Journal of the Indian Ocean Region

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/rior20

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To cite this article: Michal Himmer & Zdeněk Rod (2022) Chinese debt trap diplomacy: reality or myth?, Journal of the Indian Ocean Region, 18:3, 250-272, DOI: 10.1080/19480881.2023.2195280

To link to this article: https://doi.org/10.1080/19480881.2023.2195280

Published online: 13 Apr 2023.

JOURNAL OF THE INDIAN OCEAN REGION
2022, VOL. 18, NO. 3, 250–272
https://doi.org/10.1080/19480881.2023.2195280

RESEARCH ARTICLE

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Chinese debt trap diplomacy: reality or myth?

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ABSTRACT

Debt-trap diplomacy (DTD) is seen as a relatively new Chinese policy tool connected to BRI. DTD builds on the approach that China intentionally excessively lends money to low-income indebted states that cannot later repay Chinese debt. The borrowing state thus relinquishes some of its strategic assets to decrease its debt burden towards China (debt-for-equity swap). DTD debate has been encompassed by particular criticism questioning the existence of such a strategy as DTD. Scholars questioning DTD existence suggest DTD is far more complicated than it is usually portrayed, meaning DTD should not be automatically taken as a predatory technique China strategically pursues. This study seeks to elucidate whether China uses DTD as an elaborated strategic tool or if it is a solely constructed narrative that does not have any empirical substantiation. Six countries – Sri Lanka, Maldives, Malaysia, Laos, Kenya, and Djibouti – were analysed.

ARTICLE HISTORY
Received 15 March 2022
Accepted 15 February 2023

KEYWORDS
China; debt-trap diplomacy; belt and road initiative; foreign policy tools

Introduction

Debt-trap diplomacy (DTD) could be regarded as a relatively new policy tool of specific nature that has influenced current international affairs. Nevertheless, the interesting facet of the so-called debt-trap diplomacy is its prime association with China (People's Republic of China). According to Brahma Chellaney (2017), an Indian scholar credited for developing the term DTD in 2017 (Rana & Xianbai, 2020a), DTD is a particular Chinese foreign policy tool in the twenty-first century.

DTD originated from the 2013 geopolitical strategy called Belt and Road Initiative (BRI), which has sought to enhance Chinese infrastructure and investment potential globally. In other words, the main goal of BRI's strategy consists of creating the Silk Road Economic Belt and twenty-first Century Maritime Silk Road (Johnson, 2016, pp. V.–VI.). However, BRI has also faced considerable criticism (Kuo, 2019), mainly due to its support of authoritarian and undemocratic countries, accompanied by the overall lack of transparency. BRI has been particularly popular in the developing world because it facilitated the obtainment of possible investments. While the Euroatlantic community determines its support through

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democracy or the rule of law, China, in contrast, does not share these ideas. Additionally, when BRI activities were associated with DTD, international criticism increased. To give an illustration, China was specifically accused of 'providing debt and burdening borrowing countries with high-interest rates they could not repay' (Haderiansyah & Habibah, 2020, p. 171).

In May 2019, the U.S. Secretary of the State, Mike Pompeo, accused China of using DTD, as it involved corruption techniques and non-transparency, aiming to influence the given state's critical infrastructure to undermine its political functioning by creating an enormous debt. In his opinion, DTD was a neo-colonial approach that should not be tolerated as a tool of statecraft (Panda, 2019; Rana & Xianbai, 2020b, p. 2). More specifically, the use of DTD was frequently mentioned in the case of Sri Lanka. When the island was not able to repay the loans. it offered Hambantota Port as an exchange for a removal of its financial burden (Moramudali, 2020). The Sri Lankan case is markedly complex and will be further explored in the case study. Previously, DTD was articulated in connection to Chinese politics in Asia. However, recent scholarship has shown that African countries, such as Kenya or Djibouti, could potentially face DTD and its consequences (Haderiansyah & Habibah, 2020, p. 171; Doehler, 2019; Rowley, 2020).

Due to DTD becoming a worldwide issue, this study aims to analyze the nature of this very specific foreign policy tool. For instance, Brautigam (2019, pp. 2–8) states that Chinese DTD should not be taken for granted. Whether China unquestioningly uses DTD to pursue its own economic and geostrategic interests by maximizing borrowing country's distress, or whether DTD is only a myth and buzzword needs to be thoroughly examined. While some (Chellaney, 2017) are certain about Chinese DTD practice, others (Brautigam & Rithmire, 2021; W. K. Chen, 2020) have voiced that DTD is solely a myth and China does not strategically pursue DTD toward weaker states.

Therefore, this study seeks to test the DTD approach to verify whether the specific criteria mentioned below meet the DTD assumptions or not. Based on that, we would be able to state whether China uses DTD as an elaborated strategic foreign policy tool within its statecraft, or whether DTD is a solely constructed narrative that does not have any empirical substantiation. To validate these assumptions, particular cases will be analyzed. Notwithstanding, the recent academic studies and expert papers state that approximately fifteen countries might be influenced by Chinese DTD (Niewenhuis, 2019). Six of them belong among the most accentuated ones according to the current scholarship (Niewenhuis, 2019; Jones & Hameiri, 2020; Parker & Chefitz, 2018; Nikkei Asia, 2020; Nyabiage, 2020; Dollar, 2020, p. 1)[1] – namely Sri Lanka, Maldives, Malaysia, Laos, Kenya, and Djibouti. Due to that, this article will explore the potential use of DTD toward these states (for further explanation see the research design section).

How DTD shapes the foreign policy

In order to analyze a new foreign policy phenomenon such as DTD, it is inevitable to conceptualize it in more encompassing terms. Given its nature, the DTD can be designated among the foreign policy economic tools, alongside military and diplomatic ones. As mentioned above, DTD appears to be a new concept in International Relations. The founding father of the term, Indian scholar Brahma Chellaney (2017), suggests that:

> *DTD is a policy tool when 'state X' (lending country; in this case China) supports infrastructure projects in strategically located 'state Y' (borrower country; usually developing country), often by providing excessive loans to the 'state Y' government. As a result, 'state Y' becomes considerably economically dependent on the 'state X', leaving 'state Y' even more firmly under 'state X' control. In other words, 'state Y' becomes ensnared in a debt trap that leaves it vulnerable to 'state X' influence. Consequently, 'state Y' is not able to repay 'state X' loans; therefore, 'state Y' relinquishes some of its assets (for instance, infrastructure) in favor of 'state X' in order to decrease its debt burden towards 'state X' (this final step can also be designated as debt-for-equity swap)*.

