

Countering Chinese Economic Expansion Through Small State Engagement in South Asia

A Monograph

by

LTC Brian Young
US Army



School of Advanced Military Studies
US Army Command and General Staff College
Fort Leavenworth, KS

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Name of Candidate: LTC Brian Young

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Approved by:

_____, Monograph Director
Philip Hultquist, Ph.D.

_____, Seminar Leader
David Meyer, COL

_____, Director, School of Advanced Military Studies
Kirk Dorr, COL

Accepted this 23rd day of May 2019 by:

_____, Director, Graduate Degree Programs
Robert F. Baumann, Ph.D.

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Abstract

Countering Chinese Economic Expansion Through Small State Engagement in South Asia by LTC Brian Young, US Army, 44 pages.

This study presents an assessment of small state power as it relates to foreign policy in South Asia and the application of operational art through security engagements to meet political aims. US interests are at risk in this region and success is dependent upon the most efficient engagement of regional players to counter Chinese military, economic, and political aims. Security cooperation provides a cost-efficient way to counter Chinese economic alliances with small states in the region. A true mitigation of Chinese challenges to the existing security order in the Indo-Pacific requires the continuous presence of multiple dilemmas through expanded security cooperation with small states.

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Acronyms

AIIB	Asian Infrastructure Investment Bank
AOSIS	Alliance of Small Island States
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
COMCASA	Communications Compatibility and Security Agreement
CPEC	China-Pakistan Economic Corridor
EEZ	Exclusive Economic Zone
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GEF	Guidance for the Employment of the Force
IOR	Indian Ocean Region
IPCC	Intergovernmental Panel on Climate Change
JCPOA	Joint Comprehensive Plan of Action
IMF	International Monetary Fund
LSCO	Large-scale combat operations
LEMOA	Logistics Exchange Memorandum of Agreement
MDF	Maldivian Democratic Party
MNDF	Maldivian National Defence Force
NSS	National Security Strategy
PRC	People's Republic of China
TSC	Theater Security Cooperation
UNFCCC	United Nations Framework Convention on Climate Change
USINDOPACOM	United States Indo-Pacific Command
USPACOM	United States Pacific Command

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Introduction

When discussing with his peers and publisher before writing his 2003 work on small states, Peter J. Katzenstein was repeatedly asked, “Since nobody cares about small states why waste so much time writing about them?”¹ It is a pertinent question given the topic of this paper and the limited attention given to the subject by scholars in the last decade. One is tempted to write small states off as extras in the primary plot narrative between great powers. For sure, prior to the post-World War II international order, great powers interacted with small states, or through them, in just such a way. Their importance was measured only in terms of the cost-benefit to invade them – or not – on the way to larger objectives (e.g., Poland and Switzerland in World War II), or the potential strategic complication they begot if threatened (for example, Germany’s decision not to invade Holland in 1914).

Numerous definitions of “small states” have appeared and evolved in international relations theory over the decades. While these definitions vary on clear demarcation for membership in the small state or microstate category, most conclude that size and influence are not always correlated. In 1977, Robert O. Keohane and Joseph Nye argued that smallness or greatness is not a function of population or land size, but rather of qualitative contribution to “issue-specific” power.² As the political center of one billion Catholics, for example, Vatican City, a nation of just 0.44 square kilometers and fewer than 1,000 people, harnesses vast power for a state the size of a small American town. The World Bank defines small states as those with a “small population, limited human capital, and a confined land area.”³ Likewise, geography matters a great deal. Singapore has leveraged its position on the Straits of Malacca and an open

¹ Peter J. Katzenstein "Small States and Small States Revisited," *New Political Economy* 8, no. 1 (March 2003), 10.

² Iver B. Neumann and Sieglinde Gstöhl, “Lilliputians in Gulliver’s World?” *Small States in the International System* (Seattle: University of Washington Press, 2006), 8.

³ World Bank, “The World Bank in Small States,” accessed September 19, 2018, <http://www.worldbank.org/en/country/smallstates/overview>.

economic system to expand itself into a first-world country. Small states with vast natural resources, such as Kuwait or Brunei, command a degree of issue-specific power over oil markets.

The neglected study of small states in foreign affairs is evident since the 1970s, when there was a rapid emergence in the number of independent nations after World War II and the period of decolonization that followed. Between 1947 and 1977, decolonization transformed fourteen million square miles of territory containing 1.25 billion people, into approximately ninety new nations.⁴ As the independent sovereignty of these nations became the norm in world affairs in the 20th century, their place in security studies deserved a more prominent investigation in how larger nations and great powers interact with them and one another into the 21st century.

In the bi-polar Cold War, small nations' level of importance rose in relation to their political orbit around one of the two superpowers of the age. Their propensity to act as a battleground for ideological control resulted in either kinetic struggles for influence (Afghanistan and Vietnam, for example) or more subversive attempts to control small states' political dependability and stem the rise of the other superpower.

