A critical look at Chinese 'debt-trap diplomacy': the rise of a meme

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RESEARCH ARTICLE

A critical look at Chinese 'debt-trap diplomacy': the rise of a meme

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ABSTRACT
In 2017, a meme was born in a think tank in northern India: Chinese 'debt-trap diplomacy'. This meme quickly spread through the media, intelligence circles and Western governments. Within 12 months it generated nearly 2 million search results on Google in 0.52 seconds and was beginning to solidify into a deep historical truth. Stories can contain truths and falsehoods. Human emotions, including negativity bias, prime us to think in certain ways. This paper retells a series of stories about China's international involvement, including in Angola, Djibouti, Sri Lanka and Venezuela, that challenge the media's spin. It concludes with some suggestions about the relationship between academia and the media and policy worlds, and the need for scholars to speak 'truth' to 'power'.

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KEYWORDS
debt-trap diplomacy, Chinese international involvement, cinema, ports, Hambantota, Djibouti, Angolan ghost town

摘要
批判性看待中国'债务式陷阱外交'：一种文化病毒的兴起. *Area Development and Policy*. 2017年，'中国债务式陷阱外交'作为一种文化基因在印度北部地区的智库圈内兴起。这一文化基因迅速在媒体界，情报圈和西方政府之间流传。在12个月内，它在谷歌上仅用0.52秒就产生了将近200万个搜索结果，这种文化基因开始被当做是深刻的历史真相。流传的故事有可能包含真理、谎言和人类情感，同样也包含一些消极看法和偏见，这种现象引导我们开始以某种固有的方式进行思考。本文回顾了一系列关于中国在安哥拉，吉布提，斯里兰卡和委内瑞拉等国家参与国际事务的故事，这些故事推翻了西方媒体的报道。 文章最后对学术界，媒体界和政策界之间的关系提出建议，并且强调学者们对'权力'说出'真相'的必要性。

关键词
债务式陷阱外交；中国国际参与；电影院；港口；汉班托特；吉布提；安哥拉鬼城

RESUMEN
Una mirada crítica a la 'diplomacia china de la trampa del endeudamiento': el auge de un meme. *Area Development and Policy*. En 2017 nació un meme en un comité asesor al norte de India: la 'diplomacia china de la trampa del endeudamiento'. Este meme se difundió rápidamente en los medios de comunicación, círculos

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de inteligencia y Gobiernos occidentales. En 12 meses generó casi 2 millones de resultados en Google en 0,52 segundos y empezó a solidificarse en una profunda verdad histórica. Las historias pueden contener verdades y falsedades. Las emociones humanas, incluyendo el sesgo de negatividad, nos preparan para pensar de cierta manera. En este artículo se reconstruyen una serie de historias sobre la participación internacional de China, incluyendo en Angola, Yibuti, Sri Lanka y Venezuela, que cuestionan la manipulación mediática. Se concluye con algunas sugerencias sobre la relación entre el mundo académico y los mundos de los medios de comunicación y la política, y la necesidad de que los académicos digan la 'verdad' ante el 'poder'.

PALABRAS CLAVE
diplomacia de la trampa del endeudamiento, participación internacional de China, cine, puertos, Hambantota, Yibuti, una ciudad fantasma en Angola

АННОТАЦИЯ
Критический взгляд на китайскую 'дипломатию долговой ловушки': возникновение мема. *Area Development and Policy*. В 2017 году в одном исследовательском центре в северной Индии родился мем: 'китайская дипломатия долговой ловушки'. Этот мем быстро распространился в средствах массовой информации, разведывательных кругах и западных правительствах. В течение 12 месяцев он сгенерировал почти 2 миллиона результатов поиска в Google за 0,52 секунды и начал восприниматься как исторический факт. Истории могут содержать правду и ложь. Человеческие эмоции, включая негативную предвзятость, заставляют нас думать определенным образом. В этой статье представлены истории о международной вовлеченности Китая, в том числе в Анголе, Джибути, Шри-Ланке и Венесуэле, которые бросают вызов этому мему, взятому на вооружение СМИ. Статья завершается некоторыми предложениями о взаимоотношениях между академическим сообществом, СМИ и миром политики, а также о необходимости для ученых говорить 'правду' 'властям'.

КЛЮЧЕВЫЕ СЛОВА
дипломатия долговой ловушки, международная вовлеченность Китая, кино, порты, Хамбантота, Джибути, ангольский город-призрак

A meme is an idea that spreads from person to person within a culture, often with the aim of conveying a particular phenomenon, theme or meaning. On 23 January 2017, a Chinese debt-trap diplomacy meme was born in a think tank in northern India and was furthered by a paper written by two Harvard University graduate students who called it Chinese 'debt book diplomacy'. The student paper was enthusiastically cited by *The Guardian* and *The New York Times* and other major media outlets as academic proof of China's nefarious intentions. The meme began to take deep root in Washington, DC, and ricocheted beyond Delhi to Japan, all along the Beltway and again into *The New York Times* and beyond. Later, it was amplified, it was thundered by a US Secretary of State, it walked quietly into intelligence circles, it hovered in the US Congress and it settled in the Pentagon. All these people became very worried about this idea, about this meme. By November 2018, a Google web search generated 1,990,000 results in 0.52 seconds. It was beginning to solidify as firm conventional wisdom and to be accepted as a deep historical truth.

