China's Foreign Policy in Fragile States

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Introduction

This report examines China's foreign policy in fragile states. With its economic rise over the last three decades, China has come to play an increasingly prominent role on the world stage. Accounts of Chinese foreign policy often focus either on China's relationship to other great powers or its expansion into a specific region, such as Africa or Latin America. Here we attempt to approach Chinese foreign policy from a different angle—namely, that of its policy in countries of heightened political instability. Does China have a specific policy for fragile states, as distinct from its various regional strategies? To begin to answer this question, we examine the cases of four fragile states in different parts of the world: Angola, Venezuela, Afghanistan, and Nepal. Our research draws on published economic data and recent scholarship on China's political objectives. Our conclusion is that China goes to great lengths to foster stability, particularly in countries with strategic importance, even if it does not have a specific "fragile states" policy.

Fragile States

For the purposes of this report, we define fragile states as those whose near-term political survival is not assured. The Fund for Peace's annual "World Fragility Index" ranks all countries on fragility according to twelve criteria, including "human rights and rule of law," "state legitimacy," "uneven economic development, and others."[1] Rather than focusing on the top "fragile" states on this list, however (most of which are in sub-Saharan Africa), for this report we have sought to spread our case studies as widely as possible across the globe. This approach lets us start to identify a potential Chinese policy toward fragile states as such, rather than toward sub-Saharan Africa specifically, where many fragile states are concentrated. Still, three of the states chosen rank relatively high on the list: Afghanistan (9), Nepal (33), and Angola (37). The fourth, Venezuela (63), is currently facing a severe economic and political crisis that is arguably more acute than the situations in the other countries, even if its characteristics do not match the Fund for Peace algorithm.

Not coincidentally, China's own stability has provided scholars fertile ground for debate. Susan Shirk, in *China: Fragile Superpower* (2007), argues that despite its growing strength abroad, China faced serious destabilizing factors at home, including income inequality and corruption.[2] Others point out that predictions of the fall of the Chinese Communist Party (CCP) have long been mistaken.[3] In any event, one reason for the government's single-minded pursuit of prosperity, through development at home and investment abroad, is to shore up domestic support for a regime whose legitimacy is tied increasingly to economic growth.

China's Foreign Policy

In the early 1990s, after it violently suppressed the Tiananmen protests of 1989 that threatened the survival of the regime, the party found itself in need of a lasting solution to popular discontent. For Deng Xiaoping, whose "reform and opening" policy had started to raise economic output in the 1980s, the solution lay in economic liberalization. Deng's 1992 "southern tour" to Shenzhen, Guangdong, Zhuhai, and Shanghai gave a boost to market reforms, highlighting the potential of special economic zones to attract foreign investment. The party wagered that with economic openness, political grievances would recede into the background, and in effect it offered prosperity in exchange for obedience.[4] For the rest of the 1990s, under Jiang Zemin, the country continued to build its economic strength while avoiding taking a leadership role in international matters, following Deng's maxim of "keeping a low profile and biding time".[5]

The new century marked a turning point in China's rise. In 2001, it joined the World Trade Organization and won its bid to host the 2008 Olympics. That same year, Premier Zhu

Rongji gave a speech to the National People's Congress outlining a "going out" strategy that encouraged Chinese firms to invest abroad.[6] This policy spurred the growth of private companies, as opposed to traditionally dominant state-owned enterprises, even while state-controlled banks—in particular China Development Bank (CDB) and China Export-Import Bank (China Exim Bank)—played a key role in underwriting these companies' activities.[7] Before this policy, in the 1980s and 1990s, Chinese outward direct investment was minimal; after 2003, investment took a sharp upward tick, and in 2010, it became the fifth-largest source of foreign direct investment in the world.[8] Even with liberalization, China remains a directed economy, a fact which helps shape public and private foreign investment decisions.

Under the administrations of Hu Jintao and Wen Jiabao (2002-12), China's presence in the economies of Asia, Europe, Africa, and the Americas expanded dramatically, through both private and state-owned enterprises, prompting sustained speculation about its intentions and prospects. Scholars in the West, and particularly in the US, began to wonder whether China's rise would be peaceful, whether the country would be a "responsible stakeholder" in the international order, and whether it would replace the US as the global hegemon. In this vein, Martin Jacques and Howard French have argued that China is a "civilization state" that views its growing prominence as a return to its rightful position at the center of the world order after a two-hundred-year hiatus.[9] Susan Shirk, David Shambaugh, Thomas Christensen, and Lyle Goldstein note the risks that China's rise poses to the West but emphasize the very real opportunities for cooperation and prosperity.[10]

On the hawkish fringe, Michael Pillsbury and Peter Navarro view China as a threat to the United States, and see its growing economic clout as a harbinger of future military strength.[11] Elizabeth Economy, Michael Levi, Kevin Gallagher, and Roberto Porzecanski have noted the transformative impact that China's pursuit of natural resources, particularly oil, is having on commodity-producing countries, increasing exports but weighting them toward raw materials.[12] Other scholars, like William Norris and Benjamin Creutzfeldt, highlight the multiplicity of people and institutions behind the country's expansion; rather than ask what "China" is doing in Africa, for example, they examine the relationship between the state actor and the individual economic "agents."[13]

Since 2008, and particularly since Xi Jinping took office in 2012, China has adopted a more assertive posture toward the US—the "New Truculence," in Kaiser Kuo's description[14]—seen in its recent anger over the deployment of the Terminal High Altitude Area Defense (THAAD) missile defense system and its refusal to recognize the Permanent Court of Arbitration's decision on its territorial claims in the South China Sea. Willy Wo-Lap Lam sees Xi's foreign policy as a departure from that of Deng, Jiang, and Hu; he observes that Xi has replaced "biding time" with "proactively seeking achievements".[15] How Chinese foreign policy will change during the presidency of Donald Trump—and in particular, whether China will take a leadership role on climate change and trade liberalization—are open questions.

What is clear is that China is actively raising its profile around the world. Broad initiatives like the "One Belt, One Road" (OBOR) plan to connect China to Europe via South and Central Asia through transportation infrastructure, and institutions like Asian Infrastructure Investment Bank (AIIB) or the Shanghai Cooperation Organization, are indications that China is now much more willing to take a leadership role in international diplomacy. In peacekeeping operations, too, China has begun to play a more prominent part, contributing over 8,000 troops in 2015, over 20% of the all troops worldwide.[16]

As a source of aid and investment, China has become an increasingly popular benefactor for governments in developing countries, because unlike the World Bank or other Western lenders, its loans come largely free of political strings. China frequently cites its policy of non-intervention in the internal affairs of other countries and emphasizes that its deals are “win-wins”, beneficial for everyone involved. Still, in some countries, particularly in Africa, its presence has fueled concerns that it is playing an outsize role in local economies, and that its concern is not mutual benefit but securing strategic resources and developing markets.[17]

Methodology

This report is the culmination of a four-month study based on academic and policy literature, published data, news articles, and government documents. In this methodology section, we will briefly describe the framework that guided our research, as well as our justification for our four case study selections. As a general note, a key challenge in this project is the fact that China is very opaque about the amount and nature of its foreign aid. Additionally, due to the somewhat opaque nature of each state, information on those countries tends to be uneven. We believe the numbers in this report paint a good picture, but these caveats should be kept in mind.