Additionally, Chellaney (2017) preassumes that the aforementioned logic of the relations between two states could be associated with Chinese behavior in the international affairs towards low-income indebted countries. Within his line of logic, he realizes that the provision of loans to low-income states for infrastructure purposes is not inherently wrong. Nevertheless, China uses its financial capacities pragmatically to gain control over the borrower country's sectors, such as the access to natural resources, or to open the market for its low-cost export of goods, which is, as he states, a predatory behavior. Moreover, China does not only provide the low-income and indebted state with loans but, in many cases, also provides it with workers. That leaves the unemployed citizens of the given state behind and deepens social-economic rifts in the local society. To phrase it differently, this particular approach can be conceptualized as a Chinese win-win strategy, which signifies that specific infrastructure projects are financed by China on debt and implemented by Chinese construction companies.

Besides Chellaney, another formulation is brought by Rana and Xianbai (2020b, p. 2). They state that China 'deliberately pursues malicious 'debt trap diplomacy' to project undue political influence over sovereign nations' via lending Chinese capital. Whereas Green (2019) postulates that DTD poses a huge risk because China does not follow up on globally recognized sustainable and transparent lending practices, such as offering transparency and financial sustainability. China would trade debt for a country's strategic assets instead. In addition, China's policy does not comply with the international efforts promoted by the World Bank (WB) and International Monetary Fund (IMF) in developing countries. These efforts try to enhance transparency, which targets the improvement of policymaking, prevention of debt crises, and discouragement of corruption.

One of the critical questions within the Chinese DTD debate is whether China pursues DTD intentionally or not. To elaborate, whether China strategically lends money to states that cannot repay the debt, which then enables China to win some strategic goods by gaining access to natural resources, military bases, or important harbours. Whereas Chellaney believes that it is intentional behavior, there are scholars (Brautigam, 2019; Haderiansyah & Habibah, 2020) who are not entirely convinced about the aforementioned intentionality. Haderiansyah and Habibah (2020, p. 172) even state that DTD can eventually be unintentional.

The 'DTD debate' has also been marked by a particular criticism that questions the very existence of such a strategy as DTD. One of the most prominent arguments opposing DTD is that countries that fall into the debt trap are corrupted, recklessly borrow prosperity, possess preexisting macroeconomic vulnerability, and inherent governance deficiency. According to this argument, the borrowing country should be responsible for being debt-trapped. Other policy-makers, for instance, perceive DTD as propaganda of the West that seeks to avert other countries from having closer ties with China (Rana & Xianbai, 2020b, pp. 79–81). Tan (2019) even states that DTD theory 'is not so much a cautionary tale of borrowing from China but of what happens when weak governance is married with the unforgiving demands of international financial markets'. Whereas Brautigam (2019, p. 12) observes that Chinese DTD is significantly more complicated than it is usually portrayed, meaning that DTD should not be automatically regarded as a predatory technique that China strategically pursues. The aforementioned debate stems from the criticism of simplistic views that created strong narratives about China being an exploitative state. As DeBoom (2019, p. 6) remarks, the use of DTD is rather complex and should be further researched, because as 'the novelist Adichie reminds us, the greatest danger of 'single stories' is often not that they are false, but rather that they are incomplete'.

Research design

The empirical analysis' primary purpose is to trace whether China intentionally uses DTD as a foreign policy tool for subordinating the borrowers in the international system. This study analyzes Chinese activities in six states where the current scholarship assumes that DTD could have occurred (Niewenhuis, 2019; Jones & Hameiri, 2020; Parker & Chefitz, 2018; Nikkei Asia, 2020; Nyabiage, 2020; Dollar, 2020, p. 1). These states are Sri Lanka, the Maldives, Malaysia, Laos, Kenya, and Djibouti. Given the novelty of the DTD debate in relation to the reasons mentioned above, it could be postulated that robust empirical evidence could be found there. Additionally, these countries have either been directly associated with DTD (for instance Sri Lanka) or have been labeled as countries that are expected to succumb to it. As all cases are uniquely placed in respective political discourses, they are prime candidates for this first-image analysis. We acknowledge there may also be other selection criteria, one of them being, for example, the amount of national debt to China. Although the case selection based on the national debt toward China can be perceived as clearer (due to the presence of numbers), we need to point out that the sole huge national debt toward China does not prove DTD. It may just act as an economic indicator. For example, Sri Lanka is believed to be the prime example of DTD. Yet, according to Malik and Parks (2021: 57), its debt exposure toward China is way smaller than in the case of Dominica, Mozambique, Tonga, and many other states. Therefore, since there is no proven link between the amount of external debt toward China and the potential occurrence of DTD, we chose to proceed with the aforementioned case selection criteria.

To shed light on the possible functioning and existence of Chinese DTDs, this research seeks to bring robust empirical evidence to thoroughly confront this issue in each case study. The bilateral relations between China and the borrowing states will be studied in detail with a particular focus on the economic perspective, including infrastructure projects and associated loans to better comprehend the circumstances. In terms of the timeframe, the research covers the period from 2013 (the beginning of BRI) to 2020. It should be noted that the research might leave this timeframe due to contextual purposes.

However, the critical question is under which circumstances could it be stated that the DTD has been validated? The DTD will be affirmed if:

(1) *The financial transaction in the form of a Chinese loan towards the borrowing state occurred,*
(2) *China intentionally provided the borrowing country with a loan to get strategic assets in the future*[2]*,*
(3) *Borrower lacks the potential to repay its debt burden to China; therefore, borrower relinquishes some of its assets in favor of China to decrease its debt towards China (so-called 'debt for equity swap')*[3]
(4) *DTD took place in the period 2013–2020.*

To validate the existence of DTD, all of the aforementioned conditions must be fulfilled. If the opposite is true, the research will not designate the case as a result of DTD.

