



**China's Engagement and Embroilment in South Asia:  
Limits and Possibilities**

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## About the Author

**Shantanu Roy-Chaudhury** is a Research Associate at the Institute of Chinese Studies. He is a foreign affairs analyst with an interest in China's relations with the South Asian region. Shantanu is the author of "The China Factor: Beijing's Expanding Engagement with Sri Lanka, Maldives, Bangladesh, and Myanmar" (Routledge, 2023). The book examines China's political, economic, and defence relations with the four nations and weighs the dividends of the bilateral relationships to better comprehend the geopolitical subtleties in the region, along with the implications for India. How China's engagement in the region is also linked to Chinese President Xi Jinping's wider ambitions of national rejuvenation is also illuminated upon. He was previously a Research Associate at the Centre for Air Power Studies (CAPS), a defence and security think tank affiliated with the Indian Air Force, and has also worked at the United Service Institution of India (USI). Shantanu has an M.Phil from the University of Oxford (St. Antony's College), where he focused on the International Relations of South Asia, and a Bachelor's degree in History from Hindu College, University of Delhi. At Oxford, his thesis examined the effect of the growing Chinese influence in Sri Lanka on the Indo-Sri Lankan relationship and studied the Indo-China rivalry in the Indian Ocean.

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# **China's Engagement and Embroilment in South Asia: Limits and Possibilities**

## **Abstract**

This paper explores China's strategic interests in South Asia by focusing on Pakistan, Nepal, and Sri Lanka. It examines China's foreign policy objectives with respect to these three countries and highlights the obstacles and apprehensions Beijing currently faces in its bilateral relations with them. The paper emphasises how China's role in South Asia has undergone a transition from assuming a largely non-interfering stance to more direct engagement. With increased involvement in the countries' domestic politics and security issues, China has clearly expanded and intensified its engagement in Pakistan, Nepal, and Sri Lanka. This increased involvement in the countries' domestic politics and getting roiled up in their domestic political and security issues has often proven counter-productive for China. Nevertheless, China's influence in the region and its ability to recalibrate should not be underestimated. In China's broader strategic goals, it appears that it is willing to forego economic returns for strategic gains and an increasing influence in India's neighbourhood. Ultimately, China's engagement in South Asia adds another dimension to the complex bilateral dynamics with India and intensifies the India-China contradictions within the region.

**Keywords:** China, BRI, South Asia, India, Pakistan, Nepal, Sri Lanka

## **Introduction**

For South Asia, 2023 and 2024 had and will have significant events that could potentially alter domestic and regional politics. In April 2023, Bhutan held its national council elections and the Maldives will be going to the polls to elect a parliament and president in September. National elections will subsequently be held in both India and Bangladesh in 2024. Nepal had held general elections in November 2022, which saw considerable political jostling and new alliances being forged in the months after the results were declared. Additionally, with tumultuous domestic politics and precarious economic situations in Pakistan and Sri Lanka, South Asia is seemingly at yet another inflection point, and offers fertile ground for regional and extra-regional actors to make important interventions.

Looking at the larger players, India and China will closely be following developments along with the United States (US) to ensure the protection of their interests in the backdrop of an increasingly polarized geopolitical scenario which includes the escalating strategic competition between the US and China and the continuing border standoff between India and China (Hass 2021) (Curtis and Grossman 2023). This paper will seek to examine China's aims and objectives in South Asia, focusing on Pakistan, Nepal, and Sri Lanka. Given the major developments mentioned above, it is only to be expected that increased Chinese activity would be seen in the region. Over the past decade and a half, we have witnessed a transition in the People's Republic of China's (PRC) low-key presence in South Asia to a much more proactive role. This has been bolstered due to the Belt and Road Initiative (BRI) which has magnified China's presence in the region and undergirded its active engagement. At its best, this approach has led to increased development and trade, and at its worst, Beijing has been accused of political interference and funding politicians and parties and using covert means to achieve its strategic interests (Abi-Habib 2018). China's engagement in the three countries, despite the setbacks, which are dealt with in the sections that follow, will continue to be pushed forward and entrench China deeper into South Asia. Consequently, the newer dynamics arising out of greater Chinese presence and role in the region will become an increasingly dominant and vexatious aspect of India-China relations, notwithstanding any – though unlikely - improvement in the boundary dispute.

