

DEBUNKING THE MYTH AND REALITY OF CHINESE DEBT TRAP DIPLOMACY AND CHINA'S NEW GEOPOLITICS

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Abstract

After undergoing the “Century of humiliation”, Chinese mended themselves by transforming the country from “Humiliation to Rejuvenation”. The country underwent numerous troubling times before moving onto the path of development and modernization. However, now China stands as an excellent example of a potential economic power emerged in a short course of time. Therefore, the merchandise expansion of China is now seen as its debt trap maneuvers and an extended policy of economically trespassing the countries. The research article thus analyzes the policies under which China is said to trap the developing nations from Africa and Asia with unpayable loans in exchange to their strategic assets. It seeks to answer the question of whether the debt trap diplomacy linked with China is real, if so, then how? And how China reacts to the allegations in order to falsify the narratives propagated by US and India and what myths surround this debate? This study employs a qualitative methodology to investigate the effectiveness of various policies by analyzing information gathered from reputable websites, articles in established journals, and scholarly research papers. Through thematic content analysis, this research seeks to elucidate the actual impacts of these policies and dispel any unfounded and mythical perception. Correspondingly, the researchers of this article have explored the two perspectives of the debt trap diplomacy to base their result with strong evidence of neo-imperialist policies of China. This research employs comprehensive case studies to examine Chinese debt-trapping tactics in developing countries. It notes discernible long-term implications, but limited direct evidence implicating China. The research offers a nuanced exploration of Chinese debt trap diplomacy, addressing misconceptions and advocating an impartial scholarly approach to assess these perspectives.

Keywords: China, Debt trap, BRI, Neo-Imperialism, Hambantota

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Introduction:

With China growing as one of the powerful states in the world, many countries are eyeing the policies through which it was able to rise to that position and that too within a short span of time. One of them is China's growing engagement with weaker states. It has developed good trade and bilateral relations with many countries from Asia to Latin America.

However, under its partnership face lies policies that might be affecting the states, the country is increasing collaboration with. The researchers of this article have thus analyzed Chinese policies under which it provides debts and loans to weaker states for development.

One of the major projects of China, the Belt and Road Initiative is engaging many countries around Asia to achieve regional development and increasing its influence. As many countries under the project are those with weak economic or financial basis thus, they rely on debt and loans for developmental endeavors. The research highlights the sustainability and policies adopted under the provision of such loans. The research has underscored the situation of many states part of the BRI to base their finding of Chinese debt trap diplomacy as a reality.

Research Objectives:

- Investigate if China's loans constitute a strategic policy of unpayable debt through studies in Asia and Africa.
- Examine China's actual tactics and debunk potential myths propagated by other nations (especially US and India) promoting a value-neutral analysis.

- Multifaceted analysis that integrates evidence from China’s projects, politics and diplomacy to understand emerging geopolitics.
- Geopolitical context that explores the link between China’s debt trap diplomacy and its evolving geopolitical strategy.
- Strategic alignment emphasizes how China’s debt trap diplomacy fits into broader ambitions, especially the BRI across regions.
- The South China Sea assessment includes China’s assertive actions, increasing energy dependency on Malaccan Strait, and impact on its global position and economic growth, trade and as a countermeasure towards the US Indo-Pacific stratagem i.e., AUKUS, QUAD.
- Study examines the connection between China’s debt trap diplomacy and its overarching revised “New Grand strategy” (brought up by Xi Jing ping as a customary policy change) for more dynamic global influence.
- Research aims to predict China’s future geopolitical direction and its worldwide impact by analyzing current activities and diplomacy.

Research Questions:

1. What are the empirical markers of China's debt trap diplomacy? (Empirical)
2. How do Western myths contrast with unbiased academic assessments?
(Interpretive)
3. Do these actions reflect shifts in China's future geopolitics? (Empirical)

Methodology:

The epistemology of the study is interpretivist. It deals with the existing theoretical knowledge; the ontology of research is subjective as it is a constantly

changing phenomenon. The research involves “deductive reasoning” as the researchers have explained and analyzed the “China’s debt trap Diplomacy” theorized under the “Neo-imperialism”. The research design is “exploratory” seeking to subjectively determine whether China, under the illusion of development and progress is using debt trap diplomacy to trap the weaker states and on the other hand, what is the flip side of the coin and response of Chinese officials to devoid this discourse? The is conducted using secondary data sources as we have consulted various websites, articles from well-known journals and research papers to implement the methodology and collect facts and figures that justify China’s lending practices either as a reality or myth. The data type for research is “Qualitative” keeping in view, it’s interpretivist epistemology.

Theoretical Framework:

In this article, the researchers have explained their findings by applying the theoretical framework of “Neo-Imperialism”. Neo-Imperialism, the term however was first coined by Ghanaian leader Kwame Nkrumah.

The theory therefore, derives its factors from colonialism of the 18th century and onwards era in which countries were put under colonial rule by powerful states to gain economic, political and strategic advantages from weaker states. Anyhow, with the abolishment of the colonial rule aftermath the World War 2, a new form of imperialism started taking over.

This neo-imperialism is somewhat a newer method of exercising control over the weaker states but through means different than those adopted during colonial era.

It includes the usage of economic and political means to indirectly influence and suppress weaker nations into following the path set forth by the powerful country.