In the context of post-Cold War US foreign policy, smaller nations took on new context in regards to their importance in policy matters. In the post-Cold War era, the importance of small states has revealed itself in various ways, and continues to morph as the unipolar dominance of the United States is challenged by non-state actors and the rise of near-peer states like Russia and particularly, China. China's One Belt, One Road Initiative uniquely affects small states in Asia and Africa since its expansion comes with a propensity to load small governments with debt terms that could result in the loss of control over key infrastructure and natural resources. Since 2001, US foreign policy looked at small states through the lens of terrorism and radical extremist ideology. Outreach and aid to small states was often (but not always) meant to curb or prevent the

⁴ Elmer Plischke, *Microstates in World Affairs: Policy Problems and Options* (Washington, DC: American Institute for Public Policy Research, 1977), Preface.

radicalization of their populations to prevent future terrorist strongholds or to provide a projection point for US military forces combatting larger threats in the Middle East or Southeast Asia. For other great powers such as China, these small states were economic opportunities to extract natural resources and expand connectivity to domestic markets with no concern for ideological or cultural connection.

As their role in the international community has increased, small states' interaction with one another and large states changed as well. Overall, they tend to energetically support and reinforce international law since these forums provide a rules-based order to the interaction of states, both large and small. While international law may not prevent the violation of small states' rights, they do increase the cost to stronger powers attempting to impose their will. As global markets expanded and the trade of goods, services, and capital normalized interdependence among nations, great power expansion of borders appealed less advantageous.⁵ This increased stability gave small states increased flexibility to maneuver their foreign policies in relation to the great powers. In 1995, Risse-Kappen argued that small state power increases with their participation in transnational organizations such as the North Atlantic Treaty Organization (NATO), when smaller parties managed to have outsized influence on larger states through "shared values and norms" and "domestic pressures."⁶ Small state power, as defined by Annette Baker Fox's seminal work in 1959, is their ability to resist great power demands.⁷

Whatever the motivation of large states, small states have an important role to play in world affairs. Their vast diversity warrants careful study, and their sheer number at the United Nations demands attention. Their membership in the UN accounts for over 100 of the 194 total member states. How do these nations interact with their respective regions? Given their specific

⁵ Neumann, "Lilliputians in Gulliver's World," 13.

⁶ Ibid., 15.

⁷ Annette Baker Fox, *The Power of Small States: Diplomacy in World War II* (Chicago, IL: The University of Chicago Press, 1959), 3.

geographies and relationship to regional actors, what is their role in US national security? As China's economic influence dominates foreign investment in some of their economies, how is this trend counterbalanced to mitigate future instability?

This study demonstrates how China is using economic enticements and debt traps to entangle small states into its growing geostrategic realm of influence and how the United States can use Theater Security Cooperation to counter China's rise with small states at a discounted cost. The following pages focus on this interplay in the context of great powers and small states within South Asia. Then, the study looks on US foreign relations and military security cooperation with one small state near the Indian subcontinent: The Republic of the Maldives. This nation was chosen for the study due to the unique nature of its interaction with China's One Belt, One Road Initiative and its close ties to the main regional hegemon in South Asia – India. India sits at a distinct crossroads in its history, and its gravity in regional affairs is matched only by recent Chinese economic engagement. Both China and India have complex relationships with the United States, and when combined with small states, the Maldives offers an excellent case study for determining the US role in the region.

Bringing this investigation of small state influence to a finer point, this study investigated the impact of small states on the operational artist. The role of the operational artist, as defined by Joint Publication 3-0, is to use a “cognitive approach...supported by their skill, knowledge, experience, creativity, and judgment – to develop strategies, campaigns, and operations to organize and employ military forces by integrating ends, ways, and means.”⁸ US interactions with the Maldives and India has been, and will continue to be in the near future, done in the context of Theater Security Cooperation (TSC) and mil-to-mil engagements. The size and scale of these engagements varies greatly, but as Wass de Czege pointed out, operational art “can occur at any

⁸ US Department of Defense, Joint Staff, *Joint Publication (JP) 3-0, Joint Operations*, (Washington, DC: Government Printing Office, 2017), xii.

scale, and in any milieu,” and is not limited by traditional notions of large-scale formations.⁹ One of the jobs of the operational artist, as practitioners at United States Army Pacific (USARPAC) and United States Indo-Pacific Command (USINDOPACOM) continue to demonstrate, is to provide multiple dilemmas for near-peer competitors in all phases of operations. Operational art connects tactical, small-scale engagements, over time and space, to the larger strategic aim. The Geographic Combatant Commands (GCC) theater campaign plans, guided by the country plans, set this strategic vision for implementation and engagements across the spectrum of conflict and whole-of-government approaches.

Within this frame of reference, this paper connects two oft-ignored topics: the role of small states and the application of operational art in theater security cooperation. The former is often lost in efforts to counter near-peer competitors without due exploration of small state interaction, and the latter often becomes subordinated to an erroneous belief that TSC engagements expend readiness rather than supplement it. At its conclusion, this paper demonstrates how these relatively inexpensive interactions with small states serve to counteract rising Chinese economic influence at a bargain to the United States. It will also make observations in the light of the greater regional discussion and chart potential future courses of action to advance US interests. These interests are at risk in this region and success is mixed at best. US influence is disproportionate to the increasing level of Chinese overall influence. A true mitigation of Chinese challenges to the existing security order in the Indo-Pacific requires the continuous presence of multiple dilemmas, and these opportunities most often reside in interactions with small states.

⁹ Huba Wass de Czege, “Operational Art is Not a Level of War,” *Small Wars Journal*, March 14, 2011, accessed September 19, 2018, <https://smallwarsjournal.com/jrnl/art/operational-art-is-not-a-level-of-war>, 4.

