

# CHINESE MALIGN INFLUENCE AND THE CORROSION OF DEMOCRACY

An Assessment of Chinese Interference  
in Thirteen Key Countries

## EXECUTIVE SUMMARY

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**IRI** International  
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Disclaimer: This publication was made possible through the support provided by the National Endowment for Democracy. The opinions expressed herein are those of the authors and do not necessarily reflect the views of the National Endowment for Democracy.

## INTRODUCTION

China has engaged with countries throughout the developing world for decades, primarily seeking critical resource needs and new markets for its rapidly growing economy. Yet in recent years, Beijing is taking a significantly more aggressive approach to advancing its expanding interests in developing countries, leveraging unprecedented levels of influence to achieve its desired political and economic ends.

Some of this influence is a natural result of China's growing economy and its government's related efforts to expand the country's cultural appeal abroad, as other rising powers have done. The Chinese Communist Party (CCP), however, is employing a unique set of tactics in the economic and information domains that undermines many developing countries' democratic institutions and future prosperity as their dependence on China grows.

CCP influence tactics in the economic and information spheres are of particular concern for several reasons. First, China has rapidly increased the use of its influence tactics in these two domains. Second, uninformed observers are particularly likely to perceive these efforts as innocuous and on par with those employed by democracies. China's leveraging of growing political and security ties across the developing world complements and bolsters these efforts.

Despite growing recognition of the risks of engagement with China, there has been little in-depth research on China's means of influence and the response to such efforts in individual countries. In an effort to address this gap and inform efforts to bolster resilience to foreign authoritarian influence, the International Republican Institute (IRI) enlisted researchers in 12 vulnerable democracies around the world to study the nature of CCP influence and the determinants of democratic resilience to CCP tactics.

This report consists of condensed versions of research findings on Cambodia, Pakistan, Sri Lanka, Serbia, Ecuador, Zambia, Mongolia, Hungary, The Gambia, Myanmar, Malaysia and the Maldives. The country studies are ordered starting with those which have demonstrated the least resilience to Chinese influence efforts. The report concludes with Australia's experience, included because of that country's valuable lessons for developing democracies that have already encountered similar levels of CCP interference – or may soon.

The findings from these studies underscore the pernicious effects of simultaneous unchecked CCP influence in democracies' economies and their internal discourse on China. Beijing's manipulation of the information space neuters institutions such as independent media and civil society that in robust democracies would otherwise expose the risks of China's opaque economic deals and corrupt practices.

The CCP – which systematically suppresses political pluralism and free expression in China – is increasingly attempting to use similar practices abroad to manipulate internal political and information environments to its own benefit. China's preference for opaque, corrupt economic deals corrodes democratic institutions and leaves countries increasingly beholden to their Chinese creditors.

These actions, in conjunction with China's support for likeminded, illiberal partners and growing advocacy for its authoritarian model, have the potential to draw fragile democracies into China's orbit and away from the United States and the democratic West. This represents a clear and significant threat to U.S. strategic and economic interests and has the potential to destroy the American-led liberal democratic order.

The studies in this report also demonstrate the significant variation in CCP methods of influence, which are targeted according to the state of governance and transparency in the particular country in which China is operating. This finding underlines the importance of focusing on the context in individual countries targeted

for CCP influence and proactively bolstering fragile democratic institutions to counter the malign effects. Nevertheless, the comparison of these case studies makes it possible for the report to draw conclusions regarding China's common means of influence in the economic and information domains and their effect on developing democracies.

The following is an executive summary of the main findings of the report. The full report is available in the publications library of IRI's website. Visit [iri.org](http://iri.org) for more information.

## EXECUTIVE SUMMARY OF KEY FINDINGS

### Economic Influence

Much of China's growing influence in the developing world can be ascribed to its leverage as a \$14 trillion economy and the world's largest commodity importer.<sup>1</sup> Beijing is expanding trade and investment with countries in need of both. However, there are malign aspects of China's growing economic engagement that render its influence harmful to many developing countries.