Framework and Sources

At the beginning of this project, we established a theoretical framework in order to keep a common approach to our individual case studies. The overarching questions in our project are as follows:

- What goals is China pursuing in fragile states and how is it pursuing them?
- Does China have a foreign investment or aid model specific to fragile states?

Additionally, our framework included four broad areas that we explored in our research. For each country, we focused on the historical context, the nature of China's interests and presence, the trajectory of its aid and involvement, and the perception of the host country. Ultimately, not all questions were equally important in each case study, but each study has the same structure.

Case Study Selection

We chose four case studies based on the Fund for Peace Fragile States Index, current events, a desire for geographic diversity, and interest and expertise. The selected case studies are as follows:

Angola

As the 37th most fragile state in the world, according to the Fund for Peace Index, Angola is neither the most fragile state in Africa nor the most fragile African state where China is involved.[18] Our decision to choose Angola rested on a few key issues. First, it is still recovering from its 27-year civil war, which ended in 2002 and continues to impact how the country functions. Second, the majoritarian ruling party has a consistent need to prove its legitimacy to its people and suffers from the pitfalls of many developing states the world over. Namely, beyond poverty and unemployment, the government is ranked the 164th most corrupt country in the world, receives a 1 out of 12 in government functionality, and has a declining level of freedom according to Freedom House.[19] Third, Angola presents a historic and well-documented method of Chinese involvement, featuring resource-backed loans in exchange for Chinese-built infrastructure. Called the "Angola Model," it has been exported to other resource rich African states and presents a viable starting point for discerning whether such a model, or one that is similar, has been exported beyond the African continent and into Latin America and China's neighbors.

Venezuela

Of the four countries examined here, Venezuela is arguably the one whose immediate future is most uncertain, even though it does not figure high on most indices. Runaway inflation and shortages of basic goods have crippled the country's economy, particularly since the global fall in oil prices in 2014. Recent attempts by President Nicolás Maduro to consolidate power, particularly through the Supreme Court's ruling to dissolve the National Assembly, have sparked international condemnation and domestic unrest. As of this writing, in mid-April 2017, massive, sustained protests have descended on Caracas, calling for new elections.[20] China has invested heavily in Venezuela over the last decade—more than in any other Latin American country—mainly through commodity-backed loans. The current crisis poses a risk to China's investments: not only is Venezuela unable to make needed upgrades to develop its oil infrastructure, it may also soon be forced to default on its loan repayment.

Nepal

Nepal was selected for this study because of both its fragility and its unique geographic location. According to the Fund for Peace, Nepal is the 33rd most fragile state in the world, largely due to the lingering effects of the 1996-2006 civil war that left more than 12,000 dead and 1,000 missing.[21] With over 760 miles of shared border with China—all of it with the politically charged area of Tibet—this instability within Nepal offers a set of political incentives and pressures for Beijing that are unique among the countries in this study. Additionally, Nepal does not have the international political attention and Western involvement that Afghanistan has, which also alters China's political calculus and adds diversity to this study.

Afghanistan

Afghanistan has a number of characteristics that made it a compelling case in this study. It is ranked as the ninth most fragile state in the world by the Fund for Peace, and it is the setting for a conflict that has lasted for more than a decade. Currently, violence continues, and the Taliban controls the most territory it has held since the U.S. invasion in 2001.[22] Additionally, Afghanistan is among the poorest countries in the world, and its political situation is far from stable. Afghanistan shares only a small portion of its border with China, but its proximity has raised security concerns for China, particularly with regard to its Muslim Uyghur community. While its relationship with Afghanistan has been limited, especially compared to its historically closer alliance with Pakistan, China has started to take a more and more active role in the past few years. The withdrawal of Western troops in the future will provide a new opportunity and test for China.

Limitations and areas for future exploration

Each of the countries that this report will explore is in some sort of transition. This paper reflects the current situation, but has been written perhaps before certain trends, scenarios, and policy changes have been fully realized. In addition, the preliminary nature of the research and time constraints meant we were unable to travel to any of the countries. Thus, to better understand China's strategy in each case, future researchers should continue to watch for changes in behavior and support in the coming years.

Future projects on this topic may also benefit by expanding the number of case studies. It would be interesting to look at multiple fragile states to see the similarities and differences in China's approach within each region, as well as to study whether changes in policy in one country affect China's policies in neighboring countries.

Chinese Engagement in Angola

Historical Context

China's history with modern Angola dates to the country's anticolonial struggle for independence from Portugal, which began in 1961. China initially backed the Marxist party that would eventually win control of Angola, the *Movimento Popular de Libertação de Angola* (MPLA), but later abandoned that faction in favor of two other factions once the MPLA aligned with the Soviet Union.[23] Following Angola's declaration of independence in 1975 and the outbreak of what would be a 27-year civil war, China backed factions competing with the MPLA for Angolan rule, primarily the *União Nacional para a Independência Total de Angola* (UNITA).[24] Even after establishing official diplomatic ties with the independent, MPLA-run Angola in 1983, China continued to provide arms and materiel to UNITA and other armed groups through the 1990s.[25]

Following the end of the Angolan Civil War in 2002, China funded some small-scale infrastructure projects for rehabilitation of electric grids and of the Luanda railway.[26] China began negotiations to provide Angola with large scale development assistance in 2002, agreed to a framework agreement with Angola in 2003, and offered its first resource-backed loan of $2 billion for infrastructure projects in 2005.[27] Such an offer allowed Angola to be less dependent on Western aid, which often came with conditions requiring Angola to reform its governance practices and improve transparency, something Angola was averse to doing, as it wanted to rebuild the country first and worry about reforming the government later.[28] Since then, China has provided billions in resource-backed loans for post-war reconstruction Angola, Chinese companies have invested in the economy of Angola, and Angola has the third largest leading oil supplier to China.

This exchange of funds from Chinese institutions, the opening of Angola to investment from Chinese private and state-owned enterprises, and the supply of oil from Angola to China has been productive to the point that it was given a name, "the Angola Model," which China exported to other resource-rich African states, such as the Democratic of Republic of Congo.

Interests

The goals and impact of China's involvement in Angola are the subject of debate. Some scholars see China's actions as a straightforward grab for the natural resources it needs to fuel its own economy, a new imperialism and yet another way for the outside world to exploit Africa.[29] Others see a more complex strategy whereby China is utilizing an aid structure learned through its own experience of receiving aid, wherein traditional aid was mixed with other types of economic development that benefited both the donor and the recipient and reflected the needs of each country involved.[30]

While China certainly requires natural resources, is actively purchasing them from Africa, and is often also building the infrastructure necessary to do so, its need for oil is not the sole benefit China receives from its engagement in Angola. There are other benefits for China from its interactions here and in other African states that are more compelling and in line with China's long-term interests. With respect to Angola, China's interests lie in the political realm, in the interest of stability, and in economics.

