

How China Have Achieved Political Goals Using Economic Means.

Some argue that America is losing its grip as a global hegemon, with Trump's reelection serving as both - a symptom and a cause of this decline. With a second Trump presidency starting soon, many countries are turning their gaze eastward, seeking new economic, political, and diplomatic alliances. China, in particular, has positioned itself as a key partner, often providing economic aid to nations where Western institutions have fallen short. While media outlets frequently frame the rise of Chinese influence as a threat to Western-led world order, for the countries involved, Chinese investment represents a significant developmental opportunity. This help however isn't free, and countries are often required to offer big compensations in return. In this essay I want to take a closer look into situations when China has used the country's enormous economic power to achieve its political goals by offering other countries some sort of economical assistance.

Albania

Despite the rising trend in western media for finding stories of spreading Chinese influence, China was spreading its influence long before it became a great power. An example of that can be found in Sino-Albanian relations, development of which has led to China's accession to the United Nations(UN), but let's start from the beginning.

Dispute over Chinese UN seat

Since the end of the Chinese Civil war in 1949, the People's Republic of China (PRC) had a constant problem of not having an official seat at the UN. This stems from the Republic of China's (ROC) claim to be the sole legitimate government of China, since the end of WW2. Losing the Chinese Civil War in 1949, changed little in the international relations for the Nationalist Government. Despite only controlling Taiwan, they still we're considered to be the legitimate China that is recognized by the UN. That was a huge problem for the Chinese Communist Party, since without a seat at the UN it couldn't vote for UN resolutions, had no access to the United Nations Security Council (UNSC), had limited trade opportunities and limited legitimacy for ruling China.

Unexpected Ally

To achieve that they had to overcome 2 major problems: 1) Getting a country with a UN seat to propose a resolution to replace ROC with PRC and 2) getting the majority of the UN General Assembly to vote "yes" on said resolution. They tried for the first time, right after the conclusion of the Chinese Civil War, when the premier of the PRC, Zhou Enlai wrote a letter to the UN [1] (Luard, 1971). This attempt was unsuccessful, however because they picked up the issue, the Soviet Union started to propose replacement of ROC with PRC in the UN and the UNSC. By 1950, there were already 7 countries recognizing PRC over ROC, including Great Britain. In the 1950s this issue was brought up every year, between 1951-55 by the Soviet Union, between 1956-59 by India, and again by the USSR in 1960 [2] (Bloomfield, 1966). Each one of those attempts were quickly shot down by the US and their allies. Throughout this time, PRCs main supporter was the Soviet Union, after Nikita Khrushchev started the process of de-stalinization, Sino-Soviet relations started to slowly

deteriorate. By early 1960s the CCP couldn't also count on India in terms of their cooperation in the UN, because of the Chinese - Indian border dispute, which escalated to a short border war in 1962. Because of that, the PRC didn't have much choice in terms of possible allies, however this has brought them closer to an unlikely ally - Albania.