This helps powerful nations in streamlining and gaining benefits from weaker nations without having to use force or conquering them. Correspondingly, the Chinese Belt and Road Initiative started by Xi Jinping is often provided as evidence with being one of the policies used by China in its neo-imperialist policies.

The article thus highlights how such projects by China serve as a mean for the country to extract strategic ends from other countries while at the same time increasing their influence over that country.

Debt Trap Diplomacy:

The research under this article revolves around debt trap diplomacy. Debt Trap is like falling into a pit of loans which one not only incapable of repaying but need more loans to meet one's ends and getting breathing space for economy. e.g. if a farmer needs new technological means of working on the farm or for his agricultural needs he has to take loans from other people but he does not earn enough to give that loan back and thus has to stay in that vicious cycle by taking one after another loan to make his ends meet.

Meanwhile debt trap diplomacy is when a state or individual extends loans and credit to small and under-developed countries, fully knowing that the borrower is incapable to return it, just for the sake of gaining political, social and economic interests from it". So, for your own geopolitical and strategic gains you give

unsustainable loans to the other party to use them in future for your own benefits once the borrower is rendered incapable of returning it under any circumstance.

Although it has been seen in the history too that this process of debt trap diplomacy has been used by superpowers like U.S and Britain but the word “debt trap diplomacy” in itself was coined in 2017 by an Indian public intellectual and geo-strategist Brahma Chellaney.

Explaining the falling economic situation in Sri Lanka in 2013, he held China solely responsible for it. He amplified it as Chinese debt trap diplomacy alone by saying that China uses its rising economic situation and leverage over small countries around it to burden them with unsustainable loans in order to gain geopolitical advantage as it knows that these countries cannot effectively return its loans. ¹He said that just like Sri Lanka’s Hambantota Port development project, China attracts small countries with such bigger infrastructure projects and makes them fall into a pit of debt and once the country admits or does not give back the debt they have taken, they take over that project the way they took over Hambantota port. This way they yield strategic, economic and geopolitical leverages from states and increase their influence over the region.

¹ Tushar Ahuja, “China’s Debt Trap Diplomacy,” SSRN Electronic Journal, 2022, <https://doi.org/10.2139/ssrn.4175228>.

Chinese Debt Trap Diplomacy as a Myth:

According to many justifications and arguments, the Chinese debt trap diplomacy is nothing more than a myth and an exaggeration used by the West.

According to China, the country give its loans just to help the poor states and increase their economic stability with steady means of producing GDP.

It is supported by the idea that China itself does not provide loan or forces countries into taking it, the countries themselves ask for it. Such policies and projects are recipient-driven which means that they come into action only if the borrower state agrees.

Even, these projects cannot help China until and unless the borrower state itself wants them. The argument can be justified on the basis that small and under developed states which do not have political stability within their governments are attracted to such projects to deceive the public as it becomes a plus point for the government. The signing of CPEC (China Pakistan Economic Corridor) was a big appealing thing for the public in increasing energy crisis then of what PML-N government faced at the start of government. Whether CPEC has been successful in developing Pakistan or is it benefitting Pakistan, is still a big question to be addressed by scholars.²

Another argument put forward by the rising superpower relating to the debt trap diplomacy of China is the propaganda started by India and propagated by the

² Pádraig Carmody, "Dependence Not Debt-Trap Diplomacy," *Area Development and Policy* 5, no. 1 (2020): 23–31, <https://doi.org/10.1080/23792949.2019.1702471>.

West. An Indian contrived term that is mainly ranted in the western literature. Most importantly in the reign of Donald Trump as the President United States tried to establish this narrative in order to contest with China while US China Trade war was going on. Therefore, this biasness partially indicates the propaganda campaign of United States against its contender China.

U.S alongside India are playing a big role in constructing a negative image of China. This is because China's rise as a superpower threatens the U.S role as a hegemon while on the other side India does not want increase in China's influence in the South Asian region.

It is one of the tactic U.S uses to tarnish the image of its enemy, they build a narrative and publish such documentaries, images and movies and use such words solely to explain the wrong means used by their enemy. During the cold war, communists were called as the Godless people and now Beijing is being considered as the "Axis of Evil". In addition to this, it is a fact that developing and under developed countries are more under the influence of Western led democracies as compared to China.³

International Monetary Fund, World Bank, World Trade Organizations are U.S dominated international organizations that lend money with high interest rates. There are many developing and under developed states that owe more to them. If they were

³ Lee Jones and Shahar Hameiri, "Debunking the Myth of 'Debt-Trap Diplomacy' - Chatham House," Chatham House, 2020, <https://www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy>.

not involved in debt trap diplomacy backed by U.S, why would the debt of receipt states have increased over the years? In addition to this, these states prefer privatization and liberalization in trade.