This paper explores this meme, Chinese 'debt-trap diplomacy', the claim that China deliberately seeks to entrap countries in a web of debt to secure some kind of strategic advantage or an asset of some kind. It examines the meme's rise, spread and the underlying phenomena it purports to capture. The paper will also establish the larger context by retelling some of the more well-known myths and narratives about Chinese lending, stories woven to explain things that observers do not understand all that clearly.

RASHOMON: STORIES THAT ARE TRUE AND FALSE

To retell some of these stories, I rely heavily on a methodology used by the Japanese film director Akira Kurosawa in his 1950s' film *Rashomon*. *Rashomon* is set in eighth-century Japan. It tells the story of what seems at first to be a clear-cut case of the murder of a samurai warrior by a local bandit, and the rape of his wife. In the first narrative, the bandit seems to confess, and everything seems cut and dried. However, three other people (the bride, the samurai's ghost and a woodcutter) who were all witnesses to the event then retell the story, and each story points to wholly different rationales and wholly different endings. These radically different accounts are not simply a result of the way in which eyewitnesses are unreliable and the lines between fact and memory are blurred in what the eyewitnesses thought they saw. These stories are very different, so this apparently cut-and-dried case turns out to be anything but. All the stories agree that there was a body in the woods, but, as the film unfolds, one comes to doubt whether there is any evidence to support the initial story. The genius of *Rashomon*, the film critic Roger Everett said, is all the flashbacks through which these stories are told are both true and false, are accurate accounts of what each witness thought happened, but also reflect a point of view.

The stories about China are similar to the stories recalled in *Rashomon* in that they contain truths and falsehoods. Keeping *Rashomon* in mind will be helpful as we explore the meme of Chinese debt-trap diplomacy. It will also be helpful to remember that human beings are more prone to remember and notice negative examples than positive examples.

FEAR, NEGATIVITY BIAS AND CONCERNS ABOUT CHINA'S OVERSEAS ENGAGEMENT

Scientists state that, as a species, *Homo sapiens* has a built-in negativity bias based on fear. As the cognitive psychologist Daniel Kahneman (2011), who won the Nobel Prize in Economics in 2002 for his insights and cognitive psychology, argues, the brains of human beings and other animals contain a mechanism that is designed to give priority to bad news. Experiments show that information, stories, events and experiences that we perceive as negative are imprinted in our minds more quickly than positive perceptions, and that negative experiences and events linger more strongly and longer in our memories than positive ones.

In the academic world, an example is authors' responses to reviews of papers submitted to journals where the positive comments referees make are for most people ignored and where what are recalled are the critical remarks of 'referee number two'. The same principle applies to teaching evaluations where teachers ruminate 12 times longer on the anonymous negative comments of the one student who does not like him or her and their teaching than on the glowing comments of students who appreciate them.

This negativity bias is demonstrated in much of the West's reaction to China's role in Africa. Around 2006, West started to notice that the Chinese were also in Africa. China had been funding infrastructure in Africa since at least 1960, yet aside from a brief 'red scare' period in the 1960s and 1970s, no one was noticing. At a time when the rest of the international community had turned away from infrastructure finance, the Chinese were primarily building roads, bridges and electric power plants, airports and government buildings. As we will see below, according to opinion polls, their contribution was widely regarded as positive in the countries where they were working. Yet, around 2006, the media, especially in Western countries, and politicians, especially the Republicans and Democrats in Washington, began to perceive China as a threat, labelling it a 'new imperial power'. They saw its involvement as bad news for other developed and developing countries. The Chinese might fund the construction of dozens of hospitals, but if one developed a crack, as happened in Angola, or if one cave-in happened on a bend in a Zambian road, the impression spread that all Chinese construction work was shoddy (*The Economist*, 2011).

More than 10 years ago, Mawdsley (2008) captured the media side of this dynamic beautifully, where evidence was presented that when the UK media looks at China and the West together, China is generally portrayed in a negative light as a nefarious actor and the West is portrayed in a positive light.