Political

There has always been a political element to China's involvement in Angola. What has changed is the magnitude to which political goals play in China's involvement. Initially, its decision to involve itself with Angola was purely political, first to support anti-colonial rebellion and then to support UNITA and other anti-MPLA groups in order to offset the influence of the

Soviet Union.[31] Following the end of the Angolan Civil War, China saw an opportunity to intensify relations with a new, stabilizing Angola. Such decisions were likely not based on political needs, but in so doing China secured Angola's recognition of the One China policy, a key Chinese goal being to get as many African states as possible to recognize Beijing over Taipei.[32]

Stability

Instability in Angola is not a direct threat to Chinese national security. However, instability in Angola, whether political or violent, could have large-scale impacts on Chinese interests in Angola. Because the Angolan government is highly insular and nontransparent, with growing discontent over rampant corruption, political instability could affect Chinese companies in seeking permits or securing contracts. Such effects would lead to a slowdown in Chinese business. It could also cause Angola to default on its loans, leading to an economic loss for China. In addition, political and/or violent instability in Angola could put the estimated 259,000 Chinese living in Angola at risk, especially if they are seen to have supported a corrupt government.[33]

Thus, China has an interest in securing its capital, its people, and the corporations that employ them by ensuring that Angola continues to enjoy stability and that a return to violence or unpredictable governance remains unlikely. To ensure predictability, it may be in China's interests to ensure that large changes to governance do not occur rapidly and that the ruling party stays in power, but there is no evidence that China works to ensure such outcomes in Angola. China's lack of political conditions on its loans has allowed the ruling MPLA to consolidate power and to make governance in the country more corrupt and opaque.[34]

However, China, in an extension of its efforts to clean up domestic corruption, has cracked down on the corruption of Chinese investors abroad, including those who, while working on behalf of Chinese state-owned enterprises, overpaid for rights to extract oil from blocks in Angola to bribe or kick back funds to Angolan officials.[35] What is more, China cited issues related to Angolan government transparency in its denial to extend a $15 billion loan from the CDB to the financially struggling Angolan state-owned oil company, Sonangol.[36] This suggests that while China desires continued stability in Angolan institutions, it is not willing to do so at the risk of falling victim of the endemic corruption in the Angolan regime.

Economic

Access to oil is certainly on the minds of China's leadership. However, in addition to loans for infrastructure improvements that directly aid in oil extraction, Chinese loans also go toward non-oil projects, such as the building of large-scale housing projects, schools, and hospitals as well as soccer stadiums.[37] While part of this is likely to promote Chinese soft power, and possibly to diversify the Angolan economy and prevent instability in the wake of oil shocks, such funding opens new avenues that China can exploit to provide jobs to its citizens—China often sends Chinese laborers to work on projects—and export markets for Chinese goods.

In addition, the exportation of Chinese goods and services may be vital to the security of the CCP at home. With an economic slowdown, China risks losing the massive levels of growth it has seen since it undertook market reforms in the 1990s. Stefan Halper argues that by increasing its growth and enabling its citizens to work and make a decent living, the CCP can circumvent major calls for reform in governance.[38] Only by providing "consistent growth at a rate that is unprecedented" can the CCP retain the legitimacy to rule without being forced to reform itself or be held accountable for the massive income and social inequality that has arisen because of China's market liberalization.[39] With its own domestic infrastructure needs on the decline, it makes sense that China and the CCP would look to new markets to increase exportation of the products and expertise from vital industries. Thus, while securing oil in Angola is certainly important, merely using Chinese companies and Chinese workers to rebuild Angola helps China because it provides work and capital to Chinese citizens and helps offset any losses in Chinese domestic growth.

Activities

China's initial loan offering to Angola in 2002 was for $2 billion, payable over 17-years at an interest rate set at London Interbank Offered Rate (LIBOR) plus 1.5% after a 5-year grace period.[40] This loan from the China Exim Bank was extended by an additional $2.5 billion by 2007.[41] By 2010, just eight years after China provided its first loan to Angola, a total of $10 billion was pledged to Angola from the China Exim Bank alone, for which loans after the initial $4.5 billion were given the interest rate of LIBOR plus 1.25%.[42]

These loans, like most from the China Exim Bank, are resource-backed, meaning that the interest payments are guaranteed by the sale of oil to China, which ensures China a minimum amount of this resource.[43] Oil is sold to China by the Angolan state oil-company, Sonangol, at the international spot price on the day of shipment, and the revenues are deposited into an account at the China Exim Bank in Angola's name.[44] These revenues are then distributed by the China Exim Bank directly to the Chinese companies tendered to complete the joint Angola-China approved infrastructure projects as laid out in the initial framework agreement.[45] The management of the loans is left to the Angolan government.[46]

The China Exim Bank is the primary lender to both Angola and the rest of Africa, having served as the lender for nearly all Chinese loans to Africa's until 2011 and accounting for more than half of Chinese loans to Africa as of 2014.[47] But direct Chinese assistance also comes from the CDB and other Chinese financiers. The CDB, for instance, has given at least $1.5 billion to China's agricultural sector and, in 2014, gave a $2 billion loan to Sonangol—which has also partnered with the Chinese state-owned oil company Sinopec and private Chinese companies to extract oil from blocks off the Angolan coast—and the Industrial and Commercial Bank of China has given $2.5 billion in general finance as of 2015.[48] At least one CDB loan was not oil-backed, and there is reason to believe other non-oil backed loans exist.[49] Angola, which wants to move away from the traditional "Angola Model," prefers non-oil backed loans, but China continues to see oil-backed loans as the most secure and predictable of loan structures.[50] Given that China is the supplier of funds, the Chinese preference has largely won out.

Regardless of the method, the stated goal of China's loans is to help create a market for investment into Angola.[51] Because of a lack of transparency in both Angola and China, it is difficult to accurately assess the impacts of Chinese state-owned enterprises and other Chinese non-government entities' investment in Angola. Much of the investment has seemingly gone into the oil sector, but the need for economic diversification in Angola has led several firms to invest in non-oil sectors such as agriculture and manufacturing; and Chinese citizens have opened shops to sell low-cost, low-end Chinese manufactured goods that have trouble finding a market in the West and domestic China.[52]

In total, direct loans from China to Angola from 2000 to 2014 amount to a quarter of all loans from China to Africa in that period—$21.2 billion, $17.8 billion of which went to extractive industries.[53] Foreign direct investment (FDI) flow from China to Angola, from 2003 to 2015, totals $462.3 million with FDI stock worth $6.5 billion.[54] Through this process, China has become Angola's largest export destination and Angola has become China's largest African source of imports, with 99.1% of that trade being crude petroleum ($14.3 billion worth of crude in 2015 alone).[55] Angola is China's third largest oil supplier, behind Saudi Arabia and Russia.[56] This suggests that China is in Angola solely for oil, but such statistics do not include the service of construction as an export and thus cannot fully explain the reciprocal nature of the relationship.