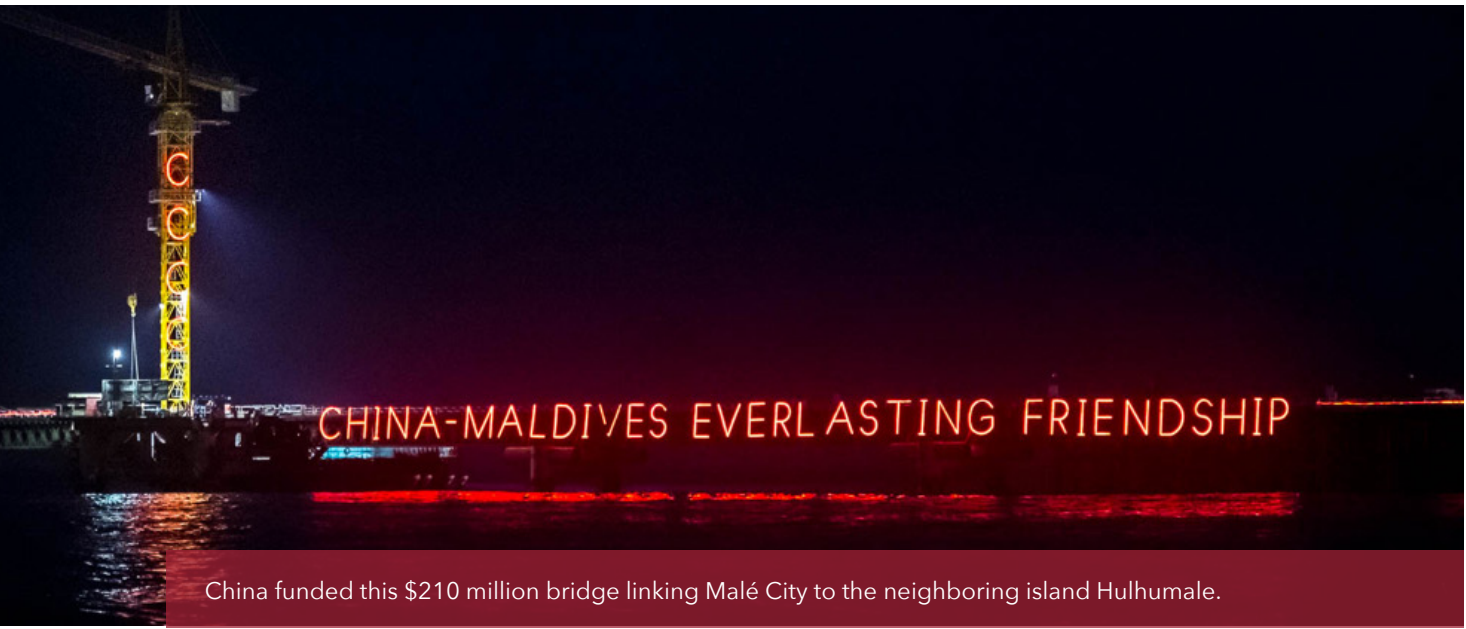
- **Opacity is inherent to deals concluded under the Belt and Road Initiative (BRI), China's ambitious global infrastructure and connectivity program.** Chinese companies – typically state-owned enterprises (SOEs) – are looking to secure no-bid contracts with highly favorable terms to carry out projects financed by Chinese policy banks. Not surprisingly, negotiations and contract terms are almost never made public. This lack of transparency is central to many of the damaging consequences of the BRI, including inflated costs and onerous terms that saddle countries with unsustainable debt.
- **In countries such as Ecuador, Pakistan and Sri Lanka, the lack of alternatives to continued reliance on China to finance those debts results in a cycle of dependence.** In the infamous case of Sri Lanka's Hambantota Port, Beijing leveraged that country's inability to pay its debts to acquire a 99-year lease on a strategic asset and surrounding territory – an example of the potential risks of the BRI and unsustainable debt for recipient countries.<sup>2</sup>
- **The opaque nature of BRI projects presents regular opportunities for massive corruption, best described as a "feature" of the BRI rather than a "bug."** Chinese SOEs seeking preferential bids and terms regularly line the pockets of recipient officials who are all too willing to accept massive amounts of Chinese credit for projects of dubious value.
  - » For example, in Ecuador massive corruption fueled a deal for a Chinese-financed dam built in the shadow of a volcano, against the advice of geologists. The dam has failed to generate the levels of electricity promised, while the contract terms continue to undermine the country's economic prospects. In Malaysia, Chinese SOEs were granted major infrastructure deals at significantly inflated costs, in return for Chinese assistance in bailing out a troubled government investment firm then-Prime Minister Najib Razak reportedly used as his personal piggy bank. In countries like Cambodia, Chinese entities have established enduring corrupt links with leaders, achieving a level of "elite capture" that ensures CCP interests will be protected at the highest levels of the Cambodian government.