They have political interference policies to administer state's taxes etc., and even have access to important documents which is more dangerous and a breach of sovereignty compared to China who does not have these interventionist policies. It shows which organization or state is more needed to be contained and stopped. The major difference between the terms and conditions subjected to loan accessions in case of China is much divergent from that of IMF and World Bank. Unlike IMF, China accredits the loan grant as much of a bilateral engagement and does not demand any policy changes; like austerity measures, capitalization of banking and transparency compulsions. It's much of a win-win game for the partner states and major expenditure of Chinese loans are focused on infrastructural buildup, shared benefits and energy sector cooperation.⁴

Sri Lanka's case:

Sri Lanka is the most popular country when it comes to Chinese debt trap diplomacy discussion. It has highlighted repeatedly under the Indian and Western narratives that the taking over of Hambantota port by China is one of the examples of

⁴ Ajit Singh, "The Myth of 'Debt-Trap Diplomacy' and Realities of Chinese Development Finance," *Third World Quarterly* 42, no. 2 (2020): 239–53, <https://doi.org/10.1080/01436597.2020.1807318>.

how China takes over a state's geography and infrastructure, once recipient country realize that they cannot return the debt they have taken.⁵

If one analyzes by taking insights from history, one will know that the construction of Hambantota port was the idea of Mahinda Rajapaksa, the then president of Sri Lanka. He brought forward the idea after the Canadians pulled out from the project due to political instability. U.S and India both had been asked before to invest in the project, to which both refused and under these circumstances China stepped forward to help construct this port. The reason behind the failure of this port was not China but the incompetent government and corruption itself. Mahinda, after the first phase of the port was completed, immediately started the second phase, ignoring the advice of Ramboll team, even going for naming the port after himself too. As much revenue was not generated, so for the second phase to set in and make the port a container one, Sri Lanka, in 2012, had to ask for loans from China which was \$757 million this time. China's Ex-Im Bank provided this loan at a reduced and post-financial crisis interest rate of 2%. Chinese engineers entered the port construction phase as the Sri Lanka's engineers proven to be incapable of continuing its construction. Sri Lanka after all this could not operate the port further neither could they give back the debt due to high corruption and economic instability. China, when took over the port on a 99-year Lease gave \$1.1 billion in addition, which were put in

⁵ JCS Ababan, JEC Gregorio, and MRRD Pistis, "China's One Belt One Road and Debt Trap Diplomacy: Exploring the Cases of Sri Lanka and Djibouti," *한중미래연구* 10 (2018): 3–25.

Sri Lanka's foreign reserves and to pay off western debt ⁶. China also does not fully dominate the port; Chinese navy vessels cannot use the port but instead it would be used for Sri Lanka's own southern naval command.

However, the statistics figure out that China is not the largest creditor to Sri Lanka and only accounts for only 10% total loans purchased by Sri-Lanka. Meanwhile on the other hand IMF has recently announced a 48 months term loan of USD 2.9 Billion (prone to several hard-core terms and conditions) to Sri -Lanka in the August 2022, following the recent defalcation of the country. In retrospect, Sri Lanka has asked for bail out 5 times since 2000⁷. Total amount of loans disbursed by IMF to Sri Lanka in between 2016-20 cost nearly 1326.8 million USD⁸. IMF however accredited Japan and India as the creditor states in terms of pay back guarantee. The ratios of IMF loans granted to Sri-Lanka had been the peak high in the years 2010-15⁹. In the parallel, Sri Lanka received only USD 3bn from China in the year 2020 in the COVID restoration measures and China ranks as the 4th creditor to Sri Lanka after Japan and Asian Development Bank¹⁰. Although 36% of Sri Lanka's creditors are the private

⁶ Filippo Boni and Katharine Adeney, "The Impact of the China-Pakistan Economic Corridor on Pakistan's Federal System," *Asian Survey* 60, no. 3 (2020): 441–65, <https://doi.org/10.1525/as.2020.60.3.441>.

⁷ Ihsan Amin et al., "A Regression-Based Analysis of IMF Loans on Financial Stability in South Asian Countries," *Journal of Student Research* 11, no. 3 (2022), <https://doi.org/10.47611/jsrhs.v11i3.3832>.

⁸ "Sri Lanka and the IMF," IMF, March 8, 2019, <https://www.imf.org/en/Countries/LKA..>

⁹ Lars Engen and Annalisa Prizzon, "Exit from Aid: An Analysis of Country Experiences," Lars Engen, Annalisa Prizzon, April 8, 2019, <https://apo.org.au/node/229496>.

¹⁰ Muhammad Mohiuddin et al., *Global Trade in the Emerging Business Environment* (London: IntechOpen, 2022).

sector bondholders mainly from Europe and US institutional investors. Contrary to this the western discourse blames China for owing 90% of loans towards Sri Lanka is not based on facts. Therefore, the financial default of Sri Lanka cannot be put onto China, however there are numerous reasons for this as given below:

1. Reduction in Domestic growth.
2. Slow GDP growth.
3. Crop Failures.
4. COVID 19 aftershocks and suspension in tourism. A major part in Sri Lanka's economy is Tourism, but the year 2020 accounted only 55000 tourists visiting Sri Lanka.
5. Mahinda Rajapaksa's corrupt regime and governance malfunctioning.
6. Global Economic and security crisis.
7. US role in deteriorating Sri Lanka's economy in COVID-19 era, monopolizing the dollar and printing more dollar notes that ultimately lead to the downfall of the national currency.
8. Ripple effects of the food and energy crisis due to Russia-Ukraine war.

The ratio of other countries' debt to Chinese debts in case of Sri Lanka is 54:10. This obviously denotes that China can't actually be blamed in the bankruptcy of Sri Lanka.