Conclusions and Outlook

China's involvement in Angola has resulted in a wealth of Chinese-built construction in Angola and a steady flow of oil to China. It is less clear how China's involvement has benefited Angola. Chinese funds bypass Angolan banks in order to reduce the risk of corruption, meaning much of the funding going to Angola does not actually end up in the Angolan economy. In addition, even though China (which often sends its own laborers abroad) agreed to hire Angolans for at least 30% of the workforce of each project, the Chinese Ambassador to Angola said that to do so is "impossible."[57] With an unemployment rate just under 27% and two-thirds of all Angolans living on less than $2 a day, Angolans are unable to afford the necessities of life, much less the nearly empty Chinese-built apartments built in new Luandan suburbs.[58] All of this is worsened by the near 50% global drop in oil prices in 2014. With oil comprising 97% of all Angola's exports, on average, over the last ten years and oil revenues consisting of 95% of Angola's export income, the drop has stalled economic growth, which fell to just 0.6% in 2016, and boosted the inflation rate from just over 5% in 2014 to a high of over 40% in 2016.[59]

Angola is still in dire need of post-war reconstruction, and China has the ability to undertake the long-term task more quickly than Angola could itself. But, in the short-term, the Chinese approach combined with Angolan governance is turning Angolan-citizen perceptions against China and the Angolan elite.[60] Whether this impacts China and how it deals with Angola remains to be seen, as does the question of how Angola deals with China after President José Eduardo dos Santos eventually steps down. While Chinese involvement helped dos Santos consolidate power, there are growing demands for transparency and equity that may impact China. But there is no evidence yet that China has an active policy to manage this change.

Chinese Engagement in Venezuela

Historical Context

Hugo Chávez, Venezuela's president from 1999 to 2013, once described his country's relationship with China as stretching "*del subsuelo a la estratosfera*," from underground to the stratosphere: not only had China become an important destination for Venezuelan oil, it was also becoming an important source of advanced electronics, including satellite technologies.[61] In effect, in the first decades of the twenty-first century, bilateral trade between the countries has increased nearly a hundredfold, from around $120 million in 1999 to $11.38 billion in 2015.[62] Even more impressive is the growth in Chinese lending, which between 2006 and 2017 totaled $62.2 billion. In fact, Venezuela has received more Chinese loans than any other Latin American country, nearly double the amount given over that period to the second highest recipient, Brazil, which received $36.8 billion.[63]

Since the global collapse in oil prices in 2014, which (along with domestic policies) plunged Venezuela into an economic and political crisis, China has continued to provide loans and lines of credit—in effect, extending a lifeline to the regime of Nicolás Maduro, Chávez's successor.[64] China's current support for this increasingly fragile country suggests that it seeks to ensure regional stability and long-term access to natural resources.

Interests

China's chief interest in Venezuela is oil. The majority of its investment there has been in the form of commodity-backed loans, whereby Venezuela receives foreign capital from China in exchange for this strategic resource. China gets around 9-10% of its imported refined oil and around 3-5% of its imported crude oil from Venezuela. Imports from other countries are currently larger, but Venezuela has the largest proven oil reserves in the world, making it an important source for the future growth.[65]

A second interest, closely related to the first, is ensuring repayment of its billions of dollars in loans. Given how much money China has already invested, a default from Venezuela would be very costly. Many loan deals were made without approval from Venezuela's National Assembly, and a future Venezuelan administration could conceivably repudiate them as illegal or "odious." To address this concern, China has renegotiated loan repayments to terms favorable to Venezuela, and has met with leaders of the opposition.[66]

Third, China has an interest in protecting its trade. While Venezuela is not a major destination for its goods—in 2015 it accounted for just 0.22% of China's exports—in absolute terms this trade is nevertheless significant: $5.31 billion in 2015.[67] Perhaps more importantly, as described below, a large portion of the money China loans to Venezuela returns to Chinese companies in the form of contracts.[68]

A final interest is regional stability. A total collapse in Venezuela could have disastrous consequences for neighboring states, where China has an increasingly large presence. Ensuring continued stability for Venezuela may help protect its investments throughout Latin America and bolster its image as a positive force in the region.

Activities

China's involvement with Latin America dates to the turn of the twenty-first century with the promotion of the "Going Out" strategy.[69] Trade with grew Latin America from $12.6 billion in 2000 to $26.1 billion in 2013,[70] as China exported manufactured goods and imported commodities like iron, cooper, soy, and crucially, oil.[71] As Chinese companies and entrepreneurs have begun to operate throughout the region, the government has played an increasingly active role, signing bilateral and multilateral agreements. Through the CDB and, to a much lesser extent, Exim Bank, it has provided the region with financing in the amount of $141.3 billion between 2005 and 2016.[72]

China has outlined its official approach to Latin America in two white papers: its first, released just ahead of Hu Jintao's Latin American tour in 2008, expressed the government's will to establish "win-win" cooperation with the region in the economic, political, cultural, and security spheres; the second, published in November 2016, highlighted many of the same themes, and further stressed the importance of multilateral cooperation.[73] China's primary vehicle for multilateral cooperation is the recently established Community of Latin American and Caribbean States (CELAC), which, unlike the Organization of American States (OAS), excludes the US. In January 2015, Beijing hosted the first China-CELAC forum, at which Xi predicted $500 billion in trade and $250 billion in investment over the next ten years.[74]

Chinese leaders, always fond of numeric aphorisms, have also outlined a "1+3+6 cooperation framework" and a "3x3 cooperation model," which identify many of the same objectives.[75] The white papers and the awkwardly named cooperation schemes are more than mere rhetoric, because they signal the Chinese government's intention to engage with the region as a whole. Nevertheless, some scholars caution against giving too much credence to the government's talk of a unified strategy, pointing out that China's economic impact is the product of multiple actors,[76] and that its effects have been overwhelmingly focused on commodity-exporting nations.[77]

In Venezuela, the situation is at once simpler and more opaque: simpler in that oil dominates the two countries' relationship—it has always been more *subsuelo* than *estratosfera*—

and more opaque in that, as with many other countries, the details of the commodity-backed loans are not public.[78]

Chávez took office in 1999 and quickly sought to lessen his country's dependence on exports to U.S. oil markets. In 2007, he nationalized the oil operations of U.S.-owned ConocoPhillips and ExxonMobil when they refused to give majority control to Petróleos de Venezuela, SA (PDVSA), prompting them to leave the country. For Chávez, China offered a way to lessen his country's dependence on US markets; for China, Venezuela offered long-term access to oil. As described by Liu Kegu, CDB's representative in Venezuela, China's interests are straightforward: "We have lots of capital and lack resources, they have lots of resources and lack capital, it's complementary."[79]

Yet the details of this relationship are more complicated. CDB began investing in the country in 2008, creating a joint investment fund (JIF) with Venezuela's Banco de Desarrollo Económico y Social (BANDES). By 2009, the fund had $12 billion, with $8 billion contributed by CDB and $4 billion by BANDES, and in 2010, CDB and BANDES, along with PDVSA and Chinaoil, signed a separate $20 billion deal.[80] In both cases, China offers commodity-backed loans through CDB: oil produced by PDVSA is sold to a Chinese company such as Chinaoil, which deposits the money into the BANDES account at CDB, which then deducts the amount from the loan balance. The amount purchased fluctuates depending on price. In the case of the 2010 deal, for example, it varies from 107,000 to 157,000 barrels per day (b/d). Subsequent loans have increased the total amount that Venezuela exports, and it now has agreements to provide China with around 180,000 b/d of refined fuel and around 295,000 b/d of crude.[81] Despite its growing importance, however, China has not displaced the United States as a trading partner. Venezuela still exported 44% of its oil to the U.S. in 2015, more than double the amount exported to China (19%).[82] More importantly, China gets only a minor part of its oil from Venezuela—just 3.6% of its imported crude oil in 2015.[83] Perhaps surprisingly, Chinese companies, lacking the refining capabilities for extra-heavy Venezuelan crude, do not appear to import much of the crude Venezuela sells them, selling it instead to refineries in Houston. After selling in the US, China can import an equivalent amount from less distant locations, avoiding the need to ship it across the Pacific.[84]

