.

Scobell, Andrew, and Larry Wortzel. *Shaping China's Security Environment: The Role of the People's Liberation Army.* Carlisle, PA: U.S. Army War College, 2006.

Shambaugh, David. *China Goes Global: The Partial Power.* New York: Oxford University Press, 2013.

Shambaugh, David, ed. *Tangled Titans: The United States and China.* Lanham, MD: Rowman and Littlefield, 2013.

Shambaugh, David, ed. *Power Shift: China and Asia's New Dynamics.* Berkeley: University of California Press, 2005.

Shaplen, Robert. *The Lost Revolution.* New York: Harper and Row, 1966.

Shao, Kuo-kang. *Zhou Enlai and the Foundations of Chinese Foreign Policy.* New York: St Martin's Press, 1966.

Sharma, B. L. *The Pakistan-China Axis.* New York: Asia Publishing House, 1968.

Sheng, Lijun. *China's Dilemma: The Taiwan Issue.* Singapore: Institute of Southeast Asian Studies, 2001.

Shichor, Yatzhak. *The Middle East in China's Foreign Policy: 1949–1977.* Cambridge: Cambridge University Press, 1979.

Shih, Chih-yu and Zhiyu Shi. *China's Just World: The Morality of Chinese Foreign Policy*. Boulder, CO: Lynne Rienner, 2003.

Shirk, Susan L. *China: Fragile Superpower.* London: Oxford University Press, 2007.

Simmonds, Robert R. *The Strained Alliance: Peking, Pyongyang, Moscow and the Politics of the Korean War*. New York: Free Press, 1975.

Small, Andrew. *The China-Pakistan Axis: Asia's New Geopolitics.* London: Oxford University Press, 2015.

Snyder, Scott, and See-won Byun, "Pyongyang Tests Beijing's Patience," *Comparative Connections*, July 2009.

Sokolski, Henry, ed. *Pakistan's Nuclear Future: Reining in the Risk.* Carlisle, PA: Strategic Studies Institute, 2010.

Steinberg, David I. *Burma: A Socialist Nation in Southeast Asia.* Boulder, CO: Westview Press, 1982.

Stolper, Thomas E. *China, Taiwan and the Offshore Islands.* Armonk, NY: M. E. Sharpe, 1985.

Stone, I. F. *The Hidden History of the Korean War.* New York: Monthly Review Press, 1952.

Stubbs, Richard. *Rethinking Asia's Economic Miracle.* New York: Palgrave-Macmillan, 2005.

Sutter, Robert G. *Chinese Foreign Policy after the Cultural Revolution, 1966–1977.* Boulder, CO: Westview Press, 1987.

———. *Shaping China's Future in World Affairs: The Role of the United States.* Boulder, CO: Westview Press, 1996.

———. *China's Rise in Asia: Promises and Perils.* Lanham, MD: Rowman and Littlefield, 2005.

———. *Chinese Foreign Relations: Power and Policy since the Cold War.* Lanham, MD: Rowman and Littlefield, 2010.

Sutter, Robert G., and William R. Johnson, eds. *Taiwan in World Affairs.* Boulder, CO: Westview Press, 1994.

Swee-Hock, Saw, ed. *ASEAN-China Economic Relations.* Singapore: Institute of Southeast Asian Studies, 2007.

Sznajder, Ariel. *China's Shanghai Cooperation Organization.* Berkeley: University of California Press, 2006.

Terrill, Ross. *The New Chinese Empire and What It Means to the United States.* New York: Basic Books, 2003.

The Taiwan Question and the Reunification of China. Beijing: Taiwan Affairs Office of the State Council, 1993.

Tien, Hung-mao. *The Great Transition: Political and Social Change in the Republic of China.* Stanford, CA: Hoover Institution Press, 1989.

Tse, Edward. *The China Strategy: Harnessing the Power of the World's Fastest Growing Economy.* New York: Basic Books, 2010.

Tselichtchev, Ivan and Frank-Jurgen Richter, *China versus the West: The Global Power Shift of the 21st Century.* New York: John Wiley, 2012.

Vang, Pobzeb. *Five Principles of Chinese Foreign Policies.* Bloomington, IN: Author House, 2008.

VanNess, Peter. *Revolution and Chinese Foreign Policy: Peking's Support for Wars of National Liberation.* Berkeley: University of California Press, 1970.

Wachman, Alan M. *Why Taiwan: Geostrategic Rationales for China's Territorial Integrity.* Stanford: Stanford University Press, 2007.

Wakeman, Carolyn, and San San Tin. *No Time for Dreams: Living in Burma under Military Rule.* Lanham, MD: Rowman and Littlefield, 2009.

Wang, Yu San, ed. *The Foreign Policy of the Republic of China on Taiwan: An Unorthodox Approach.* New York: Praeger, 1990.

Wesley-Smith, Terrance. *China in Oceania: New Forces in Pacific.* Honolulu: East West Center, 2007.

Whelpton, John. *A History of Nepal.* Cambridge: Cambridge University Press, 2005.

Whiting, Allan. *China Crosses the Yalu: The Decision to Enter the Korean War.* New York: Macmillan, 1960.