The paper is structured as follows. At the outset, the reason for South Asia's importance in China's strategic calculus and its prioritisation will be examined along with China's interests in the region. Next, in country-wise sections, China's main interests and apprehensions with the country in question will be uncovered. Finally, the paper would assess whether China has overexpanded its engagement and become embroiled in and tied to the nations' domestic issues at the expense of its strategic objectives. It concludes that despite some setbacks faced in Pakistan, Nepal, and Sri Lanka, China's engagement and influence in South Asia will remain strong, reflected in the characterization of South Asia as a part of China's neighbourhood (Xinhua 2013). This will continue to play into the India-China rivalry and will require a whole-of-government approach from New Delhi to assess and formulate an adequate response.

### **Beijing's Strategic Interests in South Asia**

China's approach to South Asia stems from its global imperatives and desire to become a leading global power, and should be viewed through this broader lens. Two conferences encapsulate China's shift towards the region and indicate the centrality of its peripheral regions to broader foreign policy goals. At the Conference on Diplomatic Work with Neighboring Countries in 2013, Chinese President Xi Jinping stated China's neighbourhood has "major strategic significance" and added there had been several changes in relations between China and its neighbours which required a more active diplomatic strategy (Xinhua 2013). The Central Conference on Work Related to Foreign Affairs in 2014 emphasised peripheral diplomacy and the importance of foreign policy to the Chinese Communist Party's (CCP) long-term objectives. It also comprehensively outlined China's "security-oriented approach" to diplomacy (Swaine 2015, 14). The focus on stability and harmony in China's peripheral diplomacy, shifted to the upholding of national interest, and defending its rights in the periphery, which emerged as paramount aspects of China's neighbourhood diplomacy (Swaine 2014). The periphery has consequently been elevated in China's strategic priorities, and its approach towards South Asia has been linked to the 'Chinese Dream' and 'two centenary goals' (Gokhale 2021).

Thus, strategic dominance of China's periphery becomes critical. Over the past decade, China has recalibrated its approach to the region which has led to Beijing becoming more invested in

domestic developments of these countries, as it strives to achieve its geopolitical ambitions. The PRC's strategic influence has also risen manifold after Xi Jinping's ascendance to power in 2012 and China's global ambitions were clearly laid out during the 19<sup>th</sup> Party Congress in 2017. This is a major departure from its earlier stance of non-interference in a country's internal affairs when dealing with foreign affairs (Zheng 2016). However, once China's strategic priorities grew, policy imperatives caused it to become more invested in other nations' domestic politics and development. With a modernising military and deep economic pockets, China has substantial capabilities and resources to continue deepening and intensifying its presence and power in South Asian geopolitics (Roy-Chaudhury 2023).

The consideration of South Asia as a part of its neighbourhood has changed the nature of the PRC's engagement in the region and bilateral ties with India are arguably the major casualty of its multi-faceted inroads. China's expansion into South Asia is also intensifying the India-China contradictions within these countries as Beijing attempts to mould South Asia into a favourable external environment. Although China is following a similar playbook in Southeast Asia, it has been less successful due to the American pushback (Sim 2023). In South Asia, however, China has had more success through the BRI and infrastructure assistance combined with India's inability or unwillingness to directly compete. This not only restricts India's options in South Asia but also creates multiple points of friction and/or suspicion to counter China, broadening the ambit of the potentially adversarial scenarios, beyond the unresolved boundary dispute. It can be safely asserted that as China continues to pursue and promote its projects and interests, despite occasional setbacks, it will come into increased contention with India.

China's foreign policy interests in South Asia revolve around building influence and gaining a geopolitical advantage over other major powers while trying to construct a China-centric and favourable order in the region and beyond, from the Straits of Hormuz and Bab al-Mandab Strait in the Western Indian Ocean to Malacca Strait in Southeast Asia. Four main trends encompass China's engagement in South Asia that serves Beijing's domestic, regional, and international objectives (Roy-Chaudhury 2023).

First, South Asia consists of developing countries and growing markets powered by a burgeoning middle class. Given China's export-driven economy, the countries in the region provide ample business opportunities. The BRI in this aspect facilitates such movements.