The recent official statement of Sri-Lanka's foreign Minister Ali Sabry is a blatant confession of Sri-Lanka taking absolute responsibility of country's default due to bad governance and political turmoil. It was also welcomed by the Chinese Foreign ministry. Official Spokesperson of Chinese Ministry of Foreign Affairs tweeted,

“We welcome Sri Lankan Foreign Minister Ali Sabry’s remarks, which are a strong rebuttal to the groundless “Chinese debt trap” accusation.”¹¹

It all presents the evidence for what China says, they say that they are not going for any geopolitical leverage but only trying to extend their economic markets reach and industrial power. Sri Lanka only owes of their debt to China, which is less compared to others they are owing to, as Samitha Hettige, advisor of National Education says “The total Chinese loans only account for a little more than 10 percent of our total loan property portfolio, and China is actually the fourth largest [creditor], behind international capital markets, multilateral development banks and Japan”¹².

From 1965 to 2016, Sri Lanka has reached 15 loan agreements with the International Monetary Fund, and the ratio of foreign debt to GDP is more than 50 percent all the year round, which is level of a high debt country.

As of 2021, a staggering 81% of Sri Lanka’s foreign debt was owned by U.S. and European financial institutions, as well as Western allies Japan and India.¹³ This

¹¹ Editor, “No Political Strings Attached to Chinese Assistance to SL – MFA Spokesman,” Sri Lanka Mirror – Right to Know. Power to Change, November 29, 2022, <https://srilankamirror.com/news/no-political-strings-attached-to-chinese-assistance-to-sl-mfa-spokesman>.

¹² Umesh Moramudali and Thilina Panduwawala, “Demystifying China’s Role in Sri Lanka’s Debt Restructuring,” – The Diplomat, December 24, 2022, <https://thediplomat.com/2022/12/demystifying-chinas-role-in-sri-lankas-debt-restructuring>.

¹³ Shalendra SHARMA and Xiangge LIN, *Does China Engage in Debt-Trap Diplomacy?*, 2021, <https://doi.org/10.14793/ipswp2021001>.

shows that west is only trying to contain China by employing such tactics in the pursuit of their agendas, i.e, obstructing China's trade and economic rise.

The island nation's total external debt is \$37.6 billion¹⁴, according to the report. Adding central bank foreign currency debt, including a \$1.6 billion currency swap with China, public external debt rises to \$40.6 billion, of which 22% is from Chinese creditors.

Africa's Case:

African countries also consider Chinese debt tap diplomacy as a myth. They say that for the first time, only because of China, they were given the opportunity to trade instead of being given aid. They say that Africa has always been shown as a weak and poor country and states only give them hand for charity and hardly there is anyone who wants to invest here. They give examples of history that west came here and colonized them to leave once they had drained much from the lands and had exploited their resources, gathering it for their use. While China lets them do trade and build their infrastructure to come into the race of trade in world. China, as of now, is involved in more than 35 countries of Africa and according to Africans they have only been provided with either zero rate or concessional (low interest rates) debts. China also has announced 23 interest free loans to 17 African nations and has also restructured approximately USD 15 billion of debt to African countries in between

¹⁴ Jorgelina Rosario and Rachel Savage, "Sri Lanka's Debt to China Close to 20% of Public External Debt -Study," Reuters, November 30, 2022, <https://www.reuters.com/world/asia-pacific/sri-lankas-debt-china-close-20-public-external-debt-study-2022-11-30>.

2000-19¹⁵. Moreover, according to Forbes, on May 29, 2019 over the period from 2000-18 China has called off debts worth 9.8 billion dollars from different African nations¹⁶. Other than this, the Import-Export Bank and the bilateral creditors has suspended debt services payments counting nearly \$1.353 billion from 23 African countries¹⁷.

Small countries or under-developed ones do not have to fear China but their own governments. They have a weak check and balance and accountability system to avoid economic meltdown and political instability which lets them to fall into pits of loans and poverty, eventually hindering their development. Hence, debt trap diplomacy needs to be evaluated with comparison to all states and not on the perspective of China alone as there are many states that put China in spotlight to save them from any criticism.

Chinese Debt Trap Diplomacy as a Reality:

Internationalization programs of China like BRI are not only a pursuit of its economic interests and geo-political influence but a weapon to enlarge its geo-strategic footprint around the world as well. When a country comes under the weight of Chinese loans, later can be easily influenced in its policies by China. China always

¹⁵ Simon Shen, "A Constructed (UN)Reality on China's Re-Entry into Africa: The Chinese Online Community Perception of Africa (2006–2008)," *The Journal of Modern African Studies* 47, no. 3 (2009): 425–48, <https://doi.org/10.1017/s0022278x09003991>.

¹⁶ Wade Shepard, "What China Is Really up to in Africa," *Forbes*, October 12, 2022, <https://www.forbes.com/sites/wadeshepard/2019/10/03/what-china-is-really-up-to-in-africa>.