Wilber, Donald N. *Pakistan Yesterday and Today.* New York: Holt, Rinehart and Winston, 1964.

Wolfe, Charles Jr., Xiao Wang, and Eric Warner, *China's Foreign and Government-Sponsored Investment Activities: Scale, Content, Destinations and Implications.* Santa Monica, CA: Rand Corporation, 2013.

Yabuki, Susumu. *China's New Political Economy: The Giant Awakes.* Boulder, CO: Westview Press, 1995.

Yahuda, Michael. *Toward the End of Isolationism: China's Foreign Policy after Mao.* New York: St. Martins, 1983.

Yu, George T. *China and Tanzania: A Study in Cooperative Interaction.* Berkeley: University of California Press, 1970.

———. *Asia's New World Order*. New York: Palgrave Macmillan, 1997.

Yu, Peter Kien-hong, *The Second Long March: Struggling against the Chinese Communists under the Republic of China (Taiwan).* New York: Continuum, 2009.

Zagoria, Donald S. *The Sino-Soviet Conflict, 1956–61.* New York: Athenuem, 1964.

Zeng, Ka, ed. *China's Foreign Trade: The New Constituencies.* London: Routledge, 2007.

Zhang, Weiwei. *The China Wave: Rise of a Civilization State.* Hackensack, NJ: World Century, 2012.

Zhang, Yunling. *East Asian Regionalism and China.* Beijing: World Affairs Press, 2005.

Zhao, Quansheng. *Interpreting Chinese Foreign Policy.* Hong Kong: Oxford University Press, 1996.

Zhao, Quansheng, ed. *Future Trends in East Asian International Relations.* London: Frank Cass, 2002.

Zhao, Suisheng, ed. *Chinese Foreign Policy: Pragmatism and Strategic Behavior.* Armonk, NY: M. E. Sharpe, 2005.

Zheng, Yongnian, and Raymond Wu, eds. *Sources of Conflict in the Taiwan Strait.* Singapore: World Scientific, 2006.

Zhong Guo Dui Wai Jing Ji Ji Shu Yuan Zhu (China's foreign economic and technical aid). Beijing: Ministry of Foreign Trade and Technical Cooperation, 1985.

Articles and Monographs

Blanche, Ed. "Weaving a New Silk Road," *The Middle East,* May 2009: 14.

Brautigam, Deborah. "Aid 'With Chinese Characteristics': Chinese Aid and Development Finance Meet the OECD-DAC Regime," *Journal of International Development,* 2011.

Cabestan, Jean-Pierre. "The Shanghai Cooperation Organization Central Asia, and the Great Powers, and Introduction: One Bed Different Dreams," *Asian Survey,* May/June 2013.

Chan, Gerald. "Taiwan as an Emerging Foreign Aid Donor: Developments, Problems and Prospects," *Pacific Affairs,* Spring 1997.

Chang, Gordon G. "Fatal Attraction: China's Strengthening Partnership with North Korea," *World Affairs*, May/June 2011.

Chao, W. F. "China's Economic Aid to Developing Countries," *China Mainland Review*, June 1965.

"China's Foreign Aid," Information Office of the State Council, April 2011.
Chu, Hao. "Enduring Ties: Sino-Vietnamese Relations Witness Their 60th Anniversary amid High Hopes, *Beijing Review,* January 4, 2010.
Chung, Jae Ho. "China's Korea Policy under the New Leadership: Stealth Changes in the Making?" *Journal of East Asian Affairs,* Spring/Summer 2004: 10.
Cohen, Ariel. "The Dragon Looks West: China and the Shanghai Cooperation Organization," Heritage Foundation Lectures, August 3, 2006.
Copper, John F. "China's Foreign Aid in 1976," *Current Scene*, August–September 1976.
———. *China's Foreign Aid in 1978,* Occasional Papers/Reprints Series in Contemporary Asian Studies, University of Maryland School of Law, Number 6–1979.
———. *China's Foreign Aid in 1979–80,* Occasional Papers/Reprints Series in Contemporary Asian Studies, University of Maryland School of Law, Number 5–1981.
———. "China's Foreign Aid Program: An Analysis and Update," *China Looks to the Year 2000*. Washington, DC: U.S. Government Printing Office, 1986.
———. "Sino-Soviet Foreign Aid Competition in the Third World," *Korea and World Affairs*, Winter 1980–81.
Edie, Gail A., and Denise M. Grissell. "China's Foreign Aid, 1975–78," *China Quarterly*, March 1979: 216.
Ellis, R. Evan. "Strategic Implications of Chinese Aid and Investment in Latin America," *China Brief*, October 7, 2009.
Fairbank, John. "On the Ch'ing Tributary System," *Harvard Journal of Asiatic Studies*, June 1941. *Africa.* Washington, DC: The World Bank, 2009.
Garver, John, "Development of China's Overland Transportation Links with Central, Southwest, and South Asia," *China Quarterly*, March 2006.
Grimmest, Richard. "Conventional Arms Transfers to Developing Countries, 1999–2006," *Congressional Research Service*, September 26, 2007.
He Li. "Rivalry between Taiwan and the PRC in Latin America," *Journal of Chinese Political Science* Fall 2005.
Henderson, John, and Benjamin Reilly, "Dragon in the Pacific," *National Interest*, Summer 2003.
Hunt, David. "China's 'Two-Koreas' Policy: Achievements and Contradictions," *Political Science*, No. 2, 2010.
Irikson, Daniel P., and Janice Chen. "China, Taiwan, and the Battle for Latin America," *Fletcher Forum of World Affairs*, Summer 2007.
Iwanski, Tadeusz. "Ukraine, Belarus and Moldova and Chinese Economic Expansion in Eastern Europe," *Center for Eastern Studies*, May 28, 2012.
Ji, You. "China and North Korea: A Fragile Relationship of Strategic Convenience," *Journal of Contemporary China,* August 2001.
———. "Dealing with 'North Korea Dilemma': China's Strategic Choices," RSIS Working Paper, January 21, 2011.
Lee, Wei-chin, "Taiwan's Foreign Aid," *Asian Affairs*, Spring 1993.