Great Power Influence and Small State Interaction

New Centers of Power

Globalization is no longer a national choice, but a global condition, with merely a bottom billion or so still left out of this global economy, noses pressed to the glass. And for those that insist on deriding this globalization as a storefront of American imperialism, this is the first empire in the history of mankind that both enriches and empowers the individual.

—Thomas P.M. Barnett, comments at the release of *Great Powers*

In 2003, Thomas P.M. Barnett published a model of globalization that linked military actions to market expansion. This theory of globalization, derived from the “New Rule Sets Project,” a joint research venture between the global investment firm Cantor Fitzgerald and the Center for Naval Warfare Studies in 1998, describes how security problems take place in the context of reducing the friction where it prohibits globalization expansion into new markets. Dr. Barnett’s theory divides the world into “Core” and “Gap” nations. The non-integrated Gap stretches across a defined swatch of the globe to include the Caribbean rim, the Andean portion of South America, most of Africa, the Baltics, the Caucasus region, the Middle East, and much of Southeast Asia. This gap represented the limits of globalization’s expansion at the time.¹⁰ The remainder of the globe represents the Functioning and New Core – countries successfully connecting their national economies to the global economy.¹¹ Brazil, Russia, India, China (BRIC) constitute the New Core, while traditional Trans-Atlantic powers in the west make up the Functioning Core. Globalization’s complexity can then be better understood through the balancing of four essential flows between the Gap and Core regions: the movement of people from the Gap to the New Core, the movement of energy from the Gap to the New Core, the movement of money from the Old Core to the New Core, and the exporting of security from the

¹⁰ Thomas P.M. Barnett, interview by Harry Kreisler, *University of California Television*, March 7, 2008, accessed December 15, 2018, <https://www.youtube.com/watch?v=mei5ER008KM>.

¹¹ Thomas P.M. Barnett, *The Pentagon’s New Map: War and Peace in the Twenty-First Century* (New York: Penguin Group, 2003), 25–26.

United States to the Gap.¹² Most military action, whether it be combat, show of force, contingent positioning, evacuation, or peacekeeping, takes place in the non-integrated gap to increase connectivity and balance the elemental flows listed above. “Eliminating the disconnectedness” reduces violence as the society interfaces more and more with the global economy.¹³

Dr. Barnett’s theory provides a backdrop for this monograph’s exploration of South Asia, and the military-market link in the region. China, as part of the New Core and a rising great power, is seeking connectivity by way of the BRI to export energy and natural resources from the Gap back into the Core (mainly China). Their prominence in financing infrastructure projects to enhance connectivity naturally leads them to seek new rules sets and challenge existing international norms for more favorable terms. The United States, as the primary security guarantor across the international maritime routes, seeks to maintain the old rule set established after World War II, which benefits the Old Core’s national interests and power distribution.

The gravity driving geopolitical waves in South Asia comes primarily from the interplay between great powers with national interests there, but the underlying economic trends due to globalization are what defines the importance of this region in the coming years. One trend continues to redefine global commerce in the last three decades: the shift away from transatlantic dominance to a more Eurasian-centered world. Transatlantic trade volume accounted for eighty percent of global trade in the early 1970s, but accounts for only forty percent in 2013.¹⁴ Sea lines of communication connecting East Asia, the Middle East, and Africa conduct over half of global trade, and the string of great power interaction on this revitalized “Maritime Silk Road” prove how important this region is to the future.¹⁵ As Bill Emmott points out, this period in history

¹² Barnett, *The Pentagon’s New Map*, 192.

¹³ *Ibid.*, 193.

¹⁴ Parag Khanna, *Connectography: Mapping the Future of Global Civilization*, (New York: Random House, 2016), 242.

¹⁵ Khanna, *Connectography*, 242.

marks the first time since the Mongol empire in the thirteenth century that Asia is connected across its 6,000 kilometers from India to Japan.¹⁶

Of course, this connection expands the entirety of Eurasia, across the path of Marco Polo's Silk Road and continues to integrate economies from Europe to the Far East across land and sea. Two-thirds of the world population resides on the supercontinent, and current and future engineering projects define the new connectivity taking place – the vast proportion being products of China's Belt and Road Initiative (BRI).¹⁷ A seamless, duty-free Trans-Eurasian Railway connects Chongqing, China to Kazakhstan, Russia, Belarus, Poland, and Germany, with \$43 billion more in investments on the way to enhance rail connections between the continents (which are faster than ship and cheaper than air transport).¹⁸ In the sea domain, Chinese-sponsored projects and multi-decade leases spackle key ports across nodes in this global supply chain: Piraeus in Greece, Djibouti, Hambantota in Sri Lanka, Malé in the Maldives, Kyaukpyu in the Bay of Bengal, and a lease covering twenty percent of Cambodia's coastline for ninety-nine years.¹⁹

A String of Straw Houses: China's Grand Strategy

China is a big country and other countries are small countries, and that's just a fact.

—Chinese Foreign Minister Foreign Minister Yang, comments during the 2010 Association of South East Asian Nations (ASEAN)

¹⁶ Bill Emmott, *Rivals: How the Power Struggle Between China, India, and Japan Will Shape Our Next Decade* (New York: Houghto Mifflin Harcourt, 2009), 25.

¹⁷ Khanna, *Connectography*, 198.

¹⁸ *Ibid.*, 198.