It is not just British newspapers that portray China's African engagement in a frightening manner. The US government has made similar claims. Former Secretary of State Rex Tillerson labelled China a predatory lender. When National Security Advisor Ambassador John Bolton launched the Donald Trump administration's Africa policy in November 2018, he mentioned Africa 40 times in his speech and China 17 times. China, he claimed, 'uses bribes, opaque agreements, and the strategic use of debt to hold states in Africa captive to Beijing's wishes and demands'. Bolton went on to claim that the US vision for Africa was 'of independence, self-reliance and growth' rather than 'dependency, domination and debt'. In the same speech he claimed that China's 'predatory actions' were subcomponents of broader strategic initiatives including the Belt and Road Initiative (BRI), which was described as 'a plan to develop a series of trade routes leading to and from China with the ultimate goal of advancing Chinese global dominance' (Bolton, 2017).

This negativity bias about China's role in other developing countries is not just limited to the current administration and to Republicans. In 2011, Secretary of State Hillary Clinton went to Africa to warn Africans against 'the new colonialism'; and at the 2014 US–Africa summit, President Barack Obama's paternalistic advice to African leaders that they 'make sure that if, in fact, China is putting in roads and bridges, number one, that they're hiring African workers' repeated another myth: that China does not employ African workers, one whose falseness has been demonstrated by scholars such as Barry Sautman (Sautman & Yan, 2015).

The result is a situation where for over a decade Western politicians and pundits have warned that China is a rogue donor with regard to its finance, is a new colonialist, and a predatory and pernicious lender that snares vulnerable states in a debt trap leveraging its loans in order to have its way with weak victims.

From my perspective as someone who first began to study China 40 years ago in 1979, only three years after the end of Mao's Cultural Revolution, the relatively sudden change, especially in the past two years, in the global zeitgeist and in the degree of alarm regarding China's activities outside its borders that is reflected in these headlines, is perplexing, especially when one considers the actual evidence of China's activities as opposed to fears and projections about what those activities portend.

To be sure, there are reasons for concerns about new developments in Chinese engagement overseas. An example is the South China Sea where the Chinese are fortifying islands and creating new 'facts on the ground' claiming large swaths of the area to be part of China. I remember as a graduate student in the 1980s studying the overlapping claims on the islands off the coast of Japan, the islands and shoals in the South China Sea (the Spratly, Paracel, Pratas, Scarborough Shoal, Macclesfield Bank and so on) and the implications of China's claims. Forty years later, these concerns have intensified as China and others in the region move to militarize some of these rocky outcrops. Conflicts have emerged.

Of the heightened concerns about Chinese overseas engagement, the one I think has the most concrete foundation is that in July 2017 the Chinese opened their first overseas military (support) base in Djibouti, even though establishing an overseas base is something that China repeatedly said it would never do. Djibouti occupies a strategic location on the Bab-el-Mandeb Strait that separates the Horn of Africa from Yemen and the Arabian Peninsula. The Chinese facility lies on the major Gulf of Aden–Suez Canal maritime shipping route, and is located only 7 kilometres from the US special operations Camp Lemonnier used to prosecute the 'War on Terror'. The US Africa Command (AFRICOM) in Germany is alarmed about the proximity of the two facilities. The establishment of a Chinese facility is not a surprise. China would be unlikely to allow its economic security to be protected forever by the US' security umbrella, especially since the United States has a history of imposing crippling trade embargoes on China and other countries. Yet, the base in Djibouti raises questions as to whether China's outward march will continue to be peaceful.

CHINA'S BELT AND ROAD INITIATIVE (BRI) AND THE QUESTION OF DEBT

In 2013, Beijing initiated a new and much larger global infrastructure-building strategy: the Belt and Road Initiative (BRI). To many people, the BRI is exciting, resembling a new Marshall Plan, and to others, it is alarming. Beijing portrays it as a cross-border, win–win economic stimulus package that will spur economic growth in China and also the countries with which it engages along the old Silk Roads (Liu & Dunford, 2016). China has pledged to finance and build infrastructure, creating new economic corridors that stretch across central Asia to Europe and south and south-east to the Indo-Pacific.

In Washington, however, the spin is that the BRI is not really about commerce but is about China's strategic dominance: that China wants to use its economic muscle for political leverage, that China wants to rewrite business rules and practices developed by the West or even that China wants to rule the world, using the BRI as a kind of weapon. This kind of rhetoric has increased as the BRI has brought China closer to Europe. Recent investments by Chinese companies in ports in Greece and elsewhere in Southern Europe have been called Trojan horses entering Europe through its soft underbelly (Johnson, 2018; Lee, 2018). China, by buying up ports, is said to be trying stealthily to expand its military presence along ancient trading routes and vital shipping lines.