### Manipulation of the Information Space

- **The CCP is also going to great lengths to ensure greater control over developing countries' internal narratives about their relationships with China, including by suppressing criticism of Chinese activities within their borders.** In Sri Lanka, for example, China has stepped up efforts to quiet the "debt trap" narrative which emerged after China's controversial long-term lease of Hambantota Port, damaging the BRI brand globally.

<sup>1</sup> Wei, Lingling. "China Expects 2019 Economic Growth of 6% to 6.5%." *The Wall Street Journal*, 4 Mar. 2019, [www.wsj.com/articles/china-expects-2019-economic-growth-of-6-to-6-5-11551748675](http://www.wsj.com/articles/china-expects-2019-economic-growth-of-6-to-6-5-11551748675); Kennedy, Simon. "China Will Overtake the U.S. in Less Than 15 Years, HSBC Says." *Bloomberg*, 25 Sept. 2018, <https://www.bloomberg.com/news/articles/2018-09-25/hsbc-sees-china-economy-set-to-pass-u-s-as-number-one-by-2030>

<sup>2</sup> Kratz, Agatha, et al. "New Data on the 'Debt Trap' Question." *Rhodium Group*, 29 Apr. 2019, [rhg.com/research/new-data-on-the-debt-trap-question/](http://rhg.com/research/new-data-on-the-debt-trap-question/).



- **China's manipulation of the information and political environment in countries around the world, which the National Endowment for Democracy has termed "sharp power," is critical to the CCP's ability to ensure a positive "China story" and protect its growing investments in developing countries.<sup>3</sup>**
  - » The studies in this report demonstrate that China is most likely to aggressively employ "sharp power" tools in countries that demonstrate resilience to its economic-influence tactics. This resilience can range from removing corrupt, China-friendly leaders from power to exposing China's opaque deal-making in the media. The CCP increasingly seeks to head off criticism of Chinese investments and capture of a country's elites, thereby preventing its negative influence from becoming an election issue as it has in many countries, including Malaysia, Sri Lanka and Zambia.
- **The CCP has a large and growing set of tools it uses to advance its narrative.** These include pervasive official propaganda, funding of research and academic institutions, and use of seemingly innocuous cultural and other "soft power" institutions to cultivate foreign partners and squelch anti-China narratives.
  - » China's growing investment in cash-strapped media companies throughout the developing world presents another opportunity. In Zambia, the state broadcaster has established a joint venture with a Chinese company, StarTimes, to modernize the country's broadcasting system. StarTimes owns a majority stake, leading to concerns about China's potential sway over the national broadcasting service's content.
  - » The CCP also utilizes Chinese diaspora voices and political influence as tools to serve its interests in many countries, including through control over diaspora media and by compelling Chinese students and businesses to act as political agents.
- **In certain weak democracies, an illiberal regime's control over information and close ties with China reduces the need for the CCP to expend effort shaping the information space.** In Cambodia, for example, Prime Minister Hun Sen has been able to ensure that the information environment remains friendly to