¹⁹ Mohan Malik, "China and India: Maritime Maneuvers and Geopolitical Shifts in the Indo-Pacific," *Rising Powers Quarterly* 2, no. 2 (2018), accessed October 28, 2018, <http://risingpowersproject.com/quarterly/china-and-india-maritime-maneuvers-and-geopolitical-shifts-in-the-indo-pacific>.

China is a driving factor in this global shift eastward. As the bi-polar conflict of the Cold War shifted to an American-centric dominance after the fall of the Soviet Union, China quietly expanded its economic power in Africa and Asia. Meanwhile, over the past seventeen years, the United States' unipolar focus expended over \$5.6 trillion in regime change, counterinsurgency, and counter-terrorism in Afghanistan and Iraq. China's economic resurgence began after President Richard Nixon reopened diplomatic ties in 1972 and Mao Zedong's successor, Deng Xiaoping, pushed one-fifth of the world's population into market reforms.²⁰ The result was a rise in per capita income from \$200 in 1978 to \$8,250 in 2016 and a concurrent rise in overall Gross Domestic Product (GDP) from \$150 billion to \$11 trillion.²¹ China's steady and dramatic growth lifted a new wave of humanity into the global middle class and out of poverty.

With these 1.3 billion new consumers comes a rising demand for raw materials, energy, and eventually, a place to invest the increasing cash reserves. As of 2017, China surpassed the United States as the leading importer of crude petroleum – accounting for over seventeen percent of global market share.²² It flows logically that China would find itself after three decades of record growth reaching westward to protect the strategic transportation network which transmits this flow of raw materials toward China's heartland and finished goods back into the hands of Western consumers in Europe and America. Since China is vitally short of most components in its manufacturing stream, except people, its strategic reach to Africa and the rest of Eurasia with offers of infrastructure financing, construction, and raw material extraction does not discriminate against shady regimes or questionable autocrats. The network is vast – for example, China has investments in, or direct ownership of, over two-thirds of the world's top fifty commercial

²⁰ Thomas P.M. Barnett, *Great Powers: America and the World after Bush* (New York: G.P. Putnam's Sons, 2009), 164–65.

²¹ “China | Data,” World Bank Open Data, accessed October 29, 2018, <https://data.worldbank.org/country/china?view=chart>.

²² “Countries That Import Crude Petroleum (2016),” The Observatory of Economic Complexity, accessed October 29, 2018, http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/show/all/2709/2016/.

ports.²³ As this network expands however, so does the security requirement. As Thomas P.M. Barnett puts it, China has constructed “a very large house of straw nowhere near a fire station.”²⁴

If one were to attempt to summarize Chinese grand strategy, it would appear to be a whole-of-government approach to ensure the survival of the Communist one-party system and domestic stability through continued economic growth. With Deng’s spark of capitalist reforms and simultaneous suppression of political dissent still surviving today, China hopes to patiently secure its great power status through a vast expansion of regional and international economic influence. At the same time it is using the American-secured, post-World War II order to its advantage, China is also challenging this order and offering alternatives to small states and middle powers in order to expand their influence ever outward. Comments from senior People’s Republic of China (PRC) leaders, such as General Wang Guanzhong, show how some Chinese leaders see a system of United States-led security alliances and partnerships in Asia as a structural obstacle to regional security. His advocacy of a “new Asian security concept” reveals these potential ambitions to reset post-World War II norms in China’s favor.²⁵ The primary vehicle for this bridging of political aims and tactical actions – the whole-of-government vehicle for practicing operational art, one may call it – is the BRI, backed with funding from new policy banks and security guarantees from a growing military.

Connecting the Old and New: China’s Belt and Road Initiative

The Belt and Road Initiative draws its name from the medieval Silk Road connecting China and Europe over the heartland of Eurasia and through the seas of Southeast Asia to the Indian Ocean. The Chinese were early pioneers in globalization dating back to the Mongol Yuan

²³ Malik, “China and India: Maritime Maneuvers and Geopolitical Shifts in the Indo-Pacific.”

²⁴ Barnett, *Great Powers*, 171.

²⁵ Timothy R. Heath, “China and the U.S. Alliance System,” *The Diplomat*, June 11, 2014, accessed October 30, 2018, <https://thediplomat.com/2014/06/china-and-the-u-s-alliance-system>.

Dynasty in the thirteenth and fourteenth centuries.²⁶ Today, the BRI is preserved in the 2017 Chinese Communist Party (CCP) constitution, which describes its aims as “...promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets by enhancing connectivity of Asian, European and African continents and their adjacent seas.”²⁷



Figure 1. China’s Belt and Road Initiative. “China Has a Vastly Ambitious Plan to Connect the World,” *The Economist*, July 26, 2018, accessed October 30, 2018, <https://www.economist.com/briefing/2018/07/26/china-has-a-vastly-ambitious-plan-to-connect-the-world>.

²⁶ Robert D. Kaplan, *The Return of Marco Polo’s World: War, Strategy, and American Interests in the Twenty-First Century* (New York: Random House, 2018), 10–11.

²⁷ The State Council of the People’s Republic of China, “China Unveils Action Plan on Belt and Road Initiative,” March 28, 2015, accessed October 31, 2018, http://english.gov.cn/news/top_news/2015/03/28/content_281475079055789.htm.