Second, these nations in India's neighbourhood play an important role in providing business for Chinese companies and state-owned enterprises through the BRI. Apart from India and Bhutan, the other nations of South Asia have signed up to the BRI and billions of dollars have been invested, given in loans, and smaller amounts as grants (Chatterjee Miller 2022).

Third, South Asia provides access to the Chinese mainland by circumventing the choke points of the straits of Malacca, Sunda, and Lombok in Southeast Asia. This takes place through the oil and gas pipelines as a part of the China-Myanmar Economic Corridor (CMEC) as well as through the China-Pakistan Economic Corridor (CPEC). It also allows China to monitor the Sea Lines of Communications (SLOC) through which most of the East-West trade and energy transportation takes place.

Fourth, at a strategic level, China's interests in the region may be understood in terms of constraining India within its neighbourhood and preventing New Delhi's emergence as a major power that could challenge Beijing's position in Asia. By establishing a substantial presence in India's neighbourhood, especially in the economic and political domains, China would seek to compel India to focus on its immediate surroundings rather than devote resources to, and project influence in, East Asia. In the view of the author, China's eventual goal would be to become an indispensable partner for these countries, regardless of their political dispensation, dislodging India from its traditionally dominant role in South Asia.

## **Pakistan**

China's relationship with Pakistan is its primary and most important one in South Asia. The two countries have an all-encompassing relationship spanning political, economic, and defence spheres. Pakistan's geographic position is strategically important as it would allow China to bypass the maritime chokepoints in Southeast Asia for its oil and gas requirements and further its access



to West Asia. Additionally, ties with Islamabad are also crucial for preventing terrorism and insurgencies from spilling over from Pakistan and Afghanistan across China's borders. Regarding India, China has been instrumental in bolstering Pakistan's military capabilities which include supporting Islamabad's nuclear weapons programme, its missile programme, and large arms transfers such as fighter aircraft and naval frigates (Small 2015).

Despite the robust political relations between Beijing and Islamabad, Pakistan has not become the partner China envisaged with the CPEC yet to reach its potential. Signed in 2015, the CPEC was the BRI's flagship project that would span industrial, infrastructure development, and energy sectors of Pakistan and result in an era of growth for the nation's economy. It would also be through the CPEC that China would harness the markets of West and Central Asia. However, Gwadar port, the epicentre of the project, located near the Strait of Hormuz has limited economic activity and lacks facilities and it has spawned a vigorous debate suggesting that the CPEC is likely to fail (Aamir, Macan-Markar, et al. 2022) (Sacks 2021).

Regardless of the veracity of the claims and counterclaims regarding the CPEC's success, the initiative resulted in a shift in China's approach towards Pakistan, whereby the overall stability and economic development of Pakistan became paramount. That imperceptibly, but inevitably led to increasing involvement in the country's fragmented domestic politics and in the power struggles between the Army and the political elite. The PRC was comfortable dealing with former Prime Minister Nawaz Sharif. Imran Khan-led protests in 2014 caused Xi Jinping to cancel his visit to Pakistan and Khan's Pakistan Tehreek-e-Insaf party also scrutinised various CPEC agreements made by the Sharif government, alleging corruption and nepotism. Imran Khan's government had also signalled their intent to review and renegotiate agreements which they claimed unfairly benefitted Chinese companies (Anderlini, Sender and Bokhari 2018). However, once in power, it appears the level of comfort from the Chinese side was not the same and they shifted to deepening their engagement with the army (Lalwani 2023).

Pakistan's economic crisis and chronic balance of payments problem have resulted in several bailouts from China, including a US \$1.3 billion loan in March 2023 and US \$700 million in February 2023. Earlier, in November 2022, Pakistan's finance minister stated the country had

secured a US \$13 billion bailout from China (PTI 2023). Rather than reaping the benefits of a growing Pakistani economy bolstered by the CPEC, Beijing has found itself repeatedly coming to Islamabad's aid, financially. It would not be an exaggeration to say that if Pakistan's economy implodes and it is unable to repay loans taken for the CPEC, China will also find itself in a quagmire and will be unable to avoid debt restructuring.