Sino-Albanian cooperation

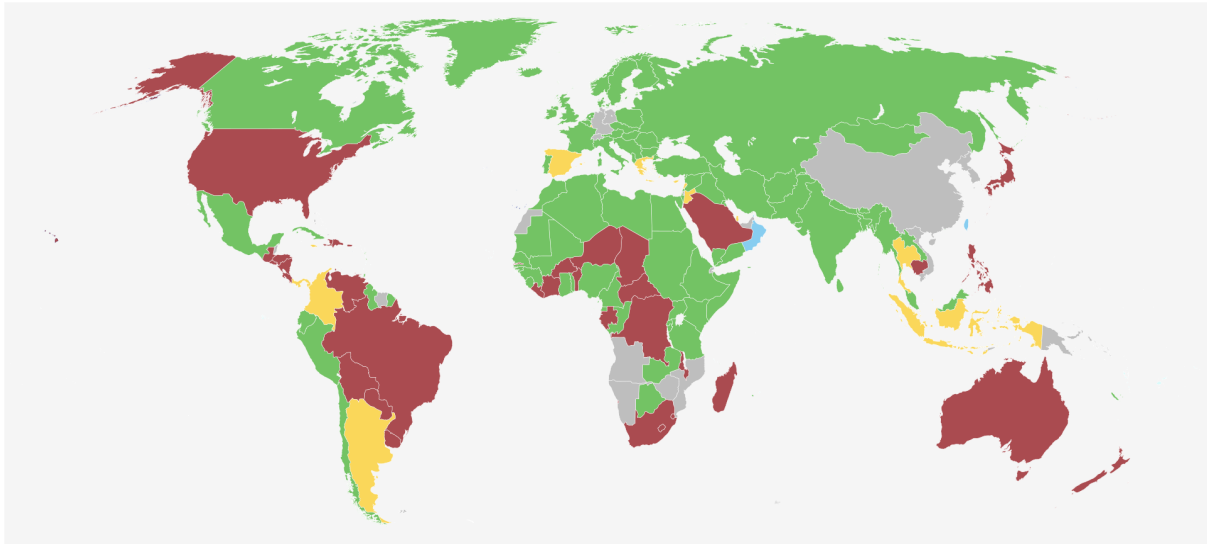
Albania at the time was similar to China, a one party communist state, however it was in a vastly different position than most Communist states. Right after WW2, they were really close with the Soviet Union under Stalin, because they both were opposed to Tito leading Yugoslavia, and Hoxha was a big Stalinist. After the death of Stalin however, relations between Albania and the Soviet Union started to deteriorate, so Albania, similarly to China, started to look for communist allies elsewhere. Since they both could no longer rely on the Soviet Union for support, they started to support each other. Their cooperation came easy since Mao and Hoxha were both hardline Stalinist, fond of strict one man leadership and cult of personality. Considering how vastly bigger China is compared to Albania, most of the material help was coming from China to Albania. Thanks to this cooperation Albania has received over 11 Billion dollars in financial Aid from China over the course of 15 years between 1961 and 1975. This money has constituted for around half of Albania's budget during this period. Thanks to this enormous financial backing, Albania has built over 450 Industrial, energetic and agricultural projects, including a hydroelectric plant which at the time of its completion, provided around half of Albania's electricity [3] (Bytyçi, 2022). Diplomatically speaking, thanks to this cooperation Albania could become more independent in their relation with the Soviet Union, and still have some sort of sense of security. It wasn't a full military alliance, but Albania still could feel safer than without Chinese support. China on the other hand has received mainly diplomatic as well as Geo-strategic and ideological assistance from Albania, which was quite important during the ideological clashes of the cold war [3] (Bytyçi, 2022). Albania provided an opportunity to China to expand its influence in Europe, as well as serve as a symbol of unity of communist countries, who were Closer to Stalinism than to the more liberal version of communism that was favored by Khrushchev. Thanks to this move, China could start the process of painting itself as the center of communist world, undermining the Soviet image as a center of communism [3] (Bytyçi, 2022). Most importantly to the topic however, this cooperation allowed China to have an ally in the UN that could bring up the issue of PRCs accession to the UN.

PRCs accession to the UN

The US viewed a relocation of Chinese seats from ROC to the PRC as an "important issue" therefore, it required a 2/3 majority in the UN in order to pass. Because of that initial Albanian attempts to vote on recognition of the PRC failed. Despite the fact that France and Italy started to officially recognize PRC as "China" [1](Luard, 1971), with the latter even officially supporting PRCs representation in the UN between 1966 and 1968, PRC was unable to join the UN. The breakthrough came in 1971 when Albania and 16 other countries requested that the "Restoration of the lawful rights of the People's Republic of China in the United Nations" be added to the UN General Assembly's agenda.

They argued that the ROC, supported by the US Armed Forces, unlawfully claimed to represent all of China, and excluding the PRC was discriminatory. They called for the

immediate expulsion of the Chiang Kai-shek regime from the UN. The US proposed dual representation for the PRC and ROC, but this was rejected. After months of debate, on October 25, 1971, the Albanian proposal was accepted as Resolution 2758 by a vote of 76 to 35, with 17 abstentions, leading to the PRC's accession to the UN on November 15, 1971.



As shown on the map, PRC's representation was supported not only by communist states, but also, the majority of post-colonial Africa, almost all of Europe, and even traditional US allies like Canada and Mexico. PRC's accession was influenced by decolonization, pragmatic shifts, and Albania's proactive stance, including sponsoring the resolution, negotiating, and critiquing both the US and USSR. Joining the UN significantly boosted China's growth and global diplomatic stance and allowed China to slowly cozy up to the US. It is evident by Nixon's visit to China in 1972 that the Chinese diplomatic situation was going to improve in the upcoming future.