The BRI is significant both in what it overtly does, and covertly accomplishes, on behalf of Chinese grand strategy. President Xi Jinping's marketing reveal for the endeavor in 2013 – although foreign direct investment (FDI) really began in earnest for similar projects in 1999-2000 – showcased the BRI as a vehicle for funding infrastructure and connectivity projects that would spur more economic prosperity in Eurasia. Today, the BRI spans over sixty countries and over \$900 billion in current and future projects such as pipelines, bridges, energy, infrastructure, and ports.²⁸ Ostensibly, these mark what the BRI does publicly. Less transparent is how global trade will be transformed by an uninterrupted string of Chinese-financed ports, power plants, and railways stretching from Asia to the Arctic and Central Europe to New Zealand. Surreptitiously, these projects also serve to strengthen Chinese energy security and project power beyond East Asia.

Another structural shift brought by the BRI is China's addition of two policy banks, the China Development Bank (CDB) and the Export Import Bank of China (C-EXIM), to fund the BRI. These banks are significant because they illustrate how power is shifting away from traditional Euro-centric models. With combined assets of over \$1.8 trillion, CDB and C-EXIM exceed all Western-backed policy bank holdings by \$1.1 billion.²⁹ In addition, new multilateral development banks (MDB) such as the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) offer Chinese alternatives to the Euro-American MDBs of the past. Launched in 2015 by the BRICS countries – Brazil, Russia, India, China, and South Africa – the NDB is expected to receive an equal share from each member country to reach a total of \$100 billion in capital.³⁰ The NDB structure is remarkably different from traditional MDBs, in that no single member state has veto power in the way the US has over World Bank and

²⁸ U.S.-China Economic and Security Review Commission, 115th Cong., 1st sess., 2017, 6.

²⁹ Kevin P Gallagher and Rohini Kamal, "China Goes Global With Development Banks," *Bretton Woods Project*, April 2016, accessed October 30, 2018, <https://www.brettonwoodsproject.org/wp-content/uploads/2016/04/At-Issue-China-goes-global-with-development-banks.pdf>, 2.

³⁰ Gallagher and Kamal, "China Goes Global With Development Banks," 3.

International Monetary Fund (IMF) decisions. The AIIB was proposed by China in 2013 to coincide with President Xi's BRI reveal, in the hopes of attracting member states to ratify the Articles of Agreement. By 2016, seventeen member-states had joined the venture. AIIB's structure is more Chinese controlled than the NDB, and China retains enough overall shares to veto any decision regarding membership (which excludes the United States, Canada, and Japan), structure, capital increases, and anything else not laid out in the founding articles.³¹ Numerous analysts call the AIIB China's rival solution to the Western-dominated World Bank and IMF.

BRI Risks to Lendee and Lender

With a plethora of infrastructure financing options available, small states are especially vulnerable in several ways due to BRI projects. Unlike large states, FDI has a disproportionate effect on the internal affairs of small states. An influx of money and influence into a small island state political system operated by just a few influential leaders, for example, exacerbates the potential for corruption. High interest loans for infrastructure projects can lead to an overburdening of the tax base. There are also unforeseen environmental and social impacts brought by large projects, like a hydropower or coal energy project, that must be evaluated and mitigated before construction begins. BRI projects bring all three risks to bear on small states, often simultaneously, while China's advertisement of a "win-win" proposition does not always bear fruit in equal portions.

The case of port development projects at Kyaukphyu in Myanmar shows how a BRI project can derail local governments and burden them with high debt loads without a proportional economic or strategic benefit. Far from the country's commercial capital 386 miles away at Yangon, Kyaukphyu's port development provides a strategic energy avenue for China's landlocked Western provinces. Over ten percent of China's energy imports traverse through oil

³¹ Gallagher and Kamal, "China Goes Global With Development Banks," 3.

and gas pipelines here, thereby bypassing the Malacca Straits.³² However, projects in the area now burden Myanmar with forty percent of its external debt to China, causing Myanmar's Planning and Finance Minister Soe Win to call for the Bay of Bengal port to be "slimmed down."³³

Environmental and social impacts are common with BRI-sponsored projects as well. Since the AIIB, unlike the World Bank, does not omit coal projects from its exclusion list, any energy project financed by this entity will not require an environmental or social impact statement and come with outdated technology.³⁴ From 2001-2016, fifty-eight percent of the fifty-nine coal-fired energy production projects used "sub-critical coal technology" with carbon intensive outputs, equating to eleven percent of total US emissions in 2015.³⁵ In essence, small states are likely to receive a higher polluting power plant, financed at higher interest rates, with no impact statement prior to installation.

China's great financial outreach to Eurasia comes with significant risks for the CCP. Since the 2008 Great Recession slowed demand for low-cost Chinese manufacturing, the Party has looked to the BRI to utilize excess capacity and keep the internal economy churning in the right direction. As of 2016, total Chinese debt reached \$27.5 trillion, or 257 percent of GDP, as the government trusted an expansion of credit to cover the slowdown.³⁶ This potential

³² "China Has a Vastly Ambitious Plan to Connect the World," *The Economist*, July 26, 2018, accessed October 30, 2018, <https://www.economist.com/briefing/2018/07/26/china-has-a-vastly-ambitious-plan-to-connect-the-world>.

³³ Mihir Sharma, "China's Silk Road Isn't So Smooth," *Bloomberg.Com*, July 10, 2018, accessed September 28, 2018, <https://www.bloomberg.com/view/articles/2018-07-10/china-s-belt-and-road-initiative-has-stalled>.