¹⁷ "China Hits Back at Africa Debt-Trap Claims with Loan Write-off Offer," *South China Morning Post*, August 24, 2022, <https://www.scmp.com/news/china/diplomacy/article/3189998/china-hits-back-africa-debt-trap-claims-loan-write-offer>.

portrays its projects like BRI as economic ventures but some scholars allege that it has hidden geo-strategic motives behind it, which are increasingly proven to be self-revealing with the time.¹⁸

China has now become world's biggest official creditor. With its international loans reaching more than 6% of global GDP, China has now surpassed global economic institutions like IMF, World Bank, OECD and others¹⁹. Over the past decade, China's loans to the middle- and lower-income countries have tripled and have currently reached \$170 billion²⁰. An IMF report says, from 2013- 2016, its loans have risen from 6.2% to 11.6%²¹ These loans are mostly or low-interest lending, but loans with higher interest rates.

China's economic engagements blatantly apparent in the following cases;

Sri- Lanka Hambantota Port:

Sri Lanka is considered as one of the most important countries when it comes to Chinese debt trap diplomacy discussion. The Indian and Western scholars and politicians are trying to build up a narrative that the taking over of Hambantota port

¹⁸ Christopher Alden, "Understanding Debt and Diplomacy: China, 'debt Traps' and Development in the Global South," LSE Research Online, 2020, https://eprints.lse.ac.uk/110974/1/WorkingPaper01_FIN_04indd.pdf.

¹⁹ "The 'Rift Is There': China vs. the World on Global Debt," POLITICO, accessed August 21, 2023, <https://www.politico.com/news/2023/04/11/china-lending-imf-world-bank-00090588>.

²⁰ Sebastian Horn, Carmen Reinhart, and Christoph Trebesch, *China's Overseas Lending*, 2019, <https://doi.org/10.3386/w26050>.

²¹ Rebecca Stefoff, *Building Bridges* (New York: Cavendish Square, 2016).

by China is one of the examples of how China takes over a state's geography and infrastructure, once they accept that they cannot give back the debt they have taken²².

Sri Lanka after all the expenses used on the port could not operate the port further neither could they give back the debt due to high corruption and economic instability. This helped the debtor have an upper hand on Sri Lanka.

Because this port was constructed in Sri Lanka in 2017 as a part of China's "String of Pearls" strategy, to contain India in Indian Ocean region by establishing its naval bases. China did not accept Mahinda's invitation to build the port without having any interests or extracting benefits from it. However, the port generated least revenue and had no prospects of commercial success. So, China demanded the control of Hambantota Port as collateral, forcing Sri Lanka to surrender its control on a 99-year Lease Agreement. It also captured 15000 acres of land around it. Now, we see Sri Lanka's economy is badly dntrodden, even local people are running short of essential commodities of life. It is because the country is heavily debt-ridden, out of which it owes \$35 billion to China. Also, the port has almost failed now.²³

As of 2021, a staggering 81% of Sri Lanka's foreign debt was owned by U.S. and European financial institutions, as well as by the western nations, India and Japan. The island nation's total external debt is \$37.6 billion, according to the report.

²² "Sri Lanka's Handing over Hambantota Port to China Has Enormous Ramifications," Indian Defence Review, January 29, 2018, <http://www.indiandefencereview.com/news/sri-lankas-handing-over-hambantota-port-to-china-has-enormous-ramifications>.

²³ Lammuaniam Gangte, "The Debt-Trap Diplomacy Revisited," *Artha Journal of Social Sciences* 19, no. 2 (2020): 53–66, <https://doi.org/10.12724/ajss.53.4>.

Adding central bank foreign currency debt, including a \$1.6 billion currency swap with China, public external debt rises to \$40.6 billion, of which 22% is from Chinese creditors.

Laos:

It's a small water-rich country which took loans from China for its electric company. Eventually, Laos owed more than 26% of its external debt to China. It had to make a 25-year Agreement with China allowing it to control Laos' national power grid.

Tajikistan:

In exchange of debt forgiveness of Tajikistan, China secured the surrounding vast Pamir Mountain territory. It also demanded rights to mine Tajikistan's silver and gold and establish a military base over there. At present, Tajikistan owes more than \$1 billion debt to China, despite its very small GDP of \$8 billion.

Small Islands:

China also gave heavy loans to many small islands in the Indian Ocean like "Maldives", which presently owes 78% of its external debt to China (about \$1.4 billion).

Montenegro:

China provided a loan of \$800 million to the recipient country for the purpose of constructing a roadway. Upon defaulting on the debt, China requested the utilization of land as security, so granting China a direct gateway into Europe. Furthermore, China has stipulated a requirement for Montenegro whereby all disputes

must be exclusively adjudicated in Chinese courts. Currently, China holds the majority share of Montenegro's external debts, accounting for 65.9% of the total debt.

Nepal:

This country borrowed loans from China to invest in its dam project in 2017.

When failed to repay, China secured 75% "stakes" in the dam.

Pakistan:

Gwadar Port (being backbone of CPEC) is considered as a "Game Changer" for Pakistan. However, China has been given exclusive rights to run the port for next four decades. Apart from this, China pockets 91% revenue of Gwadar Port. At present, Pakistan owes \$30 billion to China making it 30% of Pakistan's external debt owed to China. During, Imran Khan's tenure, Pakistan signed Karachi Port Development Project with China, through which Pakistan is expected to walk into another Debt trap.²⁴

Indonesia:

China extended financial assistance to Indonesia in the form of loans, which were allocated towards the investment endeavors pertaining to the steel and nickel sectors. During that period, 43% of the general population held the belief that the Chinese loan would yield positive outcomes for their nation's development, while the

²⁴ Rizwan Shaikh and Chien-Kai Chen, "China's Debt Trap in Pakistan? A Case Study of the Cpec Project," *South Asia Research* 41, no. 3 (2021): 399-414, <https://doi.org/10.1177/02627280211040650>.

bulk of the remaining individuals expressed concerns about China's potential dominance over Indonesia. The existing debt owed by Indonesia to China amounts to \$17.28 billion.