With regard to this research, we are fully aware of the research challenges. First, we assume we might lack not only a sufficient amount of peer-reviewed articles due to the topic's novelty but also primary sources due to the topic's character; actors in the IR usually do not publicly present their intentions or foreign policy strategies. Hence, we will try to use data triangulation to validate acquired informationo and gather sufficient evidence supporting our statements. Furthermore, one of the core topics of the previous section is the debate concerning whether the DTD is intentional or not. There are a number of methodological approaches to pursue research on this issue: quantitative; qualitative and a combination of both. Concerning the first option, the research might explore the nation's stock of foreign reserves, GDP, and credit ratings compared to the numbers of Chinese loans. Such an approach would require a statistical analysis. Even then, since Chinese malicious intent (which is the key aspect of DTD) is impossible to 'measure' in our view, and we don't believe it can be uncovered solely by quantitative research. Therefore, we decied to rely on qualitative research. In order to be as accurate as we can be, we will use contextual analysis to gain robust empirical evidence concerning each provided loan which subsequently allows us to draw at least probable conclusions regarding Chinese intentions. Since we are not embroiled in the Chinese communist apparatus, we acknowledge this is a rather challenging task. However, we believe that we will be able to detect interesting findings anyway. Moreover, we are also aware of the fact that DTD is a concept coming primarily from the policy sphere. It is always slightly problematic to react academically to concepts that were not constructed in academic research. Anyway, DTD has significant meanings for international politics and therefore the academic's obligation is to research it.

Lastly, data will be sourced from newswires, international organizations' documents, academic journals, governmental and non-governmental policy papers. To provide the most elaborated point of view, this study seeks to collect as much empirical evidence as possible.

Kenya

Kenya is regarded as representing a significant gateway for China to ameliorate its influence in East and Central Africa. The Kenyan location is also desirable for BRI maritime routes in the Indian ocean. Therefore, its pivotal role in East Africa is undeniable. Even though Kenya is not considered among the volatile African countries beset by critical internal security issues, like numerous other African nations, it is characterized by weak governance, resulting in irresponsible fiscal policy (World Bank, 2021). Kenya, enamoured with Chinese incentives to restructuralize its economy, has borrowed 6,3 billion USD from Chinese lenders, making it one of the largest creditors. Because of that, some experts have already accepted that DTD occurs in Kenya (see Jianping, 2021; Taswala, 2020; Sentinel, 2020).

Between 2010 and 2015, Kenya borrowed 6.3 billion USD (approx. 2/5 of total GDP) in semi-concessional and commercial loans from China, thereby becoming one of the largest creditors (Parker & Chefitz, 2018, p. 35). The Chinese loans included 3.6 billion USD to finance the Mombasa-Nairobi Standard Gauge Railway (SGR), nearly 90 percent of which was provided by China's Exim Bank. The construction work was mediated by the state-owned China Road and Bridge Corporation. The railway was inaugurated in 2017 and China will be responsible for operating the railway until 2022[4]. The World Bank has raised concerns regarding the railway, as it is considered probable that the first five years will not cover the operating costs, and Kenya might sink deeper into Chinese loans (Carmody, Taylor, & Zajontz, 2021, pp. 9–10; Parker & Chefitz, 2018, p. 35).

Moreover, as noted by Taylor (2020) in an article titled 'Kenya's New Lunatic Express', several feasibility studies were actually carried out, and all of them mentioned that the SGR project could not be profitable. The first feasibility study, carried out in 2009 before Kenya approached China for funding, pointed out that the SGR is ill-designed and will produce limited cash flow. SGR cannot be profitable unless Kenya grew its import bill, all cargo heading to Keyna utilised the railway, enough cargo to fill the train existed, and all the regional partners built similar lines simultaneously. However, the Kenyan government ignored this original feasibility study and ploughed ahead regardless of raised questions. In 2009, the East African Railways Master Plan Study, conducted by Canadian Pacific Consulting Services, pointed out that SGR is deeply problematic (Canadian Pacific Consulting Services, 2009). Second feasibility study, which concluded that cash flow projections are missing to back up the idea of high profitability, should have been carried out by China Road Bridge Corporation (CRBC). In 2018, Chinese requested an entirely new feasibility study which once again raised questions about the SGR, and Keynan's capability to repay the Chinese loans (Taylor, 2020, p. 36). Such a Chinese stance was seen in Keyna as a tacit admission of wariness, and the status of the prominent Belt and Road project should have been questioned (Sipalan, 2019).

So far, the SGR has failed to yield profits since there had been clear indications, that SGR was not able to achieve the expected annual revenue. The decision concerning SGR was foremost political and not economical (Carmody et al., 2021, pp. 9–10; Parker & Chefitz, 2018, p. 35). The Kenyan government was expected to repay its debt for SGR in four years. However, Kenya might manage with this debt in 15 years due to the unfulfilled profits. Moreover, the recent scholarship shows that Kenya is contractually obliged to pay a fixed quarterly operation fee of 28,8 million USD to the operator Afristar, which is owned by the China Communications Construction Company. A combination of low SGR's profits and high operation costs has resulted in outstanding dues of approximately 350 million USD for operating costs (Carmody et al., 2021, p. 10).

In February 2021, China decided to postpone the debt repayments holiday for six months worth 245 million USD, due to the Kenyan economic fallout caused by the Covid-19 pandemic. The GDP shall drop down by 1,5 percent. Additionally, China holds 21 percent of Kenya's external debt (News18, 2021; Times of India, 2021). Although

China has made several steps to cease the Kenyan debt burden, experts have raised concerns that China might propose to acquire the Mombasa port as a result of a debt-for-equity swap (Fabricius, 2020). In Taswala's (2020) opinion, China-Kenya terms of the loans 'specify that the port's assets are collateral; thus, Kenya's sovereign immunity does not protect them, due to a waiver in the contract. However, Brautigam (cited in Olander, 2021) explains that the collateral assets refer to the revenue and not the port itself.

However, John Hopkin's research led by Deborah Brautigam in 2022 showed another interesting shred of evidence. According to Brautigam (2022), the DTD might have occurred if the borrower had been the Kenya Railway Corporation (KRC). But, this was not the case. The borrower was the Kenyan National Treasury (KNT) which issued the primary loan agreement. Afterwards, the KNT (lender) issued a so-called on-lending loan agreement with the KRC (borrower). Brautigam (2022) further concludes her finding in the following way: 'If the ports authority were a borrower, it would mean that it had co-signed the Chinese loans and was equally responsible for repayment. But the port's authority is not in any sense a borrower.' In other words, the Chinese counterparts would not be able to impose the DTD to take over the railway since the borrower is the KNT, which does not own the national railway managed by the KRC.

Despite many concerns about the existence of DTD in Kenya, this analysis did not find any evidence indicating that China would either gain any strategic assets to proceed with the debt-for-equity swap or intentionally pursued the acquisition of them. On the contrary, China even postponed the payments of Kenyan debt due to the Covid-19 pandemic and requested additional feasibility studies to verify the profitability of SGR. In reality, Kenya is facing a heavy debt burden possessed by China. However, as of now, DTD remains a myth in the Kenyan case.