These images have power. What are China's intentions? So far there is plenty of speculation, but no incontrovertible evidence of Chinese military strategy connected to the BRI. However, in 2017, some people thought they had found a case. In that year Sri Lanka sold a majority of shares in its loss-making Hambantota port to China Merchants Port Holdings Co. for US$1.12 billion (Brautigam, 2019).[1] This transaction was characterized as an 'asset seizure' as though the Chinese had forcibly taken control of the port when the Sri Lankans were allegedly unable to repay the Chinese loans that had financed the port's construction. As we will see, the actual story was quite different from this characterization. Yet, it was at this point that the Chinese debt-trap diplomacy meme was invented by an alarmed Indian pundit. The US government jumped on the bandwagon and, as noted above, top officials in the Trump administration began repeatedly warning that China has a deliberate strategy of entangling other developing countries in a web of debt and then using debt to extract unfair or strategic concessions.

Debt sustainability in several countries borrowing from China under the new BRI is a concern. At a joint International Monetary Fund (IMF)–Peoples' Bank of China conference in Beijing in April 2018, the former head of the IMF, Christine Lagarde, stated that, in the case of large-scale spending, 'experiences from across the globe show that there is always a risk of potentially failed projects and the misuse of funds' and that infrastructure financing 'can also lead to a problematic increase in debt, potentially limiting other spending as debt service rises, and creating balance of payment challenges (Lagarde, 2018). At the April 2019 Belt and Road Forum for International Cooperation, she stated:

> history has taught us that, if not managed carefully, infrastructure investments can lead to a problematic increase in debt. … I have said before that, to be fully successful, the Belt and Road should only go where it is needed. I would add today that it should only go where it is sustainable, in all aspects. (Lagarde, 2019)

These concerns arise as most of the countries currently borrowing from China have histories of IMF bailouts, so that they have gone through cycles of debt in the past and seem to be again. And nearly all of them, including China, have weak institutions.

However, does evidence exist for this kind of debt leverage? The Johns Hopkins School of Advanced International Studies curates a database on Chinese lending to Africa (Brautigam & Hwang, 2016). It has information on about more than 1000 loans and, so far, in Africa, we have not seen any examples where we would say the Chinese deliberately entangled another country in debt, and then used that debt to extract unfair or strategic advantages of some kind in Africa, including 'asset seizures'. Angola, for example, has borrowed a huge amount from China. Of course, many of these loans are backed by Angola's oil exports, but this is a commercial transaction. China is not getting huge strategic advantage in that relationship. Similarly, others have examined Chinese lending elsewhere in the world – some 3000 cases – and while some projects have been cancelled or renegotiated, none, aside from the single port in Sri Lanka, has been used to support the idea that the Chinese are seizing strategic assets when countries run into trouble with loan repayment (Kratz, Feng, & Wright, 2019).

The evidence so far, including the Sri Lankan case, shows that the drumbeat of alarm about Chinese banks' funding of infrastructure across the BRI and beyond is overblown. In a study we conducted using our data on Chinese lending and African debt distress through 2017, China was a major player in only three low-income African countries that were considered by the IMF to be debt distressed or on the verge of debt distress (Eom, Brautigam, & Benabdallah, 2018). A similar country-by-country analysis that included use of our data shows that the Chinese are, by and large, not the major player in African debt distress (Jubilee Debt Campaign, 2018). Therefore, the role of China in African debt distress was limited when one remembers that there are 54 countries in Africa.

That this narrative about the Chinese threat has cracks in it comes out in other things such as public opinion polls. When the Pew Charitable Trust goes to Africa, when Afrobarometer conducts surveys, and when the BBC's World Public Opinion Polls (PIPA) ask questions in developing countries, and particularly in Africa, about attitudes to China, they find that although there are exceptions, a large number of people have favourable opinions of China as an economic model and consider China an attractive partner for their development. For example, in 2014, 65% in Kenya, 67% in Ghana and 85% in Africa's most populous country, Nigeria, had favourable views of China. The question is why? The answer is easy. The BRI slots very neatly into other countries' national development aspirations. China has excess foreign-exchange, construction capacity, mid-level manufacturing and it needs to invest these overseas. In the case of Asia, the Asian Development Bank (ADB) has identified a shortfall of infrastructure finance put at US$26 trillion over the 15 years between 2016 and 2030 (ADB, 2017). Huge sums are required to sustain growth, reduce poverty and mitigate climate change. In Africa, the African Development Bank estimates the annual infrastructure requirements are US$130 to US$270 billion/year. The World Bank and the other wealthy country donors that are active in these areas have not been financing much infrastructure. Furthermore, thought leaders in developing countries who have written public opinion pieces on these issues often see China as offering an exciting menu of new ideas about development, while new ideas are not coming out of the West. Therefore, rather than being unenlightened, ignorant and in need of paternal protection from Western countries, they may see the same scenes differently than we do here in the West.

RASHOMON, CHINA AND AFRICA: STORIES SEEN AND INTERPRETED DIFFERENTLY

Throughout I have made the case that as regards China, a common pattern is for observers, particularly from the West, to see a set of events and interpret them very differently from the way they may be seen by those who are participants in the activities. Some stories will now that illustrate how this can happen.