Sri Lanka

China's joining the UN has required quite some work from Albania, however the efforts and resources that they had to put in order to make it happen, were mainly diplomatic ones. Additionally considering how much Albania has received from China I think it's reasonable to say that it was quite a good deal for Tirana's government, however that's not always the case. China was willing to spend a lot of money, resources and effort in order to replace ROC as legitimate China in the UN because it was a very important issue to them, but now let's compare them to the instances when China's actions could be described more as an investment then as a diplomatic cooperation.

Port at Hambantota

At the beginning of 2000s, Colombo port in Sri Lanka was reaching its full capacity, so during the parliamentary elections in 2001, United National Front led by Ranil Wickremesinghe promised that they're going to build a new port in the southern city of Hambantota. Project was not only meant for the development of a seaport, but also a refinery, petrochemical industries, a coal power station and a desalination plant [5](Plus, 2001). Financial investment for the project was meant to come from Canada in the form of a loan, however it was

rejected, due to poor spending planning provided by the Sri Lankan side. [6] (“The Latecomer’s Rise: Policy Banks and the Globalization of China’s Development Finance,” 2024) In 2005, another government was trying to develop Hambantota port, this time by its native, president Mahinda Rajapaksa, similarly to their predecessors they’ve reach out for international investors, US and India. Both of them got rejected, however China Huanqiu Contracting and Engineering Corporation, a subsidiary of one of Chinese State Owned Enterprises(SOEs) was interested in participating in the project. [6] (“The Latecomer’s Rise: Policy Banks and the Globalization of China’s Development Finance,” 2024). After India rejected the Lankan offer, they sought funding from China. In 2007 Sri Lanka and China came to an agreement, and China agreed to fund the development, however one of the conditions was that Sri Lanka would finance it using loans from Chinese banks, and the port would be built by Chinese construction companies. Despite Sri Lanka’s questionable financial situation, for the first phase of development, Sri Lanka borrowed 306.7 million US\$ from Export-Import Bank of China, which was estimated to be around 85% of total cost. [7] (*Wayback Machine*, n.d.) The loan had a 6.3% interest rate, and specified China Harbour Engineering Company, a Chinese SOE as a construction contractor [8](Meg Rithmire, Yihao Li, 2019). In 2012, the second phase of development required another loan, this time a bigger one amounting to 757 million US\$, however this one had only 2% of interest. Usually Chinese loans have around 5% interest, which is more than double the rate typically provided by the International Monetary Found [9] (Rajvanshi, 2023). Most probable reason for such a low interest rate are the additional conditions that the Sri Lankan government had to agree on in order to receive that loan, most significant one being the transfer of 65% of the stakes in Hambantota port to China Harbour Engineering and China Merchants Port for 35 years. [8](Meg Rithmire, Yihao Li, 2019) In 2016 Sri Lankan Port Authority (Sri Lankan National company that operates it’s seaports) had to repay 134 millions of US\$ in construction costs for the Hambantota port [10](*Rs. 9b Loan Repayment Biggest Challenge To SLPA In 2016 | Daily FT*, 2016), however it wasn’t possible since the port itself has brought a loss of over 696 millions US\$. [11] (*Govt. ’s New Hambantota Port Deal With China Will Deliver Economic Transformation: Malik | Daily FT*, 2017). In order to refinance this endeavor and relieve some debt, Sri Lankan port Authority has agreed to replace the previous agreement for 65% of stakes for 35 years, to a new one under which China Merchant Ports would buy 85% of stakes of a new entity called Hambantota International Port Group. Under this new agreement Hambantota International Port Group would have a monopoly on operating and developing a port for 99 years, and China Merchant Port would invest 1.12 BLN US\$ in the development of the port. [12] (*Wayback Machine*, n.d.).

“Debt Trap Diplomacy ” or Poor Management ?

This was a moment when the story exploded in international news, when western media outlets cited it as proof that China is using so-called “debt-trap diplomacy” in order to gain facilities, such as Hambantota port. Additionally, in response India and the US have declared it as a possible security concern over their interests in the Indian ocean. [13](Mitra, 2017) If the story would have ended here, the accusations in regards to “debt-trap diplomacy” could be somewhat accurate. It would be easy to draw a line between China lending vast amount of money to a country that they know have little chance of paying it back, and then proposing that they take some of that debt back, in return for a strategically located deep sea port, which later can be used by China for both economic and military purposes. However, acquisition of the Hambantota port by the Chinese has proven beneficial for the port, at least