Protests and threats by several groups exacerbate the fragile economic situation in Pakistan that makes the CPEC an unviable investment, and in the view of the author, fast becoming a growing liability for China. Most of the projects around Gwadar port remain unfinished and the port itself is not completely functional. Baloch nationalist organizations have opposed the CPEC in Balochistan province and have resorted to sporadic attacks in Gwadar and along the CPEC to discourage Chinese investments (ANI 2023). Maulana Hidayat ur Rehman and his Haq Do Tehreek (Gwadar Rights Movement) have staged protests near Chinese construction sites, blocked the Gwadar East Bay Expressway, and had also warned Chinese citizens to leave Gwadar (Aamir 2022). Rehman is the general secretary of the Balochistan branch of Jamaat-i-Islami, one of the largest politico-religious groups in Pakistan (Grare 2022). Chinese nationals have also been targeted and killed with attacks taking place in Quetta and Karachi (Al Jazeera 2022) (PTI 2022). In one such attack, the Chinese ambassador to Pakistan, Nong Rong, appeared to have been the target (Webber and Aamir 2023). The people of Balochistan state the development policies do not take their apprehensions into account and the Gwadar Rights Movement was established in 2021 to take forward their concerns (Nazir 2023). Furthermore, other Chinese interests in Pakistan have also become targets for militants (Webber and Aamir 2023). In February 2023, the consular department of China's foreign ministry warned its citizens that they may be at higher risk and temporarily closed its consular services in Islamabad (Rehman 2023) (Embassy of the PRC in the Islamic Republic of Pakistan 2023). Combined with pressure from the government, it was reported that police in Karachi closed several businesses that were run and frequented by Chinese citizens, fearing possible attacks (Rehman 2023).

For China, the safety of its citizens, at a time when Pakistan is facing increasing terror attacks, is paramount. In January 2023, newly appointed Chinese foreign minister Qin Gang told his counterpart Bilawal Bhutto Zardari, that China was "highly concerned about the safety of Chinese

citizens in Pakistan and hopes that the Pakistani side will continue to take strong security measures” (Rehman 2023). Beijing’s displeasure at the security arrangements is unlikely to be assuaged and its presence has become a factor in domestic Pakistani politics and Baloch nationalism. China’s priorities in Pakistan, therefore, are increasingly geared towards dealing with these matters to ensure the safety of their citizens and the stability of the country. Undoubtedly, Beijing also fears terrorist groups in Pakistan (and Afghanistan) colluding with Uyghur and other organizations like the Islamic State that have previously criticized China’s policies and treatment of its Muslim minorities (Webber and Aamir 2023).

The economic woes of Pakistan and the rise in terrorist activity have only added to China’s headaches, despite it having an asymmetric military, diplomatic, and trade and investment relationship with Pakistan, resulting in significant influence over the country. Nevertheless, using Pakistan to balance India in South Asia and engaging Islamabad to counter terrorism and as a conduit to engage with the Taliban, the twin prongs of Beijing’s strategy, outweighs other concerns. Furthermore, the bilateral military relationship is flourishing, has significantly deepened over the last decade, and is unlikely to be affected by the other aspects of the bilateral relationship (Lalwani 2023).

## **Nepal**

Over the last decade, such doubts or hesitations as China may have had about not being able to displace India’s dominance and influence in Nepal have disappeared. From mainly investing in the Nepali monarchy and having limited linkages with political parties, China has become more involved in the Himalayan nation’s domestic politics, to further its own strategic objectives. This has led to attempts at micromanaging Nepal’s communist parties and completely disregarding India’s sensitivities. The process and results, however, have not always favoured China.

China’s objectives regarding Nepal are threefold. The first and foremost is to influence the Nepali government on the Tibetan refugees living in the country, due to Beijing’s security concerns. This is to ensure stability in Tibet and ensure Nepal does not become a hub for pro-Tibet and anti-China activities, including by the US and India. This has often resulted in China’s interference in Nepal’s

domestic affairs. The vulnerability of the Tibetans in Nepal, only increases as Nepal grows closer to China. At Beijing's behest, border forces have been reinforced and Tibetans fleeing China have been handed back to Chinese authorities along with increasing surveillance on those already in Nepal (Jones 2023). Second, deepening relations with Nepal across the political and economic spectrum, reduces Kathmandu's dependence on India and provides alternative trade routes while eroding New Delhi's influence in the country. Third, Nepal becomes immensely useful as a hub for expanding trade and commercial links into South Asia. Apart from inter-governmental relations, the two countries also engage via their communist parties. The CCP worked towards unifying the Communist Party of Nepal (Unified Marxist-Leninist) (CPN (UML)) and the Communist Party of Nepal (Maoist Centre) (CPN (MC)) with the Nepal Communist Party (NCP), which was formed in May 2018 under KP Sharma Oli and Pushpa Kamal Dahal (also known as Prachanda). As one of the foremost Indian diplomats who has observed China very closely, remarks, the Chinese embassy in Kathmandu has also been known to manage factions within the NCP (Gokhale 2021, 17).