Debt for natural resources

A very large and very poor but resource-rich country that was just emerging from a period of intense conflict decided to focus on development. Soon afterwards it was visited by a major Asian power that had already become a significant consumer of its oil. This major power said: we will make a deal with you. We will provide you with a line of credit worth US$10 billion and you can use that credit to get our companies to develop your ports, develop your power plants and construct infrastructure for you, and you can repay us with oil. This proposal was quite controversial, and it took a long time for the country to agree with this proposal. Eventually, however, it signed an agreement: the finance started to flow and work started.

When I tell this story, the audience is usually asked to identify the large poor country with oil. Very few people who have not read this story reply 'China' (Brautigam, 2009; Brautigam & Hwang, 2016). And yet, the oil-rich country in this story was China, and the year was 1978, when China was emerging from the tumult of the Cultural Revolution. After years of negotiations, Deng Xiaoping signed this deal with Japan's Prime Minister Tanaka.

So why did Japan do this? Japan and China were not friends; far from it. However, Japan saw commercial opportunities for its companies. The Japanese realized that China was not creditworthy, as it could not be expected to secure sufficient foreign exchange to repay its loans. Therefore, the Japanese secured the loan with oil and coal exports. It was business. Japan got its companies into China early as well as its exports, so that when China needed machinery, expertise and, eventually, spare parts for that machinery and follow-on projects, it would turn first to Japan. For Japan, this step was of strategic economic significance, while for China, which was not a member of the World Bank or the IMF and could not borrow on international capital markets, accepting this loan made practical sense.

It is in the light of this experience that the Chinese are thinking about what they can do in places that are not creditworthy and how they can secure their loans and still generate business in places where others fear to tread. This experience was very influential, but this model was not new to Japan, either: it is an international financial model that has been around for a long time.

An Angolan ghost city

The second story is about a ghost city in Angola. In 2010, Angola accepted a US$2.5 billion oil-for-infrastructure loan from the Industrial and Commercial Bank of China to build the Nova Cidade de Kilamba, 30 kilometres from the capital, Luanda. To date, the city comprises some 750 five- to thirteen-floor apartment blocks, over 100 commercial premises, 17 schools and 24 daycare centre, as well as over 240 stores. At first this enormous complex was empty. Around 2012, journalists visited it and photographed a wonderful expanse of buildings and playgrounds, but there was no one there. They declared it a ghost city, filed their stories, went home and then the story of Angola's ghost city began. However, while the story of the ghost city was being circulated, the actual city of Kilamba began to fill up.

As scholars have noted, the take-off of the city was slow for several reasons (Alves & Benazeraf, 2014; Buire, 2015). First, occupation of the city had to await the provision by the Angolan side of water and sewerage services. Second, the management company set prices that were too high: once long-term, low-cost mortgages were available for apartments costing US $70,000–140,000, the apartments quickly filled up with savvy Angolans who could not afford an apartment in Luanda, one of the most expensive cities in the world. The ghost city financed by a Chinese loan does not exist, and yet this dead idea is like a zombie that continues to arise and walk again, over and over.

A Venezuelan story

The next story concerns Venezuela as astutely analysed by Matt Ferchen, a resident scholar at the Carnegie-Tsinghua Centre for Global Policy, where he runs the China and the Developing World programme. Ferchen pointed out that Venezuela upended claims of Chinese debt trap diplomacy: 'claims about China's debt-trap diplomacy unquestioningly assume that China's own economic and geostrategic interests are maximized when its lending partners are in distress. Such assumptions need to be more carefully examined, and the case of Venezuela shows why' (Ferchen, 2018). He pointed out that Venezuela is the largest recipient of Chinese official finance overseas. China's investment was in long-term oil for loans partnerships of the kinds described with regard to Japan and China.

After a phase of high oil prices, reaching more than US$100 per barrel, up to 2014, prices fell by more than half. Commencing in March 2015, the US government imposed sanctions on Venezuela, including against the Central Bank of Venezuela (BCV) and the state oil firm Petróleos de Venezuela SA (PDVSA), which generates 90% of the country's revenues. According to the US Department of Energy, in April 2019, Venezuelan oil output reached a 16-year low, while the country has suffered from a protracted economic and political crisis and failed to provide China with the promised oil deliveries. In these circumstances the response of the Chinese side was to restructure the repayment terms, allowing Venezuela a two-year respite from principal repayments. During this period, China purchased oil from Venezuela for cash, rather than using the proceeds from the sale of the oil shipments to repay the loan. Once the two years were up, however, the economic situation in Venezuela had deteriorated further, while the country also had other international obligations to Russia, including several oil projects in which Rosneft was involved. China, observers noted, had little interest in accumulating Venezuelan assets, even when Venezuela was unable to resume repayment (Faiola & DeYoung, 2018).