from the business point of view. In just one year under new management the port made a 136% increase in a volume of ro-ro vessels (all vehicles with wheels on them) handled and also diversified its services to include other port related activities such as container handling, general cargo, passenger, bunkering, bulk terminal and gas and project cargo [14] (*Hambantota Int'l Port Makes Phenomenal Progress* | *Daily News*, 2019). According to Kerry Brown, a former British diplomat, the case of Hambantota port is the opposite of “debt-trap diplomacy”. Yes, the port now belongs to the Chinese SOE, however China has had to commit an enormous amount of money for the project to be successful, exposing themselves to further risk, and becoming entangled in complex local politics [15]. As of May 2024 Hambantota port has become a thriving hub for transshipment in the Indian ocean. The most successful field in which the port operates is vehicle transport, with a monthly turnover of 700 000 units. Additionally it is on its way to play a larger role in bunkering and oil refining industries, and has a potential for the center of cruise activities. [16](Seneviratne & Seneviratne, 2024)

Who's to Blame?

Based on this evidence I think it's reasonable to say that this situation is more Sri Lankan fault than Chinese deliberate planning. Government in Colombo was aware of China's shark loan attitude, and instead of preparing better planning in order to receive funding from Canada from the IMF, they decided to pursue their cooperation with China. This sort of behavior might be considered cruel or immoral by some people, however money lending to countries, businesses and individuals in poor financial conditions, is perfectly legal and very common throughout the world, and I don't see a reason that this situation should be viewed differently, just because China is doing it this time.

Pakistan

Big cooperation with China can be hugely beneficial both for China and the countries receiving Chinese loans, a good example of which is Pakistan. Chinese-Pakistan relations were very good ever since Pakistan was one of the first countries to recognize the PRC over ROC as legitimate “China”. Their friendship comes from a need of a regional ally which wasn't directly affiliated with neither the US nor USSR, and since they both considered India their geopolitical rival, their friendship could only grow. In 2015 Xi Jinping even described it as:

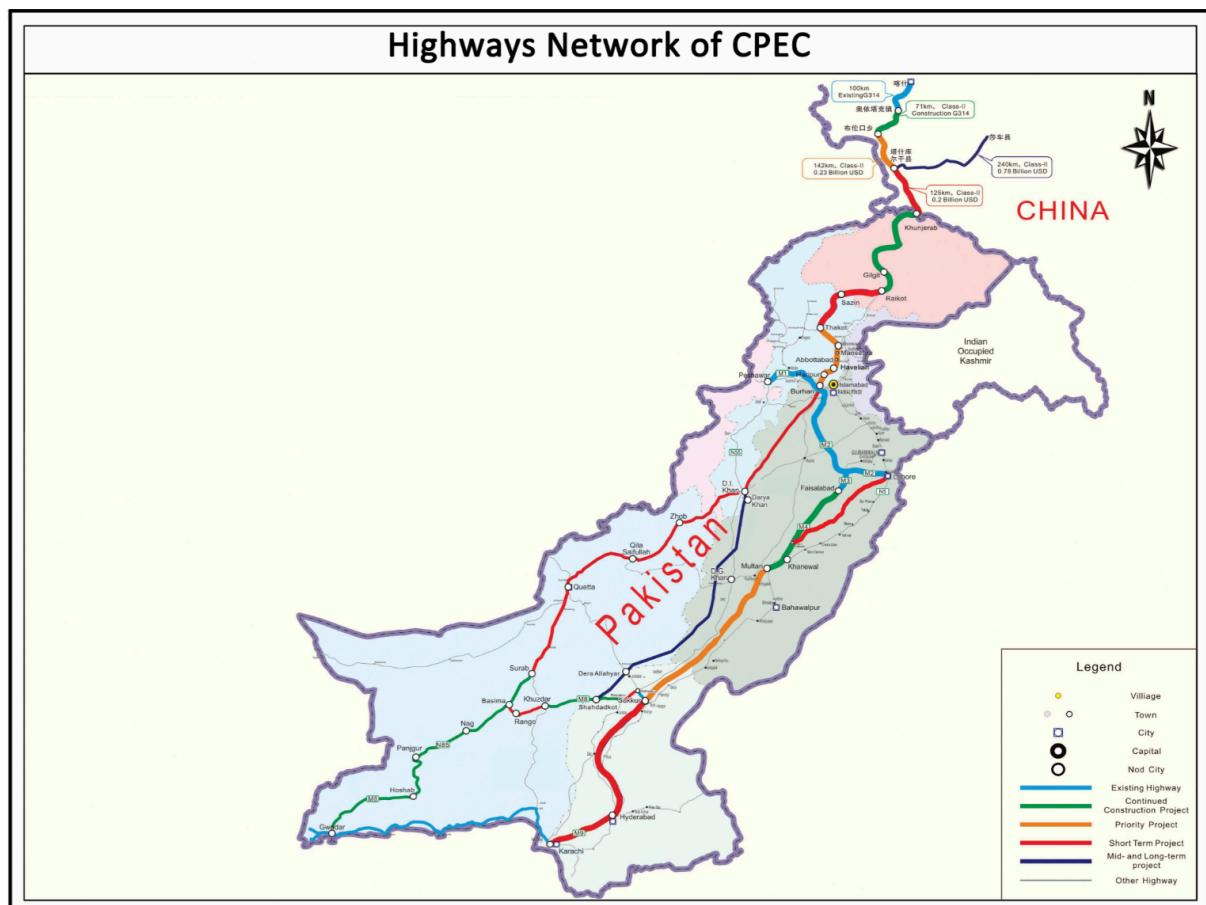
higher than mountains, deeper than oceans and sweeter than honey