³⁴ Gallagher and Kamal, "China Goes Global With Development Banks," 4.

³⁵ Kelly Sims Gallagher and Qi Qi, "Policies Governing China's Overseas Development Finance: Implications for Climate Change," *The Center for International Environment and Resource Policy, The Fletcher School, Tufts University*, no. 16 (March 2018), 3, accessed October 29, 2018, https://sites.tufts.edu/cierp/files/2018/03/CPL_ChinaOverseasDev.pdf.

³⁶ U.S.-China Economic and Security Review Commission, 1.

overextension draws upon risky markets, in small and politically unstable countries – like the Maldives and Sri Lanka – as the medium for this continued growth.

China and the CCP also risk an increasing political wariness from these small nations as heavy interest rates, imported workers, corrupt bidding processes, and environmental concerns mount over time. The country’s bullying tactics follow a similar routine that is familiar to small states and rising powers alike: some border or sovereignty claim, followed by slow arbitration in a bilateral or multilateral forum, coupled simultaneously with continued construction by Chinese companies that only force could stop. China’s disregard for the Permanent Court of Arbitration ruling denying their claim to over ninety percent of the South China Sea or border disputes with India over the Aksai-Chin and Arunachal Pradesh are examples. Pakistan began to show the potential recklessness of \$4 billion in Chinese financing along the China-Pakistan Economic Corridor (CPEC) in the late summer of 2018. The Pakistani central bank only has enough reserves to cover several months of imports for these projects and threatened Beijing to either continue the funding or risk Pakistan divulging the full terms of the deal and turning to the IMF for funding. As one analyst aptly said, “China’s leaders will shortly learn a lesson that the United States learned ages ago: Pakistan is the only country in the world that negotiates with a gun to its own head.”³⁷

India

After its independence from Britain in 1947, India transformed over the next sixty years into a functioning democracy. This trend overcame multicultural, multiethnic, and multi-religious obstacles to produce a vibrant India that today is committed to growth and security in South Asia. Its history with great powers is complex and nonlinear, however. For fifty years, India’s close ties to the Soviet Union hampered its relationship with the United States and other western powers.

³⁷ Sharma, “China’s Silk Road Isn’t So Smooth.”

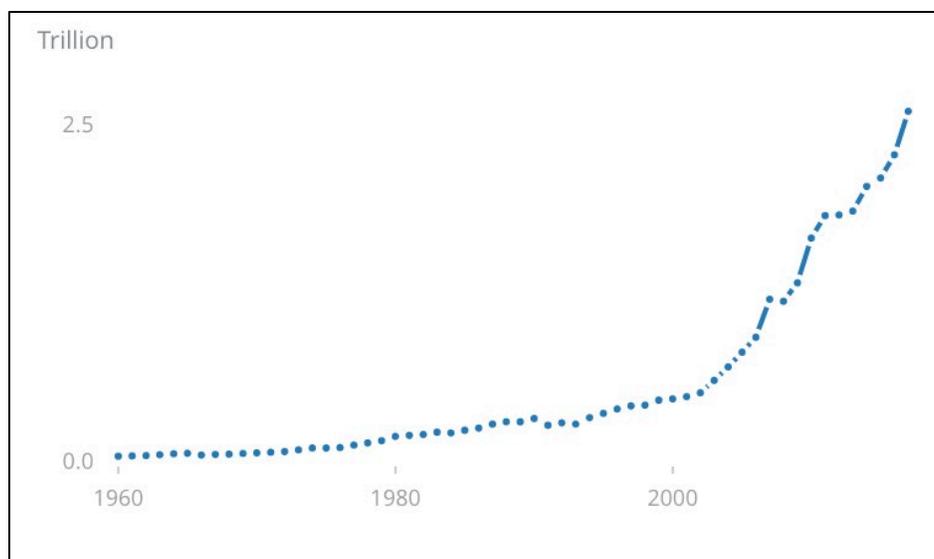


Figure 2. Indian GDP Growth 1960-2016. “India | Data,” World Bank Open Data, accessed November 1, 2018, <https://data.worldbank.org/country/india>.

Until 1991, India had a Soviet-style planned economy with tight protectionist tariffs, central government production controls, bans on FDI, and a stifling bureaucracy.³⁸ Its strength as a world power was shackled by a stagnating economy and a massive population in poverty. The country did not open to global markets until after the fall of the Berlin wall and the near internal collapse of India’s foreign exchange. Prime Minister Manmohan Singh, the finance minister at the time, began market reforms which several coalition governments cautiously carried further through the rest of decade.³⁹ The Asian financial crisis of 1997 delayed Indian economic reforms until 2003, when markets improved and the effects of India’s opening to FDI and relaxing of state ownership began to show benefits. In 2003, GDP was \$600 billion, and by 2016, it jumped to \$2.3 trillion carrying with it per capita income from \$510 to \$1,680.⁴⁰ This rapid growth over the

³⁸ David C. Mulford, *Packing for India: A Life of Action in Global Finance and Diplomacy* (Lincoln, NE: University of Nebraska Press, 2014), 221.

³⁹ *Ibid.*, 222.

⁴⁰ “India | Data,” World Bank Open Data, accessed November 1, 2018, <https://data.worldbank.org/country/india>.

past decade has put the country in direct competition with China as a major power in regional geopolitics.