The split of the NCP in March 2021 was viewed as a watershed moment in China-Nepal ties and necessitated a recalibration of relations. Attempts at keeping the NCP together, by the Chinese ambassador as well as a high-level delegation led by Guo Yezhou, vice-minister of the CCP's International Department were unsuccessful (Sonam 2021). The official split was a result of Nepal's Supreme Court ruling that dismissed the existence of the NCP and stated the new party could "not be registered with the Election Commission when it already has a party registered with a similar name" (Pradhan 2021). The court also annulled the 2018 merger of the CPN (UML) and CPN (MC), reviving the two parties. This ruling came as an additional blow to China's objectives of unifying the communist factions in Nepal. Nevertheless, a rapprochement of sorts seemed to have taken place when the 2022 national elections ushered in a coalition government led by the two communist parties, signalling a potential tilt towards Beijing and a noticeable decline in India's influence in the country. China, however, was unable to orchestrate an alliance between the two communist parties before the elections. Weeks after the elections, with the communist alliance in power, the Chinese ambassador to Nepal Chen Song was actively engaging with political leaders (Gelal 2023). The dynamic complexity of Nepali politics, however, dashed China's hope of a period of prolonged influence in the Himalayan nation as political upheavals led

to a multi-party coalition led by the CPN (MC) and the Nepali Congress after the CPN (UML) broke ranks with the CPN (MC) government led by Pushpa Kamal Dahal.

The inclusion of the Nepali Congress in the ruling government is expected to act as a further roadblock to China's influence in the country, as the former has been seen as traditionally close to India. The party also supported the American Millennium Challenge Corporation grant of US \$500 million for infrastructure projects, which was ratified in 2022. The PRC reacted angrily, with the *Global Times* describing the pact as an attempt by the US to make Nepal a geopolitical pawn and threatening peace in South Asia (Global Times 2022). The Nepalese, however, did not sign a military pact called the State Partnership Program (SPP) with the US, which was seen by Indian and Nepalese political commentators as assuaging Chinese concerns (Ghimire 2022). The rejection was also commended by Chinese foreign ministry spokesperson Wang Wenbin (PRC MFA 2022).

Therefore, although the government continues to be led by the CPN (MC)-led Prachanda who is widely known to be pro-China (Ghimire 2023), but flexible, Beijing's preference for a pro-China unified communist government that shared Beijing's ideology, did not bear fruit. Furthermore, rather than finding a cooperative and amenable government through which to expand its influence and engagement in Nepal, China finds itself in a situation where it has to spend time and resources building ties with the Nepali Congress, brokering another alliance between the two communist parties while working towards preventing an overt Nepali tilt towards India and checking the growing US presence in the region. Nepal clearly demonstrates China's increasing assertiveness, but the domestic politics in the Himalayan nation does appear to constitute a challenge to Beijing's strategic objectives in the region.

On the development front as well, although Nepal is officially a part of the BRI, Kathmandu has preferred to disassociate Chinese projects in the country from the BRI despite the vast Chinese activity in the country. AidData, a research lab that tracks Chinese development finance, has identified a total of 157 Chinese projects in the country (Custer, et al. 2021). *The Kathmandu Post*, citing official sources, has reported that no project under the BRI has been signed, and the two countries are working on finalising the text of project implementation under the BRI. Ram Karki, deputy chief of the CPN (MC) foreign and international department stated the BRI was not a

priority for Nepal. Alluding to the BRI, an official at Prime Minister's Office added that due to the economic situation in the country, Nepal was not in a position to take loans as it would increase the pressure on the economy (Giri 2023).