Africa:

In actual, it does not offer immediate geo-strategic opportunities therefore China might not demand any immediate bargain. However, it intends to adopt a long-term strategy in that particular context. As Africa is the continent with greatest number of members in United Nations, China plans to secure political support from them. Africa is restricted to not to participate in any of the condemnations against China in U.N. on key issues like Taiwan, Uyghur Muslims and forced labor in Xinjiang.²⁵

In the above discussed examples, a repetitive and common pattern of China's lending mechanism is observed. It first lends economically disadvantaged nations and proposes development projects. The borrowing country's capacity and economy are ignored. When these nations have trouble meeting their repayment obligations, China tends to decline renegotiation efforts or, if it does, focuses on acquiring infrastructure assets.

²⁵ "The Chinese-African Relationship Is Important to Both Sides, but Also Unbalanced," The Economist, 2022, <https://www.economist.com/special-report/2022/05/20/the-chinese-african-relationship-is-important-to-both-sides-but-also-unbalanced>.

China's Dictated Contracts:

Lack of Transparency:

Chinese banks have complete power over borrower countries and can request early repayment. Additionally, the payback time is usually less than 10 years. China also requires the recipient countries to maintain a minimum cash balance in an offshore account, allowing China free access to such monies without a judicial procedure. In repayment plans, China always prioritises countries meeting their responsibilities. The entity uses deception to force people to sign additional contracts, increasing their financial obligations. China gets payback by taking all project revenue. For instance, China has cancelled a \$90 million debt to get major new contracts.

A study was published in 2021 in which 100 loan contracts were analyzed. It was identified that 50% of Chinese loans are unaccounted or under-reported and are not publicly disclosed. In fact, there are some confidential clauses and sub-agreements within the loan contracts, about which only the governments of the two countries know. Definitely, this is wrong because public must be aware of them to hold its government accountable. There have been protests in Nigeria to Sri Lanka on alleged China's bribery to their leadership. Thus, China's lending practices lack transparency and uniformity. In contrast, U.S makes all its loans public and provides detailed data of its aid programs on its dashboard called Foreign Aid Explorer. Even, China is not a

member of Paris Club which is an informal group of official creditors whose role is to provide sustainable and coordinated solutions to the countries which face difficulties in repayment of loans.

Unemployment in Borrower Countries:

When China launches its projects in other countries, it only hires its own workers creating unemployment for the locals of those countries, further adding to their problems. Due to this, locals remain untrained and unskilled in engineering and other professional skills for high value positions. Even the less skilled jobs like truck drivers are filled with Chinese people. For example, $\frac{3}{4}$ of the laborers who constructed Ombaka National Stadium in Angola were hired from China. Also, when the port in Cameroon was being reconstructed, half of the workers were imported from China. Same is the case in CPEC (Pakistan). In contrast, when U.S launched its “Power Africa” program, locals over there were hires to do work. So, it can be stated that aid isn’t really an aid if it’s used to hire workers from donor-country because it will not benefit the borrowing country’s local public.²⁶

²⁶ Faiza Omar Osman, “China’s Debt Trap Diplomacy in Africa - Universiteit Gent,” Ghent University, 2021, https://libstore.ugent.be/fulltxt/RUG01/003/013/691/RUG01-003013691_2021_0001_AC.pdf.

**The Neo-imperialist campaigns of China in context of its Grand
Strategy and Geopolitical ambitions:**

(Geopolitical “great games” of China)

Imperialism refers to the exercise of control over other nations primarily through the utilization of military force and coercive tactics, as exemplified by the European colonial endeavors of the 18th and 19th centuries. Nevertheless, the concept of Neo-imperialism is rather recent. It characterizes control over another state through alternative ways like economy, culture and bilateral agreements.

How is it noticeable in the case of China in the contemporary era? is indeed something up for the discussion. The principal argument in this section would be that how SCO, BRI, money lending and debt trapping are the mechanism towards the neo-imperialist gains of China and its updated “Grand Strategy” throughout the region and beyond. China therefore is inroad towards even greater role player in the international politics through exercising its effective diplomacy, free trade partnership offering to the volunteer nations and its increasing military Arsenal.

BRI is fostering a Chinese lead Economic order:

Belt and Road initiative, a Chinese multi-national mega project patronized by the Shanghai Cooperation Organization evoked in 2013, is much an outlook of Chinese prototype of economic governance. Enjoying some tangible achievements in no time (only 9 years since its outset) and yielding stupendous effects upon the

economies of the member nations, it has successfully assimilated 138 nations with a collective GDP of almost \$29.3 trillion.²⁷

BRI therefore comprises a “21st century Maritime Silk Road (a trans continental passage that links China with Southeast Asia, South Asia, Central Asia, Russia and Europe by land and a Silk Road Economic belt, a sea route connecting China’s coastlines Southeast, South Asia, South Pacific and the Middle East (mainly through the Strait of Malacca).