As an emerging economy with over 1.3 billion people, India faces several major obstacles: developing new energy sources to supply its growing demand without heavy reliance on imported coal and oil, vast improvements in its internal infrastructure, and increasing agricultural production – all done within the context of its border and historical disputes with Pakistan and the rising economic ambitions of China. While India seems to be a natural candidate for regional hegemon in South Asia, it is caught in a geopolitical “strategic triangle” with Pakistan and China.⁴¹ Existing since the 1960s, and largely defined by the bilateral Indo-Pakistani and Sino-Indian conflicts, this strategic triangle took new form in the 21st century as security dynamics mixed with economic realities for each player. Dr. Ashok Kapur describes the current competition as a Chinese move against India’s “commercial and military flanks.”⁴² He states: “...China and India remain the keys to the existence of this triangle. For China the burden is to find ways to obstruct India’s rise as a regional and an international player in the twenty-first century. For India the burden is to stay in the strategic game until China alters its diplomatic and military course towards it.”⁴³

But simply surviving the economic and potential military challenge across its borders may not be enough to check China’s rise in South Asia. Indian military leaders began to echo this sentiment in 2012. Outgoing Indian Navy Chief of Staff Admiral Sureesh Mehta gave a candid speech on Sino-Indian rivalry and the tools needed to match China’s growing strength in the Indian Ocean Region (IOR). He bluntly stated that India cannot match China’s GDP to build “ship-for-ship” and should instead focus on strengthening its interior lines and airpower

⁴¹ Ashok Kapur, *India and the South Asian Strategic Triangle*, Routledge Security in Asia Series 7 (London: Routledge, 2011), 1.

⁴² Kapur, *India and the South Asian Strategic Triangle*, 187.

⁴³ Ibid.

projection as the geographical heart of the IOR.⁴⁴ In 2017, Retired Indian Admiral Arun Prakash reiterated the danger of Chinese maritime dominance in the region, coupled with their determination to claim territory in the Himalayan border dispute and closer ties to the Pakistani military which creates unstable consequences in the near future.⁴⁵

Maritime security is of utmost importance to the Indian economy and its national security. Indian external trade comes by sea: ninety percent by volume and over seventy percent by value.⁴⁶ Coastal security against terrorism also remains high in the political conscience since the November 26, 2008 attack in Mumbai. The ten Pakistani men from the terror group Lashkar-e-Tayyiba infiltrated the country by sea and managed to engage international attention and instill shock across India as they killed 164 people. With a coastline that extends in excess of 7,500 kilometers, 1,200 islands, an Exclusive Economic Zone (EEZ) over 2 million square kilometers, a continental shelf the same size as the country's land mass, India will continue to make its littoral areas a national security priority.⁴⁷ Admiral RK Dhowan, Indian Chief of the Naval Staff, calls "maritime security...a vital element of national progress."⁴⁸

To counterbalance these challenges in its security situation, India has adroitly played its counterbalancing act between East and West well. It sustained its autonomy from the bipolarity of the Cold War by creating the non-alignment movement, and then accepted overtures from both the Soviet Union and the United States in order to never tip its favor to one or the other

⁴⁴ Iskander Rehman, "Should India Fear China's Navy?" *The Diplomat*, May 17, 2012, accessed November 15, 2018, <https://thediplomat.com/2012/05/should-india-fear-chinas-navy/>.

⁴⁵ Admiral (ret) Arun Prakash, "China's Proximity with Pak, Threat to India: Chief Admiral Arun Prakash," (speech at forum on Maritime Awareness and Naval Diplomacy, April 2, 2017), accessed November 2, 2018, <https://www.youtube.com/watch?v=OvK1uyrvZyQ>.

⁴⁶ Indian Navy Directorate of Strategy, *Ensuring Secure Seas: Indian Maritime Security Strategy*, 2015, accessed November 2, 2018, http://indiannavy.nic.in/sites/default/files/Indian_Maritime_Security_Strategy_Document_25Jan16.pdf, i.

⁴⁷ *Ibid.*, 17.

⁴⁸ *Ibid.*, ii.

completely. As Nirode Mohanty wrote, India “has obtained aid from both blocks and has held to the truth that friendship and enmity are contextual, not ideological.”⁴⁹

Today, India continues to hedge its foreign policy between China, Russia, and the United States carefully, but the traditional barriers to a closer relationship with the United States are quickly breaking down. As the largest importer of foreign arms, India purchases most of its hardware from Russia, which enjoys eight percent of the arms market in the country.⁵⁰ However, American companies such as Boeing and Lockheed Martin are poised to benefit from the results of the September 2018 “2+2” dialogue between the Indian and US heads of Defense and State. The signing of Communications Compatibility and Security Agreement (COMCASA) allows transfer of sensitive communications equipment and codes between the two nations to enable real time operational communications for military aircraft, ground-to-air operations, and mission command situational awareness. COMCASA also opens the possibility for sale of the Sea Guardian drone – the armed maritime variant of the MQ-9 Reaper drone, which can be satellite controlled.⁵¹ This agreement, along with the signed Logistics Exchange Memorandum of Agreement (LEMOA) in 2016, set the stage for close military interoperability and further penetration of Russian control over India’s \$80 billion defense market.

From India’s perspective, the highest barrier between Indo-US relations may also be coming down: Pakistan. The United States recently cut \$300 million in aid to Pakistan in 2018, and elevated the diplomatic rhetoric at the highest levels of government to express the nation’s displeasure at Pakistan’s harboring of, in the words of President Trump during a speech in August

⁴⁹ Nirode Mohanty, *Indo-US Relations: Terrorism, Nonproliferation, and Nuclear Energy* (Lanham, MD: Lexington Books, 2015), 155.