<sup>3</sup> Walker, Christopher, and Jennifer Ludwig. "The Meaning of Sharp Power." *Foreign Affairs*, 16 Nov. 2017, [www.foreignaffairs.com/articles/china/2017-11-16/meaning-sharp-power](http://www.foreignaffairs.com/articles/china/2017-11-16/meaning-sharp-power); "President Xi Urges New Media Outlet to 'Tell China Stories Well,'" *CCTV.com English*, 31 Dec. 2016, [english.cctv.com/2016/12/31/ARTIdbvXHYpQnQ35nWBGttZg161231.shtml](http://english.cctv.com/2016/12/31/ARTIdbvXHYpQnQ35nWBGttZg161231.shtml).

Chinese interests and generally conducive to a continued extension of CCP influence. Similarly, China has not needed to expend effort to ensure positive coverage of its growing ties with Serbia by the Serbian media, which is largely controlled by a China-friendly government.

### Risks of CCP Influence for Developing Democracies

In many countries, CCP influence is undermining governance, prosperity and open discourse, encouraging democratic backsliding.<sup>4</sup>

- **Chinese loans, untied to democracy and governance requirements, bolster the fortunes of illiberal actors eager to take credit for delivering Chinese investment – no matter the long-term costs of deals signed behind closed doors.** Such actors often direct Chinese investment in their country toward politically valuable regions and constituencies, further exacerbating inequality and threats to democratic processes.
  - » In Pakistan, for example, corruption and political calculations have produced drastic disparities in Chinese investment across provinces, heightening challenges to the country's federalist system. The "capture" of elites, through corruption and perversion of sources of information, also leaves leaders less accountable to their publics.
  - » Although governance standards in Cambodia have always been poor, the ready availability of Chinese money has reduced the outside incentive for Hun Sen's government to improve these standards or make itself more accountable to the Cambodian public. Taken together, these activities give credence to authoritarian actors' claims that they can deliver economic development, security and stability.
- **Beijing's support for illiberal actors, the presentation of its model as a superior catalyst of industrial development, and its export of authoritarian tools and practices have the undeniable effect of eroding democratic norms in many countries.** The CCP conducts large-scale trainings for foreign officials about its governance and development model. China also provides training for countries like Cambodia looking to copy its repressive cybersecurity policies.
  - » Islamabad views Beijing's "Great Firewall" efforts to censor and regulate the internet as a model for improving its efforts at suppressing free speech. Additionally, the CCP is offering sophisticated surveillance and monitoring technology to an expanding number of countries. Sri Lanka has reportedly now turned to China to obtain mass online surveillance systems, receiving in May 2019 a commitment for more than \$28 million in software and surveillance equipment, as well as Chinese technical assistance.<sup>5</sup>
  - » At the international level, China is using its growing influence in global governance and in multilateral forums to secure the endorsement of its infrastructure financing practices, weaken human rights protections and shape new, antidemocratic norms regarding issues such as cybersecurity and internet freedom.
- **Beijing has also demonstrated a remarkable ability to maintain and extend its influence in a country even after a friendly illiberal regime loses power, often to an opponent critical of its predecessor's close ties to China.** This reflects the CCP's ability to cultivate a broad cross section of elites in many countries and to establish a state's enduring dependence on China for continued financing.
  - » For example, China was able to protect and advance its significant interests in Sri Lanka despite the electoral defeat in 2015 of China-friendly incumbent Mahinda Rajapaksa by a candidate who had

<sup>4</sup> *Freedom on the Net 2018: The Rise of Digital Authoritarianism*. Freedom House, 2018, [freedomhouse.org/report/freedom-net/freedom-net-2018/rise-digital-authoritarianism#ftn18-section-china-remakes-the-world-in-its-techno-dystopian-image](https://freedomhouse.org/report/freedom-net/freedom-net-2018/rise-digital-authoritarianism#ftn18-section-china-remakes-the-world-in-its-techno-dystopian-image).