However, the main objectives of BRI include free and unimpeded trade, connectivity, people- people bond, infrastructure and energy boost up and sectoral cooperation apparently shows a far more equitable economic opportunity offered to the participant nations. However, it is important to acknowledge a contrasting aspect to this situation as well. BRI therefore, is an updated international strategy of China tendered by Xi Jinping’s leadership as a customary policy change corresponding to the changing domestic circumstances and international environment. Xi’s behavior in proposing the Belt and Road Initiative (BRI) in September 2013 was not surprising, given China’s expanding role on the global stage. The unforeseen outcome of a project initially intended to stimulate the unstable Chinese industrial sector and fight the Asia Rebalancing Strategy implemented by the Obama administration, which aimed to isolate China in the Asia-Pacific region, has unexpectedly contributed to China’s

²⁷ Karen P. Lai, Shaun Lin, and James D. Sidaway, “Financing the Belt and Road Initiative (BRI): Research Agendas beyond the ‘Debt-Trap’ Discourse,” *Eurasian Geography and Economics* 61, no. 2 (2020): 109–24, <https://doi.org/10.1080/15387216.2020.1726787>.

emergence as a leading global economic power. The main areas of the Belt and Road Initiative (BRI) encompass the various elements that constitute China's neo-imperialist strategies. The Belt and Road Initiative (BRI) and China's development model have garnered significant interest from emerging and underprivileged nations across Central Asia, South Asia, Africa, and Europe. This has been a subject of particular interest for Western powers. The Chinese nation has experienced rapid advancement within a very short period of time since its separation from the Republic of Taiwan in the 1940s.

As a social values advocate, Maoist China has enhanced international participation. After the Beijing Olympics, China re-evaluated its "Grand Strategy" of domestic policy, GDP development, national reform in the 1980s, and a peaceful and prosperous global order in the 2000s, raising global expectations. China's Olympics performance boosted confidence in its capacity to achieve these goals. China's societal reforms, global political influence, growing economy, and large-scale efforts like the Belt and Road Initiative (BRI) are all signs of Neo-imperialism.

Growing Merchandise in the South-East Asia:

China is a key contributor in the foreign direct investment in the South East Asia. In fact, Chinese corporations majorly control the market destinies surrounding the South China Sea. Therefore, all the significant South East Asian countries are active participants of BRI and are strategically momentous for China to ensure the geo-economic hegemony in the region, so strategic for it. However, in what way does China's utilisation of either the Belt and Road Initiative (BRI) or Chinese corporations

serve as a component of its Neo-imperialistic agenda? This topic is subject to debate and inquiry.

China has a very controlling influence over the economic posture of these nations. For instance, Malaysia is much dependent on the Chinese loans. Many of the Chinese companies inside Malaysia have a significant share in its FDI index. Despite some disputed matters, Malay National Party has warmly welcomed the BRI, and there is a long shared bilateral history amongst the leadership of both the countries.²⁸

However, suspicions over ECRL (East Coast rail Link) have put a serious question to the “equitable development” of BRI.

While concerned about the East Coast Rail Link (ECRL), Indonesia is a crucial Belt and Road Initiative member. A signing ceremony in Indonesia inaugurated the Maritime Silk Road concept in October 2013. This event represents China’s ambitions to create an Indonesian silk route. The Chinese political elite prioritizes infrastructure development, starting port, railroad, highway, and energy plant construction projects. Reports of a \$95.1 billion portfolio of 50 large-scale projects in Indonesia show improved connectivity between North Sumatra, Bali, and Kalimantan. The flagship project in Indonesia is being developed by China.

Moreover, if we talk about Philippines-China relationship in terms of economy, then China is far rooted inside the country. Despite tensions in the South

²⁸ M van Rhee, “III The Belt and Road Initiative: Benevolent Global Development or Debt Trap?,” *Essays in Development Studies* II, no. 25 (2021).

China Sea, China's economic muscles in Philippines are growing. China is fostering energy sector development and I.T such as China Telecom Company is the most used communication platform inside Philippines. Other areas of foreign investment include real estate and manufacturing industries inside the country. Bilateral trade amongst both the countries has reached \$550 billion in 2020, growing at an average of 17%. Thus, the countries once very much under the arms of western foreign direct investments especially of US under its Asia Pacific cooperation are now becoming the fortresses of China's geo-economics and strategic expeditions in the South China Sea.

South China Sea, a vital artery of Chinese economy or a Strategic choke point?

When China is much geared towards its Neo-imperial campaigns and now that it has attained a position to do so, it is momentous to discuss the role of South China Sea both as a strategic choke point to China as well as a vital artery in China's economic expansion. It shall elucidate how BRI, energy and homeland security of China builds upon the South China Sea. UNCTAD reports tell that almost \$5.3 trillion trade flows through the South China sea and one-third of the world's shipment lanes are located in South China Sea, but how China is all linked to this discussion? This is because China has an historical annexation with South China Sea due to the fishing lanes, its energy security, economic development is almost 90% dependent over it.