Maldives

The Maldives' case was also conceptualized by some scholars (Haderiansyah & Habibah, 2020, p. 173; Rana & Xianbai, 2020b, p. 124) as a case with a high risk of experiencing debt repayment difficulties. It was expected that Maldives islands could face 'an increase in their debt-to-GDP ratio exceeding 50 percent, with at least 40 percent of their external debt going to China once BRI loans are completed' (Haderiansyah & Habibah, 2020, p. 173). However, Rana and Xianbai (2020b, pp. 124–127) argue that the Maldives had been facing a considerable high risk of debt distress before the BRI entered the Chinese foreign policy. Apart from that, the Maldives became a relatively close partner to China when former president Abdulla Yamen took office in 2013. Under his presidency, the Maldives sought to foster economic cooperation within the BRI and pursued a pro-China foreign orientation, deteriorating the mutual relationship with India. During Yamen's presidency (2013–2018), the Maldives received an enormous Chinese capital inflow of 1.4 billion USD, which was subsequently invested into infrastructure – the most prone case is the new China-Maldives Friendship bridge (the so-called Sinamalé Bridge) as a part of the BRI (Mundy & Hille, 2019)[5]. Regarding the Sinamalé bridge, it is interesting to observe that the feasibility studies primarily discussed the bridge's technical aspects, but any concerns about Maldivian capability to repay the loan were not considered (Seetao, 2022; AIDDATA, 2018; ChinaDaily, 2014). Later on further investmetns went into real-estate projects[6]. It was at the end of his presidency in 2017 that Abdulla Yameen also concluded a free trade deal between the Maldives and China (Reuters, 2017).

In 2018, Ibrahim Mohamed Solih, backed by India, replaced Yameen's presidential seat. Solih's main foreign policy goal was to disentangle the Maldives from China's clout to redirect the Maldivian pivot towards India (Basu, 2019). Given the high debt, Solih pushed to reassess its fiscal and financial obligations under the BRI, for fears of debt hardship and sovereignty erosion (Rana & Xianbai, 2020b, p. 127). When Salih entered the office, the Maldives owed 600 million USD directly to China, and were liable for another 935 million USD of guaranteed loans, having created total debt of 1.5 billion USD, which is roughly 1/3 of Maldivian total GDP. In addition, Mohammed Nasheed, Solih's key advisor, estimated that unreported guarantees could bring the total exposure as high as 3 billion USD, and warned that this could put the Maldives in the position to sell their 'debt for equity'. Solih argued that the total costs were considerably inflated, especially due to corruption[7], thus, calling for debt renegotiation. Nevertheless, China refused Solih's demands, arguing that loans were mediated in accordance with the Maldivian wishes (Mundy & Hille, 2019).

As a result of the unsuccessful negotiation with the Chinese counterpart and the India–China power rivalry in Asia, Solih accepted a '1.4 billion USD bailout package from India to meet Chinese loan repayment requirements' (Rana & Xianbai, 2020b, p. 127). The Indian financial move could be understood as a safe package to avoid potential DTD. In addition, China slightly reduced the remaining debt burden, due to the Covid-19 epidemic (Ethirajan, 2020). To sum up, India undoubtedly helped the Maldives to decrease the debt burden of approximately 117 million USD. However, Maldives still has to deal with the remaining debt. Despite that, according to global rating agencies such as Moody's or Fitch, the Maldivian economy faces a deep recession (Macan-Markar, 2020). As in the Kenyan case, the analysis did not detect that Chinese counterparts would intentionally raise demands for acquiring Maledivan strategic assets, nor was the debt-for-equity swap found. Hence, we conclude that the Maledivan scenario is a case where Maledivas still face a heavy Chinese debt burden, but the current conditions lay far beyond debt-trap diplomacy assumptions.

Laos

As demonstrated in the previous cases, debunking the Laotian DTD story again poses a challenge. Some experts are convinced that Laos is the most recent China debt-trap victim (Lintner, 2020; Jacques, 2020). Others assume that Laos is in danger of being debt-trapped (Dollar, 2020, p. 6; Barney & Souksakoun, 2021, p. 13; Strangio, 2020). Recent evidence does suggest that Laos has received a considerable amount of capital from China, making it significantly financially dependent on China. Given the Laotian economic capacity that might experience issues in repaying its debt, IMF has warned that Laos should place itself on a sustainable debt path (Rana & Xianbai, 2020b, p. 108). That partially occurred when, based on IMF recommendations, Laos agreed to a moratorium on new infrastructure investment projects (Dollar, 2020, p. 6). Although Laotian representatives made several debt adjustments, China owns more than 40 percent of Laotian public debts, creating the risk of external debt distress (Parker & Chefitz, 2018, p. 37). However, the nature of the Laotian case is considerably multifaceted and associated with ambiguous occasions. Thus further exploration is inevitable.

Despite the fact, that Laos is considered as one of the poorest countries in South-East Asia, Laotian GDP grows by 8 percent per year. This economic growth has logically increased the Laotian government's inclinations for infrastructure investments. One of the projects, for instance, is building the China-Laos railway (Vientiane-Boten Railway) for 6 billion USD – nearly half of the Laotian total GDP. Laos directly contributed by 12 percent; however, the vast majority of finances came from China Exim Bank (CEB); a policy bank subordinated to the State Council. The CEB lent approximately 465 million USD for a 2.3 percent interest rate, with a five-year grace period and 25-year maturity, while the remaining loans came from Chinese lenders (Hurley, Morris, & Portelance, 2018, p. 17; Dollar, 2020, p. 9). Moreover, the railway case is also obscured by a potential equity swap since China should have offered an additional 250 million USD as equity for land in proximity to the railway construction. Unfortunately, further information that would confirm this assumption remains unclear (W. K. Chen, 2020, pp. 9–10).

According to the Laotian government, CEB should have also mediated 600 million USD for approximately 23 hydropower projects (Hurley et al., 2018, p. 17; Piesse, 2020). Furthermore, China has already invested in Laos in approximately 760 infrastructure projects worth 6.7 billion USD (Parker & Chefitz, 2018, p. 37; Corben, 2016). Further information indicates that China mediated some ad hoc debt relief to make Laos heed the Chinese path. However, this type of debt relief was associated with concessions for agricultural lands and other commercial schemes to facilitate the mobility of Chinese workers (Pamungkas, Hakam, & Idriasari, 2020, p. 6).