Venezuela has put much of the money it gets from these loans toward social programs and infrastructure, rather than using it to upgrade its oil production capacity.[85] This spending has directly benefited Chinese companies, which win contracts to complete these infrastructure projects to building housing, roads, rail lines, power plants, irrigation systems, and more. The "win-win" here seems to be that China secures oil for the future and helps its firms expand globally.[86]

Venezuela's failure to invest in its oil infrastructure has had serious consequences. Plans to boost oil production to 5.8 million b/d by 2012 were never achieved, and a later target of 4 million b/d by 2014 also proved beyond reach.[87] Venezuela's production remained at around 3 million thereafter, greatly limiting Venezuela's revenue.[88] Its current production level is around 2.5 million b/d, its lowest in history, and it is failing to meet its commitments exports to China and other countries.[89]

After Chávez's death in 2013, and Maduro's arrival in office, the problems in Venezuela's economy became even more apparent. Shale oil began to flood the global market in 2014, dramatically lowering the price of a barrel of oil, from over $100 in 2014 to an average of around $40 in today.[90] Protests erupted in Venezuela in 2014, and in 2015 the opposition won a majority of seats in the National Assembly. China reaffirmed its commitment to the Maduro government, announcing a "comprehensive strategic partnership" in 2014, and renegotiated the terms of loan repayments in 2016. It has continued to provide financial support to the government in the form of loans and, most recently, in November 2016, a $2.2 billion line of credit. Keenly aware that a Venezuelan default could be disastrous, Beijing has also reportedly met with opposition leaders, some of whom have voiced skepticism about the legality of China's loans.[91]

As of this writing, Venezuela's crisis continues to deepen. Its people now face shortages of basic goods and an inflation rate as high as 800%.[92] The Maduro-appointed Supreme Court recently attempted to strip the National Assembly of its powers, but backed down after intense international criticism, including threats of expulsion from the OAS. In early April 2017, anti-Maduro protestors were again marching throughout the country, suggesting that the political and economic situation is unlikely to improve in the immediate future.

Conclusions and Outlook

By continuing to invest in Venezuela, even as the country teeters on the brink of chaos, China appears to be seeking to protect its long-term investments, but without any overt interference or engagement in Venezuela's political crisis. Given the importance it places on noninterference and the mutual respect for internal affairs, it is unwilling to consider direct (e.g. military) action to maintain stability. However, its continued economic support is playing a decisive role in Maduro's ability to govern. Though it does not depend heavily on Venezuelan oil or markets for its immediate growth, China appears to want to secure resources from multiple sources, hedging its bet for future needs, by maintaining a strong presence in Venezuela and the wider region.

Chinese Engagement in Nepal

Historical Context

Due to their proximity, China and Nepal have a relationship that stretches back millennia. However, in the decades following the Chinese Communist Party's rise to power and the creation of the People's Republic of China in 1949, Beijing took a relatively limited approach to relatively tiny Nepal. This primarily consisted of Chinese aid for infrastructure projects to facilitate trade, as well as a number of small scale factories that manufactured light goods such as textiles and bricks. [93] China also exerted political pressure on Nepal over the issue of Tibetans fleeing across the border, though initially the Chinese took a relatively light approach to this.[94]

During the Nepalese Civil War (1996-2006), when Maoist insurgents (Communist Party of Nepal – Maoist (CPN-M)) seeking to overthrow Nepal's monarchy fought government forces, China continued to play a minimal role. While officially supporting the royal government of Nepal and labeling the Maoist insurgents as a terrorist group, the Chinese government also emphasized that it would not intervene in the conflict.[95] However, following the success of the CPN-M in securing a peace agreement in 2006 that abolished the monarchy, and CPN-M's major electoral victories in 2008, China was quick to normalize relations with the Maoists and cultivate stronger ties with the party.[96] Since then, the Chinese government has sought to take advantage of these warmer relations and expand its political and economic outreach to Nepal.

Interests

Geopolitical

One of China's main interests in Nepal is reducing the influence of its other neighbor and geopolitical rival, India. Sometimes described as a "yam between two stones", Nepal has long been viewed by both giant powers as a potential satellite state that could be used as a buffer against the other.[97] Geographical, cultural, and economic ties have historically tilted this balance towards India. However, there is growing discontent with what is perceived by Nepalis as excessive Indian interference in Nepal's politics.[98] This political climate is perceived by Beijing as an opening to utilize financial resources to help bring Nepal into its orbit, or at least erode India's influence.

Financial

The potential for economic gain is a large consideration for China's approach to Nepal, and one aspect of this is trade. For decades, China has worked to create a trade surplus with its southwestern neighbor by exporting a large quantity of manufactured goods.[99] Maintaining these avenues of trade, both politically through free trade agreements, and physically through infrastructure, is therefore a high priority. Trade is also important in the broader context of China's OBOR initiative, with Kathmandu serving as a potential hub for goods moving between India and China.[100]

Another mechanism of economic gain for China is direct investment in Nepali industry and infrastructure, in particular, hydropower. China is unable to extract the electric output from dams in Nepal directly back to China, as it has done with projects in some other water rich countries (e.g. Myanmar). The physical barrier posed by the Himalayan Mountains makes it too costly to build the infrastructure necessary to carry massive amounts of power from Nepal back to China. However, Chinese companies can earn large returns on their investments by selling the electricity created by their dams to the Nepalese. With the potential to produce over 83,000 megawatts of electricity, but currently only producing 900 megawatts, Nepal's waterways offer a large amount of untapped financial potential.[101] These projects would also help curb Nepal's perennial blackouts, thereby earning a political and public diplomacy victory with the Nepali people.