This dichotomy again came to light in January 2023 when, as mentioned earlier, the Chinese embassy in Kathmandu unilaterally called the Pokhara International Airport a “flagship project of China-Nepal BRI cooperation” (Spokesperson Of Chinese Embassy In Nepal 2022). According to Pradip Adhikari, Director General of Nepal's Civil Aviation Authority, this came as a surprise to Prime Minister Dahal, and other political party leaders also expressed concerns over the embassy's statement (IANS 2023). The loan agreement between Nepal's Civil Aviation Authority and China's EXIM bank did not mention the BRI (Pardafas Reporter 2023). The airport was also not on the list of nine projects identified by Nepal to be built under BRI funding. The list originally had 35 projects but was reduced to nine (Giri 2019). These included a feasibility study of the trans-Himalayan railway, an extension of a 400 KV electricity transmission line, setting up a technical university in Nepal, and the construction of new roads, tunnels, and hydroelectricity dams (Pandey 2022). Additionally, given the economic situation in Pakistan and Sri Lanka, Nepal is becoming more cautious when it comes to development infrastructure overtures and will likely push for grants from China rather than loans. Beijing may not easily be willing to make this change given the cascading effect it could have on Chinese lending around the world.

Notwithstanding the rough and tumble of Nepali domestic politics, Beijing holds significant influence in the Himalayan nation. Nepal has increased the scrutiny of Tibetans at China's behest, and has also attempted to reduce its economic dependence on India (Wong 2019). Arguably, Beijing has also successfully positioned itself as a political counterweight to New Delhi.

## **Sri Lanka**

China's relations with Sri Lanka appear to be overshadowed by geostrategic and geoeconomic motivations. The island nation is strategically positioned just above the shipping routes of the Indian Ocean and has the capacity to develop into a regional industrial and transport hub. China has supported this concept through the BRI (Xianliang 2016). By positioning itself in Hambantota,

China could possibly monitor the SLOC during a period when contestation in the Indo-Pacific region has increased significantly. Additionally, friendly relations with Sri Lanka could also be used to exploit its proximity to its northern neighbour and put pressure on and distract New Delhi to focus on its neighbourhood when required.

China's loans to the Sri Lankan government are clearly not the only reason for Colombo's economic woes. Rather, China is certainly integral to the solution. In April 2022, Sri Lanka defaulted on most of its foreign debt obligations amidst forex shortages. The economic situation, which forced the government to raise taxes and utility prices, led to public protests and the ouster of President Gotabaya Rajapaksa. In March 2023, China followed India and Japan in giving its support to Sri Lanka's debt restructuring that would enable a US \$2.9 billion bailout from the International Monetary Fund (IMF).

Until recently, Beijing appeared reluctant to cooperate with Sri Lanka's debt restructuring, preferring to take a wait-and-watch approach. Given the vast sums China has lent to many countries over the years, its primary concern was the possibility of a cascading effect if it agreed to reduce one borrower's debt. Other nations could then take Sri Lanka's example and request similar bailouts from China. It was also reported that China was willing to lend more to struggling countries and reschedule payments that would prolong their economic difficulties by avoiding economic restructuring (Douglas 2023). A March 2023 World Bank report stated that China had lent more than US \$230 billion as emergency support in the past decades to several countries, including Sri Lanka (Horn, et al. 2023).

As the island nation grapples with the challenge of reviving its economy, China has been forced to provisionally reorient its priorities in the country. Its high-profile engagement has certainly sucked China into Sri Lankan domestic politics and created temporary obstacles in the realisation of its goals (ANI 2022). There is certainly a major push from Beijing to debunk the 'debt trap' narrative, which uses Sri Lanka and the 2017 transfer of the Hambantota Port to a Chinese company for 99 years as a prime example of Beijing using loans to further its strategic interests. As Colombo strives to reinvigorate its economy, China's stance and actions regarding debt

restructuring in Sri Lanka would be the cynosure of many an eye and could well have global ramifications.