Despite the vast majority of aforementioned loans and projects, the Laotian case is associated with another significant event. In September 2020, China Southern Power Grid Company (CSG) acquired a majority share (approx. 90 percent) in Électricité du Laos Transmission Company Limited (EDL-T), responsible for the nation's domestic electricity transmission grid. Hitherto, it is not clear how CSG seized the majority control over EDL-T. It could be hypothesized that it occurred instead of debt repayment. Thus, these unexpected conditions are sometimes labelled as a debt-for-equity swap, since Laos relinquishes its critical state assets to China (Barney & Souksakoun, 2021, pp. 7–12; Hutt, 2020). The reason behind such a significant privatization move probably lies in EDL-T's outstanding debts of around 5 billion USD. Consequently, the foreign owner can to a degree ameliorate its debt burden (Sims, 2020). In January 2021, surprisingly, Laotian Prime Minister Thongloun Sisoulith signaled change towards defaulting on its foreign debts, by securing foreign financing through equity rather than additional loans. This political proclamation supports the argument that the Laotian government relinquished the majority share in EDL-T to decrease or acquire new loans. To phrase it differently, this policy shift aims to redeem the country's underperforming and debt-strapped state-owned enterprises. It can be then stated that this decision stems from a weak Laotian government and the Chinese inclinations to equity investment, rather than lending (Macan-Markar, 2021). Besides, some feasibility studies indicated that the Laotian energy sector could be profitable, which would also benefit China (Kimura & Ueda, 2020). However, interestingly, China initiated its own feasibility study in 2018, which should have analysed the potential of the Laotian power grid (Economist Intelligence, 2020). That also indicates that China had already been interested in EDL-T in the past. Lastly, the fact that China holds a majority in EDL-T enables China to 'determine who buys the electricity Laos's rivers generate and at what price' (Jacques, 2020). In other words, China can cause a shortage of electricity in Laos if it so desires.

To sum up, combining weak Laotian governance with the pragmatic approach of Chinese investment strategies, renders it complicated to state that Laos is the absolute victim. As Japanese economic and development expert Nishizawa (cited in Winn, 2020) says: 'It is very easy for people who do not know much about Laos or other countries in Asia to say, 'Oh, China is the bad guy.' But that is too simple.' As illustrated above, China plays a crucial role in Laotian affairs, nevertheless, in the end, it was a Laotian decision to relinquish the majority share in EDL-T. The critical question, however, is whether the Laotian case is a result of DTD? China was lending a significant amount of money to a low-income nation, where other investors refused to lend finances, due to the Laotian low financial capacity to be able to repay its debts. Therefore, China must possess the awareness that one day Laos would be unable to repay its debts. Consequently, after a few years of Chinese involvement, Laos appeared in heavy debt distress conditions, resulting in concessions of some agricultural land and selling of strategic energy assets to China. Although we analyze above that China has acquired some pieces of land, and owns 90 percent of EDL-T, it positions its influence at the top of EDL-T's decision-making process, and has also been intensely involved in other infrastructure projects. We did not trace any intentional demands towards the Laotian government, however, we registered a probable debt-for-equity swap. Therefore, we believe that the so-called partial DTD occurred since 90 percent share of EDL-T's assets generally results in 'total' control of the company. Finally, since many of the analyzed equities for land remain murky, especially due to the lack of relevant data, we cannot verify the information in detail to adequately answer whether the equities for a land issue can be considered as DTD or not[8].

Sri Lanka

The Sri Lankan case represents the backbone of the debt-trap diplomacy debate. A large number of articles, studies, and commentaries (e. g. see Gangte, 2020, p. 55; Hameiri, 2020) seen to agree that the situation around the Hambantota port, which lies on the southeastern coast of the island country, is a prime example of Chinese debt-trap diplomacy practice. However, the reality of it needs to be uncovered.

China and Sri Lanka are long-time allies. Their partnership began in 1952 when both countries established a mutual trade relationship. Over the years, China has become one of the most important Sri Lankan economic partners, often providing it with finances. Furthermore, after accusations of human rights breaches, the island country started to alienate itself from the Western allies and India, which subsequently deepened Sri Lanka's need for the Chinese partnership (Ferchen & Perera, 2019, p. 2; Abi-Habib, 2018). This partnership was of particular utility during the construction of a major infrastructure project – the Hambantota port.

The port construction project is solidly connected to the Rajapaksa family. Although the proposition originated in the 1970s, materialization started to be implemented during the new millennium under the supervision of Mahinda Rajapaksa, former Sri Lankan president and prime minister. Between 2001 and 2006, Rajapaksa endorsed several feasibility studies regarding the port location, which provided mixed results. The first study did not confirm the location as suitable. The second one, undertaken by the Canada-based company SNC-Lavalin, was regarded as insufficient by Sri Lankan authorities. The third one estimated that the port construction would be more expensive than the government could financially afford. Lastly, the fourth study, carried out by the Danish company Rambøll, had a more optimistic approach and found the project viable (Jones & Hameiri, 2020, pp. 13–14; Probe International, 2003). However, even after the completion of the Rambøll study, doubts regarding the construction persisted. Questions emerged around the potential commercial success of the port, especially concerning the existence of other giants in the Sri Lankan port (Perspective, 2020). Additional doubt was expressed by a U. S. Embassy cable describing the 'port situation'. This cable captured the essential problem surrounding the construction. The whole project was and still is regarded as a political issue, as the needs of the Hambantota district were barely reflected, project coordination was very poor and chaotic, and the eventual consequences it could have were not considered. Rajapaksa unambiguously wished to involve himself in a massive and successful project, that would bring him political points and subsequently raise the living standard of the people in his home district, without practically discerning what the project aimed to realistically achieve (WikiLeaks, 2006; Abi-Habib, 2018).

Despite advocating the project on the domestic level, Rajapaksa and the Sri Lankan government had a hard time finding an international partner, that would help them finance the port construction. The U. S., India, and the Asian Development Bank all rejected the proposal, leaving China the best viable option that was willing to provide sufficient financing. In 2007, the Chinese Eximbank lent Sri Lanka a 307 million USD loan with an interest rate of 6.3 percent (Brautigam & Rithmire, 2021; Hillman, 2020, pp. 156–157). The interest rate itself was quite high. Various authors (Bhandari & Jindal, 2018; Chaudhury, 2018) emphasized that interest rates of other states or institutions (e. g. the Asian Development Bank) were considerably lower, with a maximum of 3 percent. Nevertheless, after obtaining the necessary finances, other problems occured. The construction, which was carried out by the Chinese company named China Harbour Engineering Group (CHEG), continually progressed but was eventually rushed, due to then-president Rajapaksa wishing for the port to be inaugurated on his 65th birthday in 2010. After the opening, the port did not gain commercial attention or experience subsequent success. However, Rajapaksa continued with the project and planned the expansion of the port. In 2012, the Sri Lankan government borrowed an additional 757 million USD from Eximbank, with an affordable 2 percent interest rate (Abi-Habib, 2018; Brautigam & Rithmire, 2021; Jones & Hameiri, 2020, pp. 15–16).