Stability and Tibet

Its own internal stability and the security of Tibet figures significantly in China's Nepal policy. Since the 1959 revolt in Tibet's capital, Lhasa, Nepal's treatment of Tibetans fleeing across the border has been a constant source of friction. Starting in 1959, Nepal legally recognized Tibetans who made it across the Chinese border as refugees, and allowed them to either stay as legal residents or continue to India, where the Tibetan government in exile was headquartered.[102] This policy changed in 1989, though, when the Nepali government sought to cultivate better relations with China. While Nepal stopped recognizing Tibetans as legitimate refugees, it reached what become known as the "Gentleman's Agreement" with the United Nations High Commissioner for Refugees (UNHCR). This arrangement stipulated that Tibetans who were apprehended by Nepali police at the border were to be handed over to UNHCR, who would then ensure that they received third-party resettlement in India.[103] Under this agreement, more than 40,000 Tibetans passed through Nepal to India, with little more than pro forma condemnation from Beijing.[104] However, the major protests and unrest by Tibetans in both China and Nepal surrounding the 2008 Beijing Olympics rattled the Chinese government, causing it to reconsider its tacit acceptance of the "Gentleman's Agreement." It fears that Nepal, which has a Tibetan population of over 13,000, may become a hotbed of Tibetan protest and dissent, which could spill across the border into China and thereby threaten Communist rule and China's dominion over Tibet.[105]

Activities

Economic

Over the past few years, China has worked to substantially increase its economic footprint in Nepal. According to official statistics, between 2015 and 2016 the Chinese government quintupled its official direct assistance (ODA) to Nepal, from $24 million to over $128 million.[106] Chinese investment in Nepal has also increased rapidly. In 2012, Chinese FDI had constituted 30.89% of Nepal's total FDI commitments for that year.[107] By the first half of Fiscal Year 2016-2017, this number had increased to 68% of total investment commitments in the country.[108]

While it is difficult to disaggregate much of this data due to the opaque nature of official Chinese statistics, it is clear that a large sum of this aid and investment are concessional loans geared toward various forms of infrastructure development. Perhaps the most important of these is a $1.6 billion hydroelectric project being built on the West Seti River by the China's Three Gorges International Corporation. While China has completed several smaller dam and water resource projects in Nepal in the past, they all pale in comparison.[109] The Three Gorges project is the largest single foreign investment in the history of Nepal, and is set to nearly double Nepal's current electric output. The potential profits for China from this project are enormous, since the Nepali government will be required to buy the electricity produced by this dam from China.[110]

Additionally, infrastructure investment and development are also important for facilitating trade with Nepal. Over the past 60 years, China has funded more than ten projects to improve highways within Nepal to make it easier to transport goods across the border and around Nepal.[111] Recently, however, China has looked to go beyond roads and invest in other forms of transportation infrastructure. In 2013, for instance, a Chinese state-owned enterprise agreed to a $145 million concessional loan to build a new international airport in Pokhara that will service both goods and tourists.[112] One of the most talked about projects is a proposed high-speed rail that would connect Lhasa with Kathmandu. While the Chinese government is eager to begin this project, political infighting in the Nepali Parliament has put the project on hold.[113] Nonetheless, China is looking to increase its trade volume with Nepal, and is willing to help build the infrastructure necessary to do it.

Security

The other area in which China has actively ratcheted up its level of engagement is in in security. This mainly centers around China's domestic issue of Tibet rather than in shoring up Nepal's still fragile government structures. Since the Tibet-related unrest of 2008, China has been encouraging the Nepali government to break the UNHCR-brokered "Gentlemen's Agreement" and crack down on Tibetan "anti-Chinese" activities. One way of doing this has been to threaten to cut aid projects in order to pressure Nepal into signing a dozen security agreements that commit it to curbing "illegal immigration."[114] At times, this coercive behavior has reached down to the local level, with Chinese intelligence officials from the embassy reportedly visiting local police stations in Nepal to demand that Tibetan protest activities be dealt with properly.[115]

In addition to these political pressures, China has also invested heavily in building Nepal's capacity to more effectively apprehend Tibetans coming across the border and quell domestic dissent. For instance, since 2010, the Chinese government has offered multiple all-expense-paid training sessions in Beijing for Nepali border agents in order to help them stop "illegal border exit-entry activities."[116] In 2012, China donated $1.6 million to establish a new academy to train officers of Nepal's Armed Policy Force, which staff posts across the Tibetan border.[117] The following year, the Chinese government provided Nepali police with over $6 million worth of digital surveillance equipment, which makes it possible to track the exact whereabouts of a particular cellphone user.[118] Because of these policies, the annual number of Tibetans successfully escaping from China and making it to India has dropped from around 2,200 in 2008 to around 1,000 in 2011, and then to only 171 in 2013.[119] In this way, China has been successful in utilizing its increased influence in the area to bring "stability" to Nepal, and more importantly Tibet.

Finally, while not related to Tibet, a significant development in Sino-Nepali security relations is the recent announcement that the two countries will hold joint military exercises for the first time in modern history.[120] In conjunction with these exercises, which took place between April 16 and 25, 2017, and focused on counterterrorism and humanitarian disasters, China has also promised a $44 million military aid package to assist Nepal in its UN peacekeeping efforts.[121] While the ramifications of these new developments are not yet known, what is clear is that China is looking to bring its security relations with Nepal to unprecedented levels.

Conclusions and Outlook

Over the past decade, China has made a significant effort to cultivate stronger economic and security ties with Nepal. Some of these policies are mutually beneficial, such as concessional loans to build major infrastructure projects that underdeveloped Nepal would have never been able to build on their own. These sorts of activities, whether motivated by profits or altruism, have greatly helped China's image in Nepal. This is especially true after the 2015 "blockade" of humanitarian assistance and fuel from India, with an increasing number of Nepalis beginning to lean away from New Delhi and towards Beijing.[122] China's actions with relation to Tibetans in Nepal have been far more coercive, and have gone against China's self-proclaimed adherence to non-intervention, but it is less engaged when it comes to Nepal's own internal fragility.

Chinese Engagement in Afghanistan

Historical Context

China and Afghanistan have had a consistent but limited relationship for most of the past century. The two countries established diplomatic ties in 1955, and then had a few quiet decades. Their early relationship was built around a small amount of trade, as well as a border agreement.[123] When the Soviets invaded Afghanistan in 1980, China registered Afghanistan higher on its list of security concerns, in large part because of geostrategic claustrophobia induced by the Soviet Union; their occupation of Afghanistan effectively left China surrounded by Soviet-influenced countries. China, through its ally Pakistan, provided aid to the Mujahideen, allowed the U.S. to monitor the Soviets from facilities in the Xinjiang province, and also allowed Xinjiang to be used as a training camp for the Mujahideen.[124] Soviet occupation of Afghanistan was one of the primary points of contention in its relationship with the USSR until the Soviets left in 1989.[125]

In the mid-1990s, the Taliban took over Afghanistan, and while China never formally recognized the regime, they had at least occasional communication. When the U.S. invasion removed the Taliban from power and installed a new government in 2001, China and Afghanistan's relationship became much more active, and high-level communication with the new government became much more consistent. China was one of the first countries to establish official relations with the New Afghan government, and it quickly provided a small amount of emergency humanitarian aid.[126] In 2006, China and Afghanistan signed the Treaty of Good Neighborly Friendship and Cooperation, which set a framework for their future relationship. In addition to agreeing to cooperate on issues of terrorism and drug trafficking, it also laid out economic goals, including China's plans to assist in the mining of natural resources and development of infrastructure.[127]

China has never been the major foreign influence in Afghanistan. During the Cold War, Afghanistan fell primarily under the Soviet sphere of influence, and when the Taliban was in power, China had little clout with a regime it did not recognize. When the Taliban fell, the United States and the International Security Assistance Forces (ISAF), primarily made up of Western troops, became the major international influence.[128] Thus, even though China has considered Afghanistan to be a crucial security concern for decades, primarily because of concerns about its own domestic vulnerabilities, it has still chosen and managed to play a relatively indirect role in Afghanistan.