Li, Justin. "Chinese Investment in Mongolia: An Uneasy Courtship between Goliath and David," *East Asia Forum,* February 2, 2011.

Liu, Meng. "China and the North Korean Crisis: Facing Test and Transition," *Pacific Affairs*, Fall 2003.

Lum, Thomas, Christopher M. Blanchard, Nicolas Cook, Kerry Tombaugh, Susan B. Epstein, Shirley A. Kan, Michael F. Martin, Wayne M. Morrison, Dick Nanto, Jim Nichol, Jeremy M. Sharp, Mark P. Sullivan, Bruce Vaughn, and Thomas Coipuram Jr. "Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World," *Congressional Research Service*, August 15, 2008.

Lum, Thomas, Hanna Fischer, Julissa Gomez-Granger, and Anne Leland, "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia," *Congressional Research Service*, February 25, 2009.

Lum, Thomas, Wayne M. Morrison, and Bruce Vaughn. "China's 'Soft Power' in Southeast Asia," *Congressional Research Service*, January 4, 2008.

Manyin, Mark E., and Mary Beth Nikitin, "Foreign Assistance to North Korea," Congressional Research Service, September 9, 2009.

Naizi, Tarique. "Gwadar: China's Naval Outpost on the Indian Ocean," *China Brief*, February 28, 2005.

Nanto, Dick K., and Mark E. Manyin. "China-North Korean Relations," Congressional Research Service, December 28, 2010.

Nichol, Jim. "Kazakhstan: Recent Developments and U.S. Interests," Congressional Research Service, August 10, 2012.

Niksch, Larry A. "North Korea's Nuclear Weapons Program," Congressional Research Service, April 28, 2003.

Noland, Marcus, Sherman Robinson, and Tao Wang, "Rigorous Speculation: The Collapse and Revival of the North Korean Economy," Working Papers No. 99–1 (The Peterson Institute), 1999.

Nordlinger, Jay. "Taiwan's Two Dozen." *National Review*, August 13, 2007.

O'Neill, Daniel Christopher. "China's Support for Investment in Kazakhstan: Good Neighbor, Good Economics, or Good Geopolitics?" Scholar Research Brief (IREX), October 2009.

Pantucci, Raffaello, and Alexandros Petersen, "China and Central Asia in 2013," *China Brief,* January 18, 2013.

———. Shifts in Beijing's Afghan Policy: A View from the Ground," *China Brief*, November 5, 2012.

Payne, Richard J., and Cassandra R. Veney, "Taiwan and Africa: Taipei's Continuing Search for International Recognition," *Journal of Asian and African Studies,* November 2001.

Scobell, Andrew. "China and North Korea: The Close but Uncomfortable Relationship," *Current History*. September 2002.

Shambaugh, David. "China Engages Asia: Reshaping the Regional Order," *International Security*, Winter 2004/05.

Storey, Ian James. "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute," *Journal of Contemporary Asia,* April 1999.

Taylor, Ian. "Taiwan's Foreign Policy and Africa: The Limitations of Dollar Diplomacy," *Journal of Contemporary China*, No. 30, 2002.

Van Fossen, Anthony. "The Struggle for Recognition: Diplomatic Competition between China and Taiwan in Oceania," *Journal of Chinese Political Science*, February 2007.

"Vietnam to Borrow Nearly 200 Million Dollars from China: Report," *People's Daily Online*, October 30, 2005.

Woodrow, Thomas. "China Opens Pandora's Nuclear Box," *China Brief*, December 10, 2002.

Index

About the Author

John F. Copper is the Stanley J. Buckman Distinguished Professor of International Studies emeritus at Rhodes College in Memphis, Tennessee. He is the author of more than thirty books on China, Taiwan, and Asian Affairs. Copper is listed in *Who's Who in America, Who's Who in the World, Men of Achievement, Contemporary Authors, and The Annual Guide to Public Policy Experts.* In 1997, Dr. Copper was recipient of the International Communications Award. He has spent fifteen years in Asia. *China's Foreign Aid and Investment Diplomacy, Volumes I–III* represent the culmination of Professor Copper's work on this subject over four decades.