The port situation did not improve even after the financial injection. In 2014, Hambantota port was still losing funds and finances. Interestingly, a year later, president Rajapaksa appealed for an election that was highly influenced by the failed project. In addition to that, the election discussion partially revolved around the relationship between China and president Rajapaksa. Not only the president but also other Rajapaksa family members had established close relationships with China. Multiple sources (Abi-Habib, 2018; Rowand, 2022) even stated that China was financing Rajapaksa's electoral campaign and lobbied for his re-election. However, Rajapaksa lost the election to his health minister, Maithripala Sirisena, who had to manage the Sri Lankan financial situation, which eventually led to the 99-year, 1.12 billion USD lease of 70 percent of the stake of the Hambantota port to the Chinese company CMPort in 2017 (Moramudali, 2020).

The lease represented the triggering moment in the discussion regarding Chinese debt-trap diplomacy. To clarify the situation it is necessary to analyse the Sri Lankan financial situation. Continuously, Sri Lankan authorities have neglected the financial health of the country. Especially problematic were the commercial market loans. In 2017, they made up 39 percent of Sri Lankan foreign debt. In comparison, Chinese loans made up 'only' 10 percent of the debt – less than Japan of the Asian Development Bank. Furthermore, the payback period of the commercial loans was not as long as that of non-commercial ones, and upon their maturity, the payment for the loans should be made at once, thus placing Sri Lanka in a pressing situation. Therefore, Sri Lankan authorities required an increase of finances to pay the debts which, among other activities (e. g. bailout from the IMF) lead to the aforementioned Chinese loan (Brautigam & Rithmire, 2021; Moramuladi, 2019). With the provision of said loan, Sri Lanka was able to pay a certain amount of its debts and create foreign reserves. The debt towards China remained intact, however. As Jones and Hameiri (2020, p. 19) cited, the loan 'was not used to repay port-related debt, but to liquidate more expensive loans, generally to Western entities'. Thus, upon the maturity of the Chinese loans, Sri Lanka would have to pay them.

Similarly to the financial aspect of the issue, the debate also revolved around the ownership of the port. Although CMPort controls its majority stake, Sri Lanka remains the owner. Therefore, Chinese naval ships are not allowed to use the port for their purposes. Hambantota is still under the sovereignty of Sri Lanka and should provide a base for the southern naval command. CMPort, through its subsidiaries, only assures the internal security of the port (Hameiri, 2020; Jones & Hameiri, 2020, p. 19).

On the basis of the analysis above, it is possible to say that the Sri Lankan case cannot be regarded as an example of debt-trap diplomacy. It lacks its core characteristics such as the debt-for-equity exchange, malice character of Chinese behavior, and commencement of the project after the start of BRI. However, bearing that in consideration, it should be added that China is not blameless in the Sri Lankan struggles. Ferchen and Perera (2019, pp. 3–4) have noted that the Chinese foreign policy strategy has caused problems in different countries around the world. They point out that China as a part of the BRI frequently supports unsustainable projects with no chance of viable development. To simplify the issue, China doesn't ask many questions and provides finances without properly assessing the situation. In the case of Sri Lanka, this occurrence is well summed up by Abi-Habib (2018) who stated that '[e]very time Sri Lanka's president, Mahinda Rajapaksa, turned to his Chinese allies for loans and assistance with an ambitious port project, the answer was yes. Yes, though feasibility studies said the port wouldn't work. Yes, though other frequent lenders like India had refused. Yes, though Sri Lanka's debt was ballooning rapidly under Mr. Rajapaksa.' It is possible to argue that China was willing to provide Sri Lanka with the loan, thanks to the 'special' relationship between the Rajapaksa family and Chinese representatives (Shiwamurthy, 2022). However, as stated below, China acts similarly even toward states that do not share such a bond with it. The second argument revolves around the length of the lease. According to Samaranayake (2021), the period of 99 years is extremely long. China could pursue a wide spectrum of options on how to provide finances to Sri Lanka while reciprocally profiting from it, however, it chose this particular course of action. With similar deals in other countries, it is not surprising that Chinese behavior raises many questions and causes angered reactions from various politicians.

Malaysia

Malaysia represents another country that is widely discussed in connection with DTD. The narrative about Malaysian possible involvement in DTD came into prominence largely due to the various comments by country's leading authorities. For example, in 2018, the then Minister of Finance Liam Guan Eng – stated that Malaysia wanted to avoid the Sri-Lankan debt situation and the Chinese eventual acquisition of the project it is involved in. The statement was also supported by Mahathir Mohamad, the country's Prime Minister at the time (Jones & Hameiri, 2020). He added his perspective to the DTD debate a year later, when he warned the Philippines about the increasing influence of China which, through the Chinese loans, could lead to a debt trap situation (Dancel, 2019). However, the abovementioned comments were presented in the later stage of the DTD debate.

Even though China is involved in various Malaysian projects, as Jones and Hameiri (2020) have clarified, numerous projects were non-strategic and commercially driven. Furthermore, the timeline of several of them does not coincide with the start of the BRI, and the Chinese side of the projects was frequently represented by a different enterprise. Thus, the DTD debate revolved primarily around two abbreviations – 1MDB and ECRL. The first one stands for 1Malaysian Development Berhad, which was essentially a fund founded in 2009 by then both the prime minister and the minister of finance Najib Razak, aiming to aid with the country's growth. Razak was at the same time the chairman of its board of advisors (Al Jazeera, 2020). However, the fund was not functioning effectively, amassing a staggering 12.7 billion USD in debt. It was also discovered that the money from the fund was channeled elsewhere by various officials, including Razak. Al Jazeera (2020) states that at least 4.5 billion USD should have been siphoned off the fund by the officials. According to Jones and Hameiri (2020), the sum of mishandled money was as high as 7 billion USD. To liquidate the debts, Razak pursued Chinese help by offering them contracts for several infrastructure projects, in exchange for the debt bailout. Additionally, due to the huge debt, the contracts were inflated (Latif & Sipalan, 2019; Jones & Hameiri, 2020; Wright & Hope, 2019).