UNCTAD estimated that 60% of trade flow through SCS is of Asian countries, out of which China has largest export transits approximately \$874 billion. Much of the trade worldwide and especially towards its ever-favorite market destinies in South East Asia flows through the South China Sea. Although, it is heavily conflicted zone

amongst China and Taiwan on the matter of some islands, fishing zones and shipment lanes and has a historical linkage to the Chinese civilization but more importantly it is the cardinal determinant in the economic, Neo-imperial expansion, trade and commercial activities and above all the security of mainland China as well as its 80% oil flows through Strait of Malacca which is essential to its energy needs. Moreover, Strait of Malacca also provides China a shortest route towards Northern Africa, Persian Gulf and is a crucial ingredient of BRI. South China sea is also equally important to U.S and her allies to subjugate Chinese rising political and economic interests in the region and far beyond.

The US-China competition in terms of trade has turned up as a strategic tension in the South and East China Sea. “Asia-Pacific cooperation” and “Asia’s Rebalancing Policy” is programmed to barricade China’s possible Neo-imperial rise and to obstruct BRI and U.S is more and more engaging China on hot fronts as a counter plan to contain its booming economy. AUKUS and QUAD (India, Japan, US, UK and Australia) are contemplating a security dilemma in which they might use Taiwan, South Korea, Bay of Bengal or countries situated in the western North and South Pacific zones as the base stations to surround the mainland China. U.S however foresees intensity of economic competition realizing that it China might surpass it in terms of GDP growth in 2030. The deployment of 7000 marine corps of QUAD and U.S troops, two nuclear-mounted aircraft carriers and Indian Navy stationed in the Andaman Sea are enough deterrence to China’s routine trade activities. However, China (in a counter response) is promptly building up the artificial islands, militarizing the Spratly, Parcel and Scarborough Islands and routine patrolling of the key areas

through its naval deterrence are adequate measures to make sure it's upper hand over the South China Sea. BRI, is in fact, a greater move in this regard to ensure unuttered trade through South China Sea.

China's new "Grand Strategy":

1. China has a rich economic history. After the "century of humiliation," China began a national rejuvenation to regain its former glory. This pursuit yielded major results.
2. The 1978 and 1989 military reforms transformed China's low-key worldwide involvement into a potential international political influencer.
3. The Chinese Navy has conducted strategic maneuvers against the Indian Navy in the Bay of Bengal. This intends to rebalance regional marine economic dynamics and reduce India's perceived naval threat, especially during regular trading.
4. China took global leadership after the 2008 recession. China used the Belt and Road plan, particularly the Maritime Silk Road across the South China Sea, for geopolitical purposes.
5. China's military sites in Kazakhstan, Djibouti, and the Maldives are strategic assets to pressure India. China's "Grand Strategy" changed after 2008 and 2013, similar to America's 19th-century isolationism to 1990s superpower position. This historical recurrence stands out.
6. China's Belt and Road Initiative infrastructure projects like Hernandez, ECRL, Hambantota port, and Gwadar port demonstrate its neo-imperial pursuit of economic and strategic goals. China has created a "East-West" competition with the BRI.

7. The Chinese Communist Party's "New Intelligence Laws" cover billionaire-owned businesses. This legislation supports foreign intelligence collection, demonstrating a determined effort to use business enterprises for intelligence.²⁹

Conclusion:

In conclusion, China's strategic and economic activities on the international stage have generated substantial discourse surrounding the concept of debt-trap diplomacy. While China's historical behavior and Confucian values may offer some insights into its actions, the rapid and transformative changes the nation has undergone in recent decades defy easy predictions. For instance, China's historical non-expansionist stance contrasts with its present assertiveness in territorial disputes in the South China Sea and its expansive Belt and Road Initiative, suggesting a departure from traditional practices.

The interplay between China and the United States further underscores the intricate dynamics at play. Amidst the rhetoric of debt-trap allegations and geopolitical competition, China's multifaceted engagement with the global community presents an evolving landscape of economic opportunities and potential geopolitical influence. A case in point is the Hambantota Port in Sri Lanka, where China's investment led to concerns about debt dependency. Similarly, the Western narrative surrounding China's

²⁹ Xu Shaomin and Li Jiang, "The Emergence and Fallacy of 'China's Debt-Trap Diplomacy' Narrative," *China Int'l Study*, 2020.

strategic maneuvers in the South China Sea highlights concerns over territorial expansion, thereby fueling the perception of China's changing intentions.

The absence of concrete evidence regarding debt-trap practices warrants nuanced assessment, particularly when contrasting China's actions with historical precedents of Western powers. For example, Western countries' colonial past raises questions about the impartiality of their criticisms. Furthermore, the International Monetary Fund's lending practices, often criticized for pushing developing countries towards default, add complexity to the Western accusations against China.

As "Yanis Varoufakis" (A renowned Economist and Former Minister of Finance, Greece) argued that the China's neo-imperialist pursuits may manifest in ways that distinguish themselves from Western imperialism. China's peaceful economic engagement in Africa, marked by investments in infrastructure and development projects, stands in contrast to historical Western imperialist practices. The underpinning motivations, methods, and consequences deserve continued examination. While acknowledging China's significant strides in economic and military prowess, it is crucial to maintain a balanced perspective when interpreting its actions on the world stage.

In light of these considerations, the complexities of China's evolving role in global politics necessitate ongoing research and analysis. Striking a chord between historical context, evolving behavior, and emerging patterns of international engagement offers a comprehensive framework for understanding China's current and future trajectories in the realm of international relations.