[17](Boone, 2022)

China-Pakistan Economic Corridor

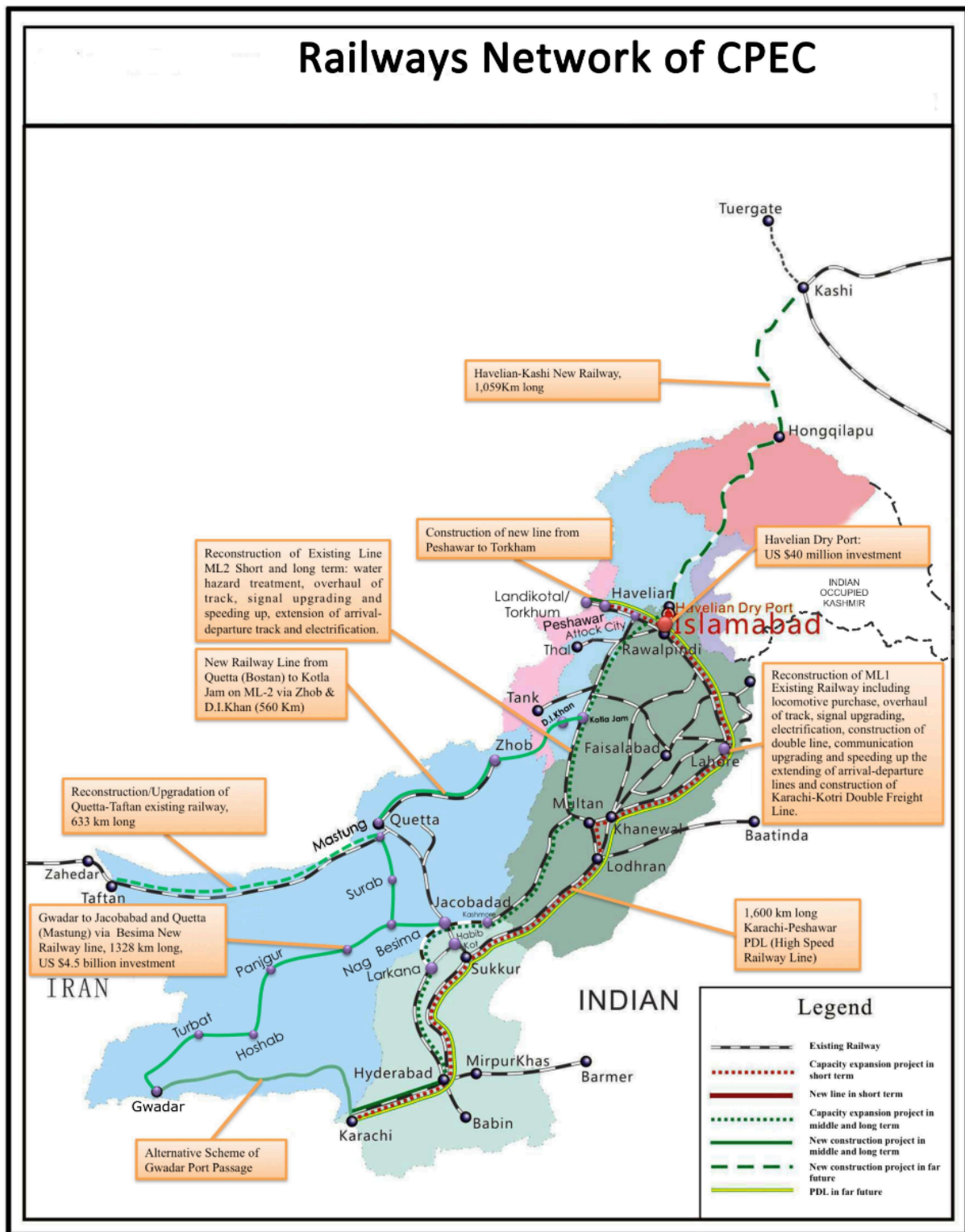
A big, recent example of this friendship is the development of China-Pakistan Economic Corridor (CPEC), a joint China-Pakistan Infrastructure project, which is aimed at creating a land corridor leading from port in Gwadar to Xinjiang. An overall goal of this project is to create an efficient infrastructure land corridor through whole Pakistan in order to allow China access to a deep sea port at the Arabian Sea. This development will allow China to shorten the transportation distance for its manufactured goods destined for European markets, as well as for the import of oil from the Middle East to China therefore increasing Chinese