Interests

China has a variety of geostrategic, economic, and security interests in Afghanistan. Although China and Afghanistan share only a few miles of a ruggedly mountainous and inhospitable border, Afghanistan's proximity is simultaneously a security risk and an economic opportunity. China is concerned about the potential for Afghanistan's security problems, including terrorism and drug trafficking, to spill over across the border. In particular, China is worried about ties between Uyghur separatists in the Xinjiang province (which borders Afghanistan) and terrorist groups based in or training in Afghanistan.[129] This relationship between the separatists and the Taliban goes back many years, but became particularly strong when the Taliban ruled Afghanistan in the mid-1990s.[130] This concern fits a pattern of engagement by China, as noted by Elizabeth Wishnick, who describes China's security policy as nested: at the center are China's domestic concerns, around which regional and global policy is built.[131] China's decisions about Afghanistan are made with careful consideration of its own domestic security implications.

China also has economic interests in Afghanistan. By U.S. estimates, Afghanistan is sitting on over $1 trillion of untapped mineral resources.[132] These resources range from base and precious metals like copper, iron, and gold to industrial minerals like talc to mineral fuels, including coal, gas, and some oil.[133] China's interest in tapping these materials was initially driven by regional representatives of Chinese state-owned enterprises, but has now been embraced by the government for both the economic benefits and its anxiety over resource scarcity.[134] Furthermore, China sees Afghanistan as a future part of its regional trade ambitions; Afghanistan is an important part of the OBOR initiative.

Finally, while China has not historically been the major influence in Afghanistan, it became more interested in increasing and maintaining influence in South and Central Asia, particularly as the Central Asian economies opened up and other major powers increased military and economic ties with the region.[135] It has been difficult for China to assert a high level of influence in Afghanistan, in part because of its reluctance to take a firm stance on which side it supports in Afghanistan's political turmoil, as well as the history of foreign influence or domination, first by the Soviet Union and now by the U.S. Nonetheless, long-term regional ambitions clearly factor into China's Afghanistan policy.

Activities

Security

Despite the fact that China has long considered Afghanistan to be a major security concern, it has kept a low profile there, and it carefully selects its actions and its venues for support. While it has increased its foreign aid funding in recent years and stepped up its participation in efforts to negotiate a peace agreement between the government and the Taliban, China's aid to Afghanistan is small in comparison to what it does in other countries and in comparison to what other donors provide to Afghanistan. Traditionally, China's presence has been indirect and subtle. There are a few key reasons for this. First, large numbers of Western forces have been stationed in Afghanistan since 2001, so it has not been necessary for China to send its own forces; China is not necessarily interested in competing for influence from behind. In some ways, the strong Western presence has allowed China to effectively be a free rider. Secondly, China has been adamant in striking a delicate balance between supporting the nascent, post-Taliban Afghan government, and yet not completely alienating the Taliban. China fears that if it favors the Afghan government too overtly, it will expose itself to terrorist attacks by Taliban-supported groups within its own borders.[136] This balance is evident in the following example: China did not fight the decision to create the ISAF, nor did it use its Security Council veto to inhibit Afghanistan operations, but it continues to refuse to send any Chinese troops, money, or equipment in support of the ISAF.

China has regularly stated that Afghanistan's political future must be decided by Afghanistan. However, it exhibits a degree of influence on this issue through leadership in multilateral mechanisms and organizations. In 2016, China began taking a larger role in the Afghan peace process, involving the Afghan government, the Taliban, and Pakistan.[137] China has placed itself in a unique position to play this role. It has expanded its relationship with the Afghan government while not totally alienating the Taliban. It is also hoping to utilize its alliance with Pakistan to persuade Islamabad that ignoring the Afghan Taliban is not in Pakistan's interests.[138] Its stance on the future of Afghanistan and the role of the international community relies on "five supports." These supports include an "Afghan-led and Afghanowned" peace process and capacity-building.[139] Under this framework, China also seeks to encourage Afghanistan to participate more in regional organizations, and, where Afghanistan is not a member, China at least seeks to get the Afghanistan issue on the agenda. For example, Afghanistan has always been a significant concern for the Shanghai Cooperation Organization (SCO), a regional economic and security organization that evolved out of a previous organization in mid-2001.[140] Afghanistan is still not a full member, but it later became an observer state along with Iran, Pakistan, and India. There are limitations to what the SCO can do, as it is not well equipped to actively address security concerns. However, despite these limitations, the SCO has been very active and vocal about resolving the Afghanistan issue both in the region and more internationally.

In the past three years, there have been a handful of new developments that suggest China is increasing its presence and role in Afghanistan on security issues. For example, while China adamantly denies that it will send troops to replace the Western forces that are currently drawing down, it offered $70 million of direct military aid, reportedly in the form of security equipment and training, for the first time in 2015.[141] Additionally, despite consistently stating publicly that Afghanistan should decide its political future internally, China has still played a role in future governance by taking on a leadership role in the peace process.

China has also increased the amount of overall foreign aid that it provides to Afghanistan. China gave Afghanistan roughly $240 million dollars in the 12-year-period between 2001 and 2013, but $80 million in the year 2014 alone.[142] At a meeting in October 2014, President Ashraf Ghani and President Xi Jinping released a joint statement on China's intention to provide Afghanistan with $327 million in aid through 2017.[143] This is still a relatively small amount of aid; the U.S., for example, has disbursed roughly $17 billion dollars in aid to Afghanistan.[144] It is also a small amount relative to China's capacity and its aid projects elsewhere. Still, the increase from 2014 on is notable and reflective of what appears to be an increasing presence.

Economics

Afghanistan and China's ties were limited when the two countries established diplomatic ties in the 1950s, but they established economic cooperation early on. Their trade relationship has grown significantly in the past decade; between 2002 and 2010, total trade between China and Afghanistan increased from $20 million to $715 million.[145] Bilateral trade has continued to increase in the subsequent years and has remained extremely lopsided; according to Afghan statistics, in 2015, Afghanistan exported just over $10 million to China and imported more than $1 billion from China. Their exports to China included spices, some animal products, and carpets, while imports from China included a variety of products ranging from meat to medicine to manufactured goods.[146]

When former president Hamid Karzai opened Afghan industries to foreign investment in the mid to late 2000s, Chinese state-owned enterprises made major investments into future resource development projects. For example, in 2008, Chinese companies China Metallurgical Group Corporation (MCC) and the Jiangxi Copper Company Limited (JCL) invested in a multi-billion dollar, 30-year lease of a copper mine at Mes Aynak, widely thought to be the second largest unexploited copper deposit in the world. In addition to mining the copper, China was to provide the mining infrastructure, power plants, and a railway leading to the copper mine.[147] The project has the potential to create thousands of indirect and direct jobs in Afghanistan, as well as an estimated $250 million in annual revenue for Afghanistan,[148] but many argue that Afghanistan will gain little compared with the benefits China will receive. Additionally, in 2011, the China

National Petroleum Corporation announced a $600 million investment with an Afghan resource company to develop three oil blocks in the Amu Darya basin.[149]

The full benefits of these projects are not yet known. Following the rush to invest in projects in the mid-to-late 2000s, little has been done, and many of China's ambitious plans in Afghanistan have been stalled. For example, no copper has been mined at Mes Aynak yet, despite the fact that the tenth anniversary of China's lease is approaching.[150] The blame for this slow progress has typically been placed on the security issue, but there have been other problems along the way, including contract disputes.