Although the 1MDB case transformed into the trial and subsequent sentencing of Razak (BBC, 2020), the aforementioned contracts persevered. The largest of them consisted of the construction of the East Coast Rail Link (ECRL). The premise for the ECRL originated in 1981 and has been part of the discussion since 2007 (Dahlan, 2016). Malaysian government ordered multiple feasibility studies to be conducted. In 2009, a study conducted by HSS Integrated Sdn. Bhd. was presented. According to the estimation, the value of the whole project should have been around RM29 billion. However, in 2015, another study was made by McKinsey & Co. The evaluation of the cost rose to RM47 billion[9] (IDEAS, n.d., p. 9). The project was approved in 2016 (Leaders, 2019) as a reaction to the massive 1MDB debt (for details see above). The construction itself started in 2017 but was halted a year later, due to insufficient funding (Cuenca, 2020). Upon the election of prime minister Mahathir Mohamad, the discussion regarding the future of the project began. At first, the newly elected prime minister wanted to abort the project, because of its financial cost in connection to the Malaysian financial situation (Yuan, 2018). However, he eventually reconsidered and renegotiated the conditions with the Chinese side. Both sides were able to lower the price by a third, bringing the final cost of the project to approximately 11 billion USD which is quite close to the estimated RM47 billion (Sipalan, 2019; Cuenca, 2020) The ECRL will be operated by a 50:50 Malaysian-Chinese joint-venture company. The ownership of the railway, however, will be in the possession of the Malaysian side (Zainul, 2019). Therefore, with regard to the aforementioned facts – mainly the omission of malice intention; no detected debt-for-equity swap – the requirements for DTD were not met in this case.

Anyhow, one question still remains; what made the prime minister reconsider the project? It is not common practice to first criticize China and subsequently become its partner. The first reason is represented by the financial side of the project, which is quite high in term of cost. And as once noted by the prime minister, in case of project cancellation, there would be an unfavorable 5 billion USD penalty (Jakarta Post, 2019; Mitchell & Woodhouse, 2019). The second reason is the importance of the Chinese partnership. For example, Ng (2019) stated '[c]anceling the project risked alienating China, Malaysia's largest trading partner, which considered the railway connecting Malaysia's west coast to eastern rural states a key part of its Belt and Road infrastructure initiative'.

Djibouti

The role of Djibouti in world affairs is succinctly described by John Connars (2018) as follows: 'Djibouti's global importance only makes sense once you look at a map'. As he points out, the strategic position of this East African state renders it an enticing option for other countries' investments (financial or else). In this sense, China has become the frontrunner in offering finances to Djibouti, as a part of the BRI. Furthermore, both countries declared the commencement of the 'strategic partnership' in 2017 (Blanchard & Collins, 2019).

China has launched a variety of projects in Djibouti that consist of, among others, the construction of Doraleh Multipurpose Port, a railway connecting Djibouti with Ethiopia, and Djibouti Free Trade Zone (Ragas, 2021). All these projects and overall Chinese loan provisions caused surprised reactions among the public, which began to speculate on the presence of DTD. It was brought to the forefront that the Djiboutian external debt and debt toward China are increasing. According to the server Global Economy (n.d.), the external debt of Djibouti has steeply risen since 2013, which coincides with the start of the BRI. In 2013, the value of the debt was approximately 39 percent of GNI. Six years after that, the value jumped to 79 percent. Djiboutian debt toward China has also reached close to 75 percent of Djibouti's GDP (Port Strategy, 2020). The financial aspect of Chinese presence in Djibouti was accompanied by the controversial actions of the East African state's authorities in the matter of Doraleh Container Terminal (DCT). The DCT was operated by the Dubai-based company DP World, under a mutually agreed contract. However, in 2018, DP World's ownership share (approximately 33 percent) was nationalized by the Djiboutian government, which also ended all DP World's operations regarding the DCT. The DP World regarded this decision as illegal and moved the case to the arbitration proceedings. Although there were multiple rulings in favor of the DP World, the Djiboutian government refused to acknowledge them (Paris, 2020; Offshore Energy, 2020).

The aforementioned case and the fact that the Chinese company China Merchants Ports is holding a 23.5 percent share in the DCT's managing company, (Pairault, 2019) incited the debate about the potential future of the DCT and the entire port that is being constructed. Although there exist rumors and opinions (see Norbrook, 2019; Connars, 2018; Paris, 2020; Blanchard & Collins, 2019) concerning possible debt-for-equity swap and the risk of a potential Chinese acquisition of the DCT, none of them are supported by any evidence. Neither are Chinese malice intentions concerning the acquisition of strategic assets. As Y. Chen (2020) states, even though Djibouti finds itself in debt distress, 'there has been no evidence of asset seizure or ownership transfer resulting from its debt-situation, and the Djiboutian government retains ownership of the constructed infrastructure'. The ownership situation is also clear from Aboubaker Omar Hadi's – the chairman of Djibouti Ports and Free Zone Authority (DPFZA) – remark. According to him, '[w]e (Djibouti, author's note) are always the majority shareholders' (cited in York, 2019). He also added that '[o]ur ports are quickly becoming full with the volume of business, so we are not going to have any issue with paying back these loans' (cited in Russon, 2019). So, based on the analysis above, it is possible to say that China has not used DTD in Djibouti.

Conclusion

Currently, DTD represents one of the most debated Chinese foreign policy instruments. The discussion evolves not only around the argument of 'what DTD is' or 'how China uses it'. It essentially comprises the question of whether DTD exists in reality. As we noted in the introduction, there is a narrative amongst scholars that constructs DTD as a myth, i.e. the question of its existence remains open. Therefore, this research sought to clarify the DTD discussion and prove/disprove the aforementioned narrative.

The increased Chinese activity in world affairs is undoubted. Since the introduction of BRI in 2013, China has been enlarging its sphere of influence all over the globe. With a seemingly infinite amount of finances, it has become markedly simpler for the East Asian power to create relationships with a variety of states from different continents. However, those relationships are frequently unequal, which may cause numerous issues, e. g., debt trap. All cases analysed in this article, demonstrate a similar pattern of Chinese behavior. China does not avoid utilizing its financial power, either through loans or other financial instruments, with no emphasis on, for example, the rule of law, fiscal health, or any requirements that would nornally be considered essential in the case of Western lenders. Although it is difficult to find clear evidence, including statements made by Chinese authorities, that would prove that China loaned finances to a country despite being aware of its inability to liquidate it, it is fair to assume that China is aware of the fiscal situation and health of the borrowing countries but it does not appear to be concerned.