<sup>5</sup> Fernando, Santhush. "China-styled Mass Online Surveillance." *The Morning*, 19 May 2019, <http://www.themorning.lk/china-styled-mass-online-surveillance/>.





Civic networks in Australia's ethnic Chinese diaspora community have helped to expose CCP influence efforts.

run on a platform criticizing Rajapaksa's deals with China. Despite its skepticism toward Chinese investment, Sri Lanka's new government ultimately determined the country had little choice but to seek further credit from China to finance its debts and complete major infrastructure projects.<sup>6</sup>

### The Roots of Resilience

While China's aggressive influence efforts in developed countries like Australia demonstrate the CCP's ambitious global reach, developing countries with shallow democratic roots are especially vulnerable. The studies in this report demonstrate that both China's means of influence and their effects depend on the context in the individual country in which Chinese entities are operating. Understanding the nature of CCP influence in a certain environment is therefore critical to gauging the threat to a country and how it can best be mitigated.

- **Chinese officials and companies take a more aggressive negotiating stance in countries where governance, transparency and the rule of law are weak.** Chinese financing and SOE practices are less consistent with accepted international standards in countries with looser regulation practices, public procurement rules and labor regulations.
  - » However, there is evidence that China moderates its influence efforts in the face of pushback by recipient governments. In Myanmar, where Chinese loans account for approximately 40 percent of the country's total government debt, the country has induced China to renegotiate terms for

<sup>6</sup> Aneez, Shihar, and Ranga Sirilal. "Sri Lanka to Allow Chinese Port City Project after Delay." *Reuters*, 12 Jan. 2016, [www.reuters.com/article/sri-lanka-china-portcity-idUSL3N14W42G20160112](http://www.reuters.com/article/sri-lanka-china-portcity-idUSL3N14W42G20160112); Chowdhury, Debasish Roy. "Let Bygones Be Bygones, Colombo Urges Beijing, as Chinese Loans Take Their Toll." *South China Morning Post*, 18 Oct. 2015, [www.scmp.com/business/global-economy/article/1869177/let-bygones-be-bygones-sri-lanka-urges-china](http://www.scmp.com/business/global-economy/article/1869177/let-bygones-be-bygones-sri-lanka-urges-china); Aneez, Shihar. "Sri Lanka to Receive \$1 Billion Bank of China Loan This Quarter." *Reuters*, 17 Jan. 2019, [www.reuters.com/article/us-sri-lanka-economy-bank-of-china-exclu/exclusive-sri-lanka-to-receive-1-billion-bank-of-china-loan-this-quarter-idUSKCN1PB1DD](http://www.reuters.com/article/us-sri-lanka-economy-bank-of-china-exclu/exclusive-sri-lanka-to-receive-1-billion-bank-of-china-loan-this-quarter-idUSKCN1PB1DD).



development of a deep-sea port to significantly reduce the potential debt burden.<sup>7</sup> Myanmar has also reportedly drafted plans to mitigate the risks of BRI-related investments, including by insisting that projects be selected through a public tender process.<sup>8</sup>