In this situation, which resembles a lending trap for China rather than a debt-trap for Venezuela, China was unable to use coercion to secure oil shipments and loan repayments, not least because it is inconsistent with its position on non-interference in the internal affairs of other sovereign states. China finds itself without foreign policy instruments to get back the money it is owed. Ferchen concludes that the Venezuela case shows that in this significant case China's loans have 'clearly undermined China's own economic and geostrategic interests' (Ferchen, 2018).

Debt-trap diplomacy: the Sri Lankan case

China has been involved in the construction or operation of 116 overseas ports in 62 countries. Of these projects, that in Hambantota, Sri Lanka, is the only one cited as an actual instance (rather than projected possibility) of debt-trap diplomacy as, following an election upset, the highly indebted Sri Lanka conceded control of a port to a Chinese company on a 99-year lease. *The New York Times* (2018) characterized this as 'China got Sri Lanka to cough up a port'. Is there evidence that China planned matters in this way? Did China deliberately set a debt trap? Was this an asset seizure for non-payment?

To answer these questions, it is necessary to examine the historical context and to ask first of all why China is interested in financing, constructing and acquiring ports. The debt-trap diplomacy meme is associated with the geopolitical concept of a String of Pearls. First used in a 2005 report on Energy Futures in Asia produced by Booz Allen Hamilton for the US Department of Defence (*The Washington Times*, 2005), the concept suggests that China plans to develop a chain of military and commercial facilities along maritime routes from the Chinese mainland to Port Sudan in the Horn of Africa, encircling India and threatening its national security.

Are there other explanations for China's keen interest in ports? China's own history provides some insight. Port projects were one of China's top priorities when its first adopted reform and opening up in 1978. Between 1980 and 2000, China built more than 184 new ports with associated industrial development and urban residence zones (this model is now known as the 'port–industrial park–city' model associated with the Chinese city of Shekou in the bustling commercial region of Shenzhen). As ports are capital intensive with low rates of return on capital due to the long periods over which they are developed and capita is depreciated, China gave preference to joint ventures with foreign investors who were expected to provide capital and operating efficiencies. Since then, Chinese ports have hosted numerous foreign investors (Brautigam, 2019).

Today the port and shipping industries are globalized with increasing degrees of industrial concentration. Just one example is the Danish shipping company Maersk, which serves 343 ports in 121 countries, and its associated companies that include APM Terminals with infrastructure in 73 ports and 154 inland locations. As the largest exporter and the second largest importer in the world, and as a country with a large port and shipping sector, Chinese port and shipping companies are also seeking to grow by investing abroad, acquiring existing assets and establishing joint ventures. A case in point is the partially state-owned and Hong Kong-headquartered China Merchants Port Holdings Company (CM Port), which acquired Hambantota. In 2013, it embarked on a globalization path with the acquisition of a 49% stake in the Terminal Link subsidiary of the French Compagnie Maritime d'Affrètement-Compagnie Générale Maritime (CMA-CGM). CMA-GGM is the world's third largest container shipping company, while Terminal Link has terminals in 15 ports.

At the same time other countries seeking to embark on industrial growth are eager for Chinese capital and know-how. As a result, Chinese companies have also become involved in the construction of overseas port–park–city projects, often as joint ventures. In places where they are likely to be lacking, ports must be developed ahead of demand. Development, however, involves an act of faith that if the port is built, the ships will come. However, investment in ports and industrial zones along with urban development is not only long-term, requiring many years to recover costs, but also revenues are dependent on trends in global trade and dependent on a port's ability to develop and implement a strategic plan to attract shipping, investors and residents.

In the case of Sri Lanka, the idea of constructing a new port near the village of Hambantota in the remote southern part of the country has been a part of Sri Lankan development plans for several decades (for more details, see Brautigam, 2019). In 2002, the French Port Autonome de Marseille offered to carry out a feasibility study, for example. A Chinese firm became involved in 2004 when, after a devastating tsunami, Sri Lanka used Chinese government foreign aid to rebuild the artisanal fishing port in Hambantota; China Harbour Engineering Company (CHEC) was chosen to implement that project. With the end of Sri Lanka's civil war in 2005, and the election of Mahinda Rajapaksa, who was from Hambantota, plans to make Hambantota into an Indian Ocean trade, investment and services hub took off. After completion of a Danish feasibility study, in 2007 the CHEC secured a contract to construct the first phase and China EXIM bank provided a US$307 million commercial buyer's credit at a fixed rate of 6.3% (Sri Lanka was offered a variable rate but selected the fixed rate as interest rates appeared to be increasing at that time). In 2010, a second phase was launched with a 2% concessional rate loan from China EXIM Bank. However, under the management of the Sri Lankan Port Authority (SPLA), the ships did not come. Political infighting stymied the roll out of some of the planned services, such as oil bunkering. In the period from when the port was opened ahead of schedule in 2010, the SPLA lost more than US$300 million. It is often necessary to build infrastructure ahead of demand, and losses in the initial years of a port are not unusual. Hambantota had only 34 ship arrivals in 2012 (interestingly, this was the only figure on ship arrivals noted by *The New York Times*, 2018). In 2016, by contrast, 281 ships arrived at Hambantota. Yet, this was still below potential and there was clearly not a consensus or a clear strategy in the Sri Lankan government about how to attract business to the new port.