With that being said, as we tested the criteria of the DTD approach, we were not able to detect the Chinese intention to burden borrowing countries with debt in order to gain strategic assets in any case. This statement is supported by various Chinese actions that went straight against a potential strategic gain. For example, China postponed the payments of Kenyan debts by six months due to the COVID-19 pandemic, slightly reduced Maldivian debt due to the same reason, or reduced Malaysian debt by a third. In any of those cases, China could have requested the payment of its debt with the relinquishment of a strategic asset (port, airport, mining rights, etc.) but the opposite happened. Additionally, we did not uncover any non-material assets (e. g., rising Chinese influence within internal matters of the borrowing states) either. China simply used the existing relations with other states' politicians to its advantage as would probably any other country. Therefore, we tend to believe that China did not engage in a relationship with the borrowing country with malicious intentions. It rather seized the presented opportunity to extend its influence.

The behavior of borrowing states also backs this idea. In all of the analysed cases, the state authorities of the borrowing state pushed for more finances and loans primarily because of their own personal or political reasons. In cases of unavailability of other partners (e. g., Sri Lanka), they sought aid from China. In some cases, authorities of the countries seeking financial help directly chose the Chinese solution as it was the easiest and most convenient one. As Aboubaker Omar Hadi, the chairman of DPFZA, said: '[t]hey have a different attitude … they believe in Africa' (Russon, 2019, p. ??). Thus, it seems like the borrowing states were not 'victims' of Chinese 'predatory' behavior but more of 'co-perpetrators'. The fault for the financial situation of the analyzed countries does not lie solely on China. The East Asian country 'just' reacted to the requests that were made by political representatives of the respective states. This fact, in combination with Chinese apathy toward the economic state of borrowing countries, therefore creates a breeding ground for financial troubles.

As for the research design, three key components of DTD that allow the monitoring of DTD as an intentional tool were presented: (1) China intentionally provided the borrowing country with a loan to get strategic assets in the future; (2) occurrence of a debt-for-equity swap; (3) the period of BRI (2013–2020). The analysis has shown that China was and still is heavily investing in all of the researched countries. It frequently owns a significant portion of the state's debt (40 percent in Laos, 21 percent in Kenya), which constitutes a real threat to the borrowing country but does not prove DTD. Besides the fact that no Chinese intention to gain strategic assets was detected, we traced only one debt-for-equity swap concerning the property in the case of Laos, which we considered as a partial DTD since 90 percent share of EDL-T's assets generally results in 'total' control of the company. However, it needs to be added that the aforementioned case is quite murky. To sum up, based on the DTD approach that was set in the introduction, no cases of clear DTD were detected (Table 1).

However, we managed to uncover two major problems related to the current DTD approach. First, the problematics regarding the detection of the intentionality of behavior. The second is debt-for-property centrism. Even though the approach contains a 'debt-for-equity' swap as one of its criteria, the equity is mainly understood in a material sense (mainly as property or infrastructure) not only by scholars but also by other authors writing about the DTD, politicians, or the general public. On one hand, this understanding of said criterion makes it easier for scholars to prove or disprove it. On the other hand, it disregards any non-material asset. Thus, the results of such analysis may be inaccurate. With that being said, we considered non-material assets as well, although they face similar research limitations as intentionality.

Table 1. Detected Chinese DTD in analyzed states.

	YES	Partial	NO
Kenya			X
Djibouti			X
Sri Lanka			X
Maldives			X
Laos		X	
Malaysia			X

Table based on the authors' research.

Due to the problems mentioned earlier, we suggest that the DTD approach should be revised to function as a proper academic tool. We suggest that the possible partial improvement can be achieved by concentrating more on the quantitative side of the loans, such as Chinese loan policy standards and the financial state of borrowing countries. For example, the constitution of the malice intention, when China provides the already heavily in-debt country with an extensive loan, without fulfilling any prior conditions on the borrowing country's part. This article, we hope will serve as the 'opening gate' to further research on the subject.

Notes

1. Since DTD represents new and so far unexplored topic, we opted to select our cases based on their occurence in various sources. The reason behind this decision lies in the fact that DTD itself originated and is still accentuated mainly in the realm of media so we believe that this approach will give us the best opportunity to come across a potential DTD case.
2. This is the most crucial condition of them all. In this case, the 'intention' does not represent a simple 'willingness' to provide the loan with the expectation of fair return but rather malice on the Chinese part. China provides the loan because it counts with the borrowing state's inability to repay and thus acquisition of some of its strategic assets. In this sense, a strategic asset can be anything with a important value to China (e. g. property, infrastructure, influence, etc.).
3. 'Equity' basically equals strategic assets. However, it is mostly understood in the material sense, i. e. as property or infrastructure (see Chellaney, 2017).
4. 'A bright spot can be found in Kenya. China Road and Bridge Corporation has set up a railway training institute near Nairobi to train local youths into rail-tech specialists, preparing them for operating the China-built Mombasa-Nairobi railway on their own.' (Rana & Xianbai, 2020b, p. 174).
5. China Central TV designated this project as the project of great political significance (Mundy & Hille, 2019).
6. The former Maldivian authorities argued that new real-estate projects (such as a hotel) helped to boost the Maldivian tourism sector (Ethirajan, 2020).
7. In 2019, the former president, Yameen, was sentenced to five years in prison on charges of money laundering (Ethirajan, 2020).
8. Hence, a possible solution to escape the Chinese clout might be represented by cooperation with the U.S. Based on the recent events, the U.S. decided to act and founded Mekong-U.S. Partnership (including Thailand, Myanmar, Cambodia, Vietnam, and Laos) to counteract China's rising influence and restore some geopolitical balance (Piesse, 2020; Voa News, 2020). Nevertheless, the Laotian government remains skeptical towards this cooperation, due to the historical experience of being heavily bombed by the United States in the 1960–1970s. In addition to that, local citizens get maimed each year by unexploded U.S. bombs (Winn, 2020). In the viable future, markedly closer cooperation with China amid U.S. involvement could be expected. The historical experiences from the 1960-1970s

dramatically formed Laotian identity resulting in communist rule and ties with China. And as Chinese leader Xi's political message implied: China is building with Laos a community of common destiny (Zhai, 2020).

9. The exchange rate of RM to USD is approximately 1 to 0,2 for the USD. Therefore, 1 USD equals RM5.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by University of West Bohemia (grant number SGS-2020-006).

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