- **Indo-Pacific countries are the most likely to have experienced high levels of CCP influence across the economic and information domains, largely due to their geographic location.** Given this experience and the resulting knowledge of CCP influence practices, the region is also home to the few countries that have successfully pushed back on China.
  - » In contrast, regions such as Latin America or Eastern Europe may have experienced a lesser degree of Chinese influence but also have minimal knowledge about China and its policies, creating a vacuum the CCP can exploit. In the case of Ecuador, China's economic deals with the corrupt regime of former President Rafael Correa caused significant damage to the country's institutions and economy. Greater awareness of China's approach to investment and CCP influence efforts in think tanks, universities, nongovernmental organizations and media is critical where impartial expertise on China and the nature of the CCP is lacking.
- **The potential malign effects of CCP influence are mitigated in countries with both the knowledge and tools to counter this phenomenon and protect their institutions.** In the Australian case and every other instance of successful resilience, the capacity of independent media, civil society, political parties and private enterprise to force greater transparency has mitigated the effects of CCP influence.
  - » A vigorous independent media and vibrant civil society, particularly in Australia's ethnic Chinese diaspora community, helped to expose CCP influence efforts. Canberra then mounted an effective response, relying on an accountable and transparent government and an independent judicial system.
- **Democratic institutions are critical to recipient countries' ability to monitor and evaluate Chinese project implementation and promote the rule of law, particularly in countries with leaders happy to conclude deals behind closed doors.** The availability of accurate information permits broad public debate about how to engage China, giving citizens the power to keep their leaders accountable and protect their own country's interests.

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<sup>7</sup> Linter, Bertil and Chiang Mai. "Poor and Isolated, Myanmar Backs into a China Debt," *Asia Times*, 31 Jan. 2019, [www.asiatimes.com/2019/01/article/poor-and-isolated-myanmar-backs-into-a-china-debt-trap/](http://www.asiatimes.com/2019/01/article/poor-and-isolated-myanmar-backs-into-a-china-debt-trap/); "Myanmar Scales Back Chinese-Backed Port Project over Debt Fears," *Reuters*, 2 Aug. 2018, [www.theguardian.com/world/2018/aug/02/myanmar-scales-back-chinese-backed-port-project-over-debt-fears](http://www.theguardian.com/world/2018/aug/02/myanmar-scales-back-chinese-backed-port-project-over-debt-fears).

<sup>8</sup> Lwin, Nan. "Deft Diplomacy Required as China, Japan, Courts Myanmar," *The Irrawaddy*, 19 Dec. 2018, [www.irrawaddy.com/news/analysis-deft-diplomacy-required-china-japan-court-myanmar.html](http://www.irrawaddy.com/news/analysis-deft-diplomacy-required-china-japan-court-myanmar.html).

## RECOMMENDATIONS

- The CCP's aggressive influence campaign undermines vital strategic interests for the United States and its democratic partners, and is unlikely to retreat unless it begins to yield negative consequences. It is vital that the U.S. and its partners combat this threat by shoring up the resilience of the countries that China has targeted.
- In countries where China has made significant inroads, the persistence of strong institutions – for example, a robust independent media – can provide a bulwark against further expansion of Chinese interference, and may even contribute to its retreat.
- The U.S. and its partners should raise awareness of CCP influence tactics within private enterprise, academia, and government, and bolster the capacity of civil society, political parties, and independent media to expose and counter such tactics.
- Considering the potential for a particularly detrimental impact from CCP investment practices in economically disadvantaged countries, the U.S. and its democratic partners should lead a united effort to offer alternatives to Chinese investment and financing, as well as technical assistance on negotiations.



## About the BRIDGE Initiative

In recognition of the challenges posed by foreign authoritarian influence, the International Republican Institute (IRI) developed a framework to strengthen the ability to resist this threat. This initiative, entitled Building Resiliency for Interconnected Democracies in Global Environments (BRIDGE), is funded by the National Endowment for Democracy (NED). The BRIDGE framework takes a two-pronged approach to tackling this challenge: 1) Increasing knowledge of the nature of authoritarian tactics; and 2) Engaging stakeholders to develop and implement their own strategies to confront these tactics.

By engaging stakeholders across sectors – including government officials, political parties, media, private enterprise, and civil society actors – IRI is bolstering the resilience of democratic institutions to authoritarian influence. The research presented in this report is part of a growing compendium of case studies documenting China's authoritarian influence tactics and the elements of effective democratic resilience, which directly informs BRIDGE programming.