However, getting embroiled in Sri Lanka's domestic politics will not throw China off-course. Furthermore, given the strategic importance of China's activities, it may perhaps be surmised that Beijing would be willing to forgo economic gains for successful strategic outcomes in Sri Lanka. It will, unarguably, continue to provide the requisite resources and support to the development infrastructure in the island nation. In May 2023, the Chinese state-owned enterprise China Merchants Port announced it would build a US \$392 million logistics hub at Colombo Port, touted to be the largest in South Asia (AFP 2023). Combined with its sway over sections of the political elite and the Rajapaksa regime in Sri Lanka, China remains an influential factor for India to contend with in South Asia. The extent of China's influence is also revealed when Sri Lankan policymakers and sections of society have "expressed acceptance and praise of the Chinese model of development" even as there are also reports of China's interventions in the internal political affairs and elite capture through corruption and financing, along with the negative perceptions about several "white elephant" projects in the country (Abeyagoonasekera 2023).

### **China to Stay in South Asia**

China's engagement in Pakistan, Nepal, and Sri Lanka, which is driven by geostrategic imperatives, commerce, alternative trade routes, and constraining India, remains the priority and it is unlikely to get deterred by the challenges and obstacles discussed above. China's deep footprints in the region have been bolstered by the BRI and led to furthering bilateral relations. At present, no country in South Asia appears to be ready to bid China goodbye. The flipside is that as China increases its engagement, it becomes progressively embroiled in domestic politics. We then witness a degree of political interference intended to ensure that China's interests are accounted for. This also results in the 'China factor' becoming a point of contention in domestic politics, often cutting cleanly across political parties (Roy-Chaudhury 2023). However, it may be pointed out that interference in domestic politics has not always worked. In Nepal's case, despite Beijing's efforts to unify the communist parties and prevent infighting to ensure a pro-China government, it



was unsuccessful. Regardless, China's engagement has neither hampered nor hindered its strategic objectives in the region and only exacerbated competition with India.

This increased involvement in the countries' domestic politics and getting roiled up in their domestic political and security issues has often proven counter-productive for China. Beijing has occasionally got bogged down and distracted, having to react to developments. As long as China had a limited agenda and presence in the three aforementioned countries, there was limited scope for their role in the internal political dynamics. However, as ambitions led to a more overarching agenda, China has got more roiled up with domestic politics and has had to employ various stratagems to manage the situation. 'Elite capture', corruption, and kickbacks have become important elements in China's South Asia 'toolkit' and approach to the region to ensure its interests are taken into account (Pal 2021).

It should be noted, however, that the obstacles and apprehensions faced by China are not entirely caused by it. Factors such as political infighting, terrorism, and economic mismanagement have been the primary causes for China's headaches. The intensification of China's engagement, therefore, has led it to get entangled in these issues. Regardless, given China's status as a rising power with an abundance of resources and political and economic capital, China continues to hold a great deal of sway in the region.

The significance of South Asia in Chinese foreign policy makes it unlikely that Beijing will reduce and/or temper its presence and engagement in South Asia. Although Beijing has recalibrated the BRI to focus on smaller and more sustainable projects, the BRI constitutes the centrepiece of China's strategic vision. It would follow that Beijing would be willing to forego economic returns for strategic gains and an increasing influence in India's neighbourhood. In an attempt to alleviate obstacles, China is likely, both to increase political dialogue where possible and exert pressure where necessary, to ensure its interests are accounted for. This could lead to more coercive means such as 'debtbook diplomacy' where China strategically leverages its economic influence for favourable political outcomes (Parker and Chefitz 2018).

By carefully working on these faultlines, India could counter China's influence in South Asia. This could also be a means to expand India's influence and soft power, highlighting at the same time the problems attendant on the BRI being pushed on the South Asian countries. At the same time, New Delhi cannot afford to be complacent, given China's ability to adapt and course-correct. China's overall engagements in India's neighbourhood are significant across the political, economic, and security fronts. South Asian dynamics, increasingly influenced directly and indirectly by China, have begun to add a new dimension to the already fraught India-China relations. Finally, India should also consider China's broader global ambitions, of which South Asia is a part, and develop a response accordingly. Viewing China's forays into its neighbourhood solely as a measure to counter and contain India would be a misjudgement of Beijing's desire to emerge as the preeminent power and achieve the 'China Dream' and its second 'centenary goal' by 2049.

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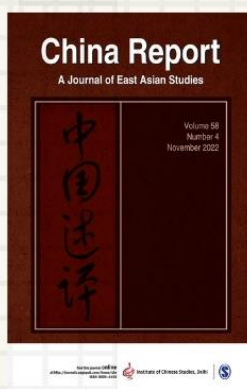


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