energy security [17](Boone, 2022). Additionally this will provide an alternative route for both of these commodities, to the strait of Malacca, which currently could be hypothetically blockaded by military maritime blockade if global tensions were to increase. Firstly, project includes building a deep sea port in Gwadar and creating Pakistan's first smart and sustainable city in Gwadar, which is designed to work as main Chinese port at the Arabian Sea [18] (*Gwadar Real Estate | Gwadar Real Estate Agents | Gwadar Real Estate Prices*, 2023). Secondly CPEC includes drastically increasing Pakistan's energy capacity. Country has faced issues of power outages for many years, and for CPEC to work effectively, such instances need to be significantly reduced. One of the most significant instances of such a countywide power outage was in 2023, affecting nearly 220 million people, highlighting that power outages are still very much an issue in Pakistan (Saifi et al., 2023). Investments in the Energy sector are aimed to increase Pakistanis energy capacity by 8.6 GW in the next 7-9 years in order to address the issue [20](International Monetary Fund. Middle East and Central Asia Dept., 2017), including the world biggest solar plant[21](Ebrahim, 2017). Thirdly, and probably most importantly, the economic corridor focuses heavily on infrastructure. The project focuses on improving and creating new highways and railways in order to better connect south of Pakistan with the north as well as directly connecting the port of Gwadar with Xinjiang province. Below there are 2 maps that are showing both existing and planned Highways and Railways under the CPEC initiative.



Monographic Study On Transport Planning 2013-2030

[22](Ministry of Planning, Development & Special Initiatives "P" block Pak-Secretariat, Islamabad,Pakistan., n.d.)



Monographic Study On Transport Planning 2014-2030

[23](Ministry of Planning, Development & Special Initiatives "P" block Pak-Secretariat, Islamabad,Pakistan., n.d.)

Win-Win Deal

As shown above, Chinese plans for development of Pakistani infrastructure are very ambitious, covering over 1400 km of highways and roads and over 2600 km of railways [24] (Gul, 2023). Thanks to the CPEC project, Pakistan's infrastructure is being significantly improved and their energy needs are being addressed. Additionally such huge infrastructure projects provide a huge amount of low-skilled jobs that can directly help Pakistani citizens and the economy. China benefited by acquiring the port of Gwadar via their State Owned Enterprise - China Overseas Port Holding Company [25](Raza, 2013), and by creating an alternative maritime route for their trade. Additionally both countries agreed to strengthen mining, oil and gas cooperation which will further benefit China in terms of their energy and resources security. [26](Reuters, 2024)

Conclusion

In conclusion, the People's Republic of China has been using its economical power to express its political, strategic and economical influence nearly since its establishment in 1949. Yes, China was using its vast wealth for investments and buying political favors, but considering this behavior predatory or aggressive is completely misplaced. Based on presented evidence, Chinese investments seem to be dictated by their alliances, profitability and strategic interest, and not by a prospect of trapping other countries in debt. Cooperation with China can be beneficial, however it's important to remember that with doing business with China you're first and foremost, business partners, not friends. If I were to continue my research I think it would be beneficial to take a closer look at how countries that have cooperated with China during the Belt and Road initiative have come out on it. Besides that China has invested in almost every single country in Africa, so it would be good to also take a closer look at how China was cooperating with those countries, and how they influenced them.

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ARG1

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ARG2

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