In January 2015, the Rajapaksa government was defeated in an election. By the end of 2016, Sri Lanka had an external debt of US$46.4 billion according to the Central Bank of Sri Lanka and the IMF – 57% of gross domestic product (GDP) – of which about 10% was owed to China. The new government saw the Hambantota project as a pet project of the former president. Seeking to raise foreign exchange to make sovereign debt repayments, it decided to privatize a majority stake in Hambantota port. The proceeds were used to increase Sri Lanka's US dollar reserves in 2017–18 with a view to the repayment of maturing international sovereign bonds. (China's loans were at lower interest rates than the rate for Sri Lanka's US dollar bonds, which were at least 8% and up to 12%, so it would not have been practical to use the proceeds to pay off the lower Chinese loans.)

The port's builder CHEC and another Chinese firm, CM Port, both bid for the port, and CM Port was chosen by the Sri Lankan government. CM Port had already completed a build–operate–transfer container terminal in Sri Lanka's port of Colombo. In 2017, it acquired an overall stake of 70% in two joint ventures (with SPLA) connected with the Hambantota Port for an upfront payment of US$1.12 billion. Although some have thought this was a debt equity swap, the debt remained in place. Responsibility for the loan repayment in accordance with the original agreements was assumed by the Sri Lankan central government.

CM Port is the largest port owner and operator in China, handling almost 30% of all the containers shipped in and out of China, so that it has the capital and commercial relationships with shippers required to attract traffic. CM Port has already started to develop an adjacent industrial zone costing US$600 million and to enlist investments by large Chinese state-owned enterprises (SOEs) to invest in the zone and connectivity infrastructure is under construction. Envisaged are the expanded development of oil bunkering and refining facilities with the port emerging as a major deep-water storage, refuelling and maintenance stop just a short distance from the main sea lanes that link the Suez Canal and the Malacca Straits, traversed by the world's largest container ships and oil tankers. Also planned and going beyond the Danish study are the establishment of manufacturing and logistics companies transhipping to the Indian subcontinent. As Sri Lanka and India have a free trade agreement, companies setting up manufacturing activities in Hambantota will have duty-free access to Indian markets, though India may be concerned about the impact on its trade deficit with Chinese companies.

Therefore, the sale of Hambantota was originally a fire sale designed to raise money to deal with larger debt problems. As such it has a great deal in common with the sale of interests in the Greek port of Piraeus to the Chinese shipping company COSCO, as the Greeks also faced a debt crisis. Commercially the sale of the port of Piraeus has proved a success as anticipated at the time when Cosco's chief executive officer (CEO), Wei Jiafu, said: 'We have a saying in China, "Construct the eagle's nest, and the eagle will come." We have constructed such a nest in your country to attract such Chinese eagles' (cited in Brautigam, 2019).

In the Sri Lankan case, the debt-diplomacy meme asserts that China inveigled Sri Lanka to 'cough up a port'. In the Greek case, a strategic choice was made to bring in a Chinese shipper. These are two different framings of similar stories.

Debt-trap diplomacy? The Djibouti case

It was indicated above that Indian concerns about Hambantota were related to a potential Chinese military presence, although the present account indicates that there are also potential commercial challenges. However, Indian concerns about the potential military uses of Hambantota spilled over into US government concerns about China's port investments in the small African country of Djibouti. Senior officials in the US administration charged in December 2018 that Djibouti might:

> soon … hand over control of the Doraleh Container Terminal, a strategically-located shipping port on the Red Sea, to Chinese state-owned enterprises. Should this occur, the balance of power in the Horn of Africa … would shift in favour of China. And, our U.S. military personnel at Camp Lemonnier could face even further challenges in their efforts to protect the American people. (Bolton, 2018)

In 2015, after about seven years of engagement in anti-piracy operations along the trade routes off the coast of Somalia, China established its first overseas military facility in Djibouti alongside those of several other countries. Djibouti has been quite successful in attracting military tenants, but it seems as if China is the only country to share Djibouti's vision of itself as the potential 'Singapore of Africa', much as Hambantota might be seen as a potential Singapore of the generally inward-looking Indian subcontinent.

Djibouti occupies a strategic location on transit routes to the Suez Canal and is an outlet to the sea for land-locked Ethiopia, which, with over 110 million citizens, is Sub-Saharan Africa's second most populous country. It is well positioned to serve as a hub for transhipment, industrial processing and duty-free wholesale activities in the Horn of Africa. To meet its ambitions, in 2006 Djibouti granted Dubai's DP World an exclusive 30-year concession, but terminated it in 2018 when DP World was unwilling to expand its investment beyond the Doraleh Container Terminal.