In addition to its interest in extracting Afghanistan's resources, China considers Afghanistan to be a crucial part of its Silk Road Economic Belt strategy, a project to build the infrastructure to connect Central Asia, South Asia, and the Middle East as part of the OBOR initiative to improve trade.[151] The initial steps to include Afghanistan in the project have already been taken; Afghanistan and China have signed a memorandum of understanding regarding OBOR, and China has moved some OBOR fund money to Afghanistan. That said, as with other Chinese investment projects in Afghanistan, there has been only minor movement on the more concrete steps.[152]

Conclusions and Outlook

While China has stepped up its political and economic role in Afghanistan, it has not yet affected Afghanistan's governance or played a major economic role. China is not the major international influence in Afghanistan. However, China's actions, primarily its investment projects and role in the peace process, have generally been viewed positively by Afghan leadership, and as Western forces leave, Afghanistan views China as a country that could potentially fill that aid gap. Communities in Afghanistan are, however fearful that they will never see any benefits from the resource projects.[153]

There is a potential that China will play a larger role in Afghanistan. As ISAF draws down its military mission, Afghanistan will still rely heavily on international aid and support for both its security and economic development. China has not traditionally given much aid, but it may do so in the future, something that Afghanistan would likely welcome. Furthermore, other powers, for their own reasons, have thus far not been as eager as might be expected to rush in to tap into Afghanistan's natural resources. China's more risk-tolerant state-owned enterprises are well suited to take on those projects, and China's proximity to Afghanistan may give it an advantage. However, as China remains unwilling to send its own troops or get involved militarily in Afghanistan, security concerns may linger, leading to new difficulties down the road.

Notwithstanding these changes, China has consistently sought a balance between trying to mitigate the instability in Afghanistan and protecting what it perceives to be its own vulnerability. Even as the calculations change, China will likely continue to prioritize its domestic security concerns over its other interests in Afghanistan.

Findings

As these four case studies show, China is pursuing different goals in each of the examined fragile states. In Angola and Venezuela, China's goals are primarily economic—in particular, China is interested in expanding its markets for export and investment and securing extractive resources for current and future use. While China is pursuing commercial goals in Afghanistan and Nepal, China's focus in these states is in the interest of security, particularly on issues that could have domestic implications, especially among minority populations in Tibet and Xinjiang.

Though the objectives differ, several important commonalities exist in China's approach to each of the states in this study. First, while mutual benefit is a cornerstone of China's foreign policy and is evident in China's contractual agreements within each case study, recipient states do not benefit as much as China, either economically or politically. Agreements are thus heavily weighted to ensure China gains as much as it can from them.

In making agreements with fragile states, we find that China is first motivated by concern for its own internal economic and political stability. By securing strategic resources and developing international markets for its goods and services, it continues to drive economic growth at home and thus maintain legitimacy. This is most clearly seen in the major agreements made with Angola and Venezuela. However, in providing security assistance to Nepal and Afghanistan, China attempts to ensure domestic political stability by tamping down on dissent abroad out of fear it could inspire dissent within its borders.

Furthermore, Communist ideology does not seem to play a major role in China's decision-making. Rather, the Chinese leadership seems guided by the belief that stability ensures security, predictability, economic growth, and continued access to natural resources. It is, perhaps, for this reason that China has ramped up its involvement in UN peacekeeping missions. In this regard, China sends more peacekeeping forces than any other permanent Security Council member and it does so overwhelmingly to African nations in which it has ongoing economic interests.[154]

Despite the similarities across the four examined states, we find that China does not utilize a specific model for engaging with fragile states. China's pragmatism ultimately leads it to adjust its relationship with each state on a case-by-case basis. However, China does appear to have a framework for its approach depending on the need it is trying to fulfill that is customized for each state. For instance, while the agreements in Angola and Venezuela have a similar overarching framework ("resources for infrastructure"), a closer look shows that China's agreements with each country are tailored according to the governance styles and socioeconomic needs of each individual state.

While we find this framework in fragile states, it is also visible in stable states, such as a recent agreement with the UK for China to fund one-third of a nuclear power plant that will be constructed by the state-owned China Guangdong Nuclear.[155] Yet fragility does become a consideration for China's decisions when it threatens China's investments or access to resources and markets. As in Angola, where China limited its support after corruption impacted China's bottom line, China may alter its approach to Venezuela as it continues to unravel. China may also increase its engagement with Afghanistan as the degree of instability changes; and as Nepal continues to stabilize, we would expect a larger Chinese footprint. Ultimately, Chinese foreign policy, in fragile states or elsewhere, seems guided by a pursuit of stability and economic growth.

1 "Fragile States Index 2016," Fund for Peace, http://fsi.fundforpeace.org/ The criteria are: (1) demographic pressures, (2) the presence of refugees and internally displaced persons, (3) group grievances, (4) human flight, (5) uneven economic development, (6) economic decline, (7) state legitimacy, (8) public services, (9) human rights and the rule of law, (10) the security apparatus, (11) factionalized elites, and (12) external interventions.

2 Susan Shirk, *China: Fragile Superpower* (Oxford: Oxford University Press, 2007). In 2017, Shirk partly repeated this point, noting that "the Chinese Communist party sees its grasp on power as surprisingly fragile." Shirk, "Trump and China: Getting to Yes with Beijing," *Foreign Policy* vol. 96, no. 2 (2017), 21.

3 In 2015, *Foreign Affairs* asked 32 scholars of China whether or not they agreed with the statement "The current Chinese regime will not survive the next decade without major reform." Of the respondents, 19 disagreed, 6 remained neutral, and only 7 agreed. However, many of the respondents took issue with the ambiguity of the phrase "major reform," and most noted that some type of at least minor reform was inevitable. See "Will China Crumble?" *Foreign Affairs*, April 30, 2015, https://www.foreignaffairs.com/articles/china/2015-04-30/will-china-crumble

4 Evan Osnos, among others, refers to this as the grand bargain of contemporary Chinese politics. See Osnos, *Age of Ambition: Chasing Fortune, Truth, and Faith in the New China* (New York: Farrar, Straus, and Giroux, 2014), 150.

5 Stuart Harris, *China's Foreign Policy* (Cambridge: Polity, 2014), 20.

6 Jiang Zemin had referred to the policy since at least 1997, but Zhu's speech in 2001 is often cited as its launch. See David Shambaugh, *China Goes Global* (Oxford: Oxford University Press, 2013), 175-76.

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9 Martin Jacques, *When China Rules the World: the End of the Western World and the Birth of a New Global Order* (New York: Penguin, 2009), and Howard French, *Everything under the Heavens: How the Past Helps Shape China's Push for Global Power* (New York: Knopf, 2017).

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17 Howard French, in *China's Second Continent: How a Million Migrants Are Building a New Empire in Africa* (New York: Vintage, 2014), chronicles popular ambivalence toward the Chinese in several African countries.

18 "Fragile States Index 2016," *Fund for Peace*, June 27, 2016, http://fsi.fundforpeace.org/

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