With the help of Chinese loans, CM Port was involved in the construction of the Doraleh Multipurpose Port, from 2013, aiming to make Djibouti a showcase 'port–park–city', but it faces a challenge in that DP World is suing CM Port, accusing the Chinese firm of luring Djibouti to break its exclusive contract with DP World. Although DP World was unwilling to expand its investments in Djibouti, it clearly sees prospects for port development in that part of the world. One of Djibouti's concerns was DP World's project to construct a rival port in Somaliland that would also serve Ethiopia.

Ambitions of this kind lie at the heart of China's lending and investment programme in Djibouti's port and zone projects. In this case there is another *Rashomon*-type story. On the one side, the US military has been concerned about China gaining control of the entire port and threatening US military operations. The Djibouti government has accused DP World of not wanting to invest in Djibouti, but just wanting to sit there keeping potential competitors out while they invested in other places around the Horn of Africa, whereas the Chinese were prepared to invest. Naturally, DP World sees it differently. In the meantime, borrowing to finance the port and the Djibouti–Addis Ababa railway infrastructure in a country with a small economy led to large increases in Djibouti's foreign debt (about US$1.3 billion) and now this small country is at risk of debt distress.

Is Djibouti a case of deliberate Chinese debt trap diplomacy? So far it is difficult to see any Chinese leverage being used to gain a strategic asset. It is true that Djibouti borrowed from China and now has a debt to repay, but one cannot easily build a major port and railway line in a very small country without borrowing a substantial amount of finance. If the Djibouti port is to serve Ethiopia and if Djibouti wants to follow the model of Singapore and Dubai, it has to take risks. As a commercial maritime venture, projects such as the Djibouti port expansion can be viewed as potentially attractive but risky. The fact that rival projects are under way suggests there is a business case for the investment; and in this case Djibouti has a head start. It will be some time before we know whether this investment will be a white elephant problem for Djibouti, or for the Chinese funders. However, there is so far little reason to think that the Chinese project poses a direct threat to the other nations that have military interests in Djibouti, including the United States.

CONCLUSIONS

This paper started by introducing the Japanese film *Rashomon*. By the time the film ends, it is no longer clear who is the victim and who perpetrated the crime. Was it a story of deceit or heroism? Did a rape actually occur? Was there a principal; was there an agent or even a victim; and what will happen to the protagonists? Akira Kurosawa does not provide a tidy ending and the viewer is left to debate the outcomes.

What Kurosawa does is similar to what academics do. As academics we often leave things ambiguous, are vague about them and call them grey areas: it could be this; it could be that. Truth can never be known. At times academics are quite smug in making claims about the unknowability of the truth.

However, I would like to argue for more engagement, for taking a stand. Despite ambiguities, we should dig into the stories that we think we know, especially when they affect public policy, as is happening right now. I would urge you to embrace a mission, on which some of us have embarked, of helping to bridge the gap between what we do as isolated academics and what the pundits and the policy advisors do outside of our ivory towers. This mission is to bring in what we know as experts in our fields, to publicize the facts and the evidence that we do have and which are very much out of favour in Washington right now. To bring these things into the debate involves trying to write for wider audiences and to talk to the media, to policy-makers, including the intelligence community. This is how I currently spend my time. I do not often attend academic conferences. I prioritize speaking to the military, to policy-makers, to the IMF and to the US State Department about these issues. In my own field of the political economy of China's engagement with other developing countries, the most widely circulated news media generally offers only one narrative, and policy-makers are not able to really dig into these stories.

The story of Chinese lending is far more complicated, interesting and potentially developmental than it is currently portrayed. Other academics may find that similar issues arise in their own work, where the simple narrative and the conventional wisdom are contradicted or put into question by field research and empirical findings. Being a bridge between academia and the policy world can help to build the kind of epistemic networks that over time can produce a fundamental rethinking of the conventional wisdom, leading to shifts in praxis. And that is how both theory and practice evolve.

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1. A concession agreement relating to the development, management and operation of the port was signed on 25 July 2017 by China Merchants Port Holdings Company Ltd (CMPort), Sri Lanka Ports Authority (SLPA), the Government of the Democratic Socialist Republic of Sri Lanka (GOSL), Hambantota International Port Group (Private) Ltd (HIPG) and Hambantota International Port Services Company (Private) Ltd (HIPS), under which CMPort will invest up US$1.12 billion, of which nearly US$1 billion will be paid to the SLPA for 85% of the share capital of the HIPG, and of which the HIPG uses a portion to acquire a 58% share in the HIPS (http://www.cmport.com.hk/En/news/Detail.aspx?id=10007328).

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