⁵⁰ Mohanty, *Indo-US Relations*, 167.

⁵¹ “2+2 Dialogue: Seven Reasons Why COMCASA Is so Important for India”, *The Economic Times*, September 7, 2018, accessed November 22, 2018, <https://economictimes.indiatimes.com/news/defence/seven-reasons-why-comcasa-is-so-important-for-india/articleshow/65707682.cms>.

2017, “criminals and terrorists.”⁵² The President’s further statement in an interview with Mike Wallace in November 2018 that Pakistan is “not helping us at all” were noted in Indian newspaper headlines and reinforced themes from Secretary of State Mike Pompeo’s visit to Pakistan two months prior on his way to the 2+2 Dialogue in New Delhi.⁵³ Secretary Pompeo stated that it was time for Pakistan to “to begin to deliver on our joint commitments...we’ve had lots of times where we’ve talked and made agreements, but we haven’t been able to actually execute those...that we need to begin to do things that will begin to actually, on the ground, deliver outcomes so that we can begin to build confidence and trust between the two countries.”⁵⁴ An American swing away from Pakistan and simultaneous fuller embrace of India’s point of view on South Asian policies, or a radical decrease of material support to Islamabad, could bring down traditional barriers to closer Indo-US ties.

United States

American rhetoric has shifted in the last several years to highlight the growing importance of the IOR to US national interests. In 2015, during his second visit to India, President Obama stated “the relationship between India and the United States can be one of the defining partnerships of this century.”⁵⁵ In 2018, Secretary of Defense James Mattis commemorated the growing connectivity between the Indian and Pacific Oceans by using

⁵² Emily Sullivan, “U.S. Cuts \$300 Million In Aid To Pakistan; Says It’s Failing To Fight Militants,” *NPR*, September 2, 2018, accessed November 22, 2018, <https://www.npr.org/2018/09/02/644117490/u-s-cuts-300-million-in-aid-to-pakistan-says-its-failing-to-fight-militants>.

⁵³ “Won’t Pay Pak as It Has Done Nothing for US: Donald Trump,” *The Times of India*, November 21, 2018, accessed November 23, 2018, <https://timesofindia.indiatimes.com/world/us/wont-pay-pak-as-it-has-done-nothing-for-us-donald-trump/articleshow/66725294.cms>.

⁵⁴ Joseph Dunford, “Remarks With Chairman of the Joint Chiefs of Staff General Joseph Dunford,” September 5, 2018, U.S. Department of State, accessed November 23, 2018, <http://www.state.gov/secretary/remarks/2018/09/285710.htm>.

⁵⁵ Barack Obama, “Remarks by President Obama in Address to the People of India,” (presidential address, New Delhi, India, January 27, 2015), accessed November 23, 2018, <https://obamawhitehouse.archives.gov/the-press-office/2015/01/27/remarks-president-obama-address-people-india>.

Admiral Harry Harris' change of command to rename United States Pacific Command (USPACOM) to USINDOPACOM. The 2017 National Security Strategy (NSS) further defined three specific US interests in South Asia: "countering terrorist threats that impact the security of the US homeland and our allies, preventing cross-border terrorism that raises the prospect of military and nuclear tensions, and preventing nuclear weapons, technology, and materials from falling into the hands of terrorists."⁵⁶ The NSS speaks to the direct challenge China's territorial claims in the South China sea bring to other nations in the region, and repeats Secretary Hillary Clinton's tone from the 2010 ASEAN forum when she declared that freedom of navigation on the sea is in the US "national interest."⁵⁷ These interests in the IOR, set against the backdrop of China's threats to the free flow of trade and the sovereignty of small states through predatory lending practices, define the strategic context in which the US seeks to maintain a rules-based international order in the region.

In 2005, the Bush Administration, awakening to the growing importance of South Asia and India as a candidate to counterbalance a rising China, secured a landmark foreign policy victory with the signing of the United States-Indian Nuclear Deal. Despite a turbulent political path in both countries, the deal was ratified in Congress in 2008, solidifying a rare US exception to its nuclear non-proliferation policy and sending a clear message to the China that, in the words of former US Ambassador to India Robert Blackwill, "...the alignment between India and the United States is now an enduring part of the international landscape of the 21st century."⁵⁸

Recent history signals this unity between the world's two largest democracies was always in the national interests of the United States. The agreement was a continuation of talks that

⁵⁶ Donald J. Trump, "A New National Security Strategy for a New Era" (Washington, DC: White House, 2017), accessed November 23, 2018, <https://www.whitehouse.gov/articles/new-national-security-strategy-new-era/>.

⁵⁷ John Pomfret, "U.S. Takes a Tougher Tone with China," *Washington Post*, July 30, 2010, accessed November 23, 2018, <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/29/AR2010072906416.html>.

⁵⁸ Emmott, *Rivals*, 6.

began in the Clinton Administration, but were interrupted by India's 1998 nuclear weapons test. Its signature and eventual passage by both countries' representative bodies ended nearly a decade of diplomatic standoff and set the foundation for the Obama Administration's military cooperation, the Trump Administration's COMCASA agreement, and future military sales to India.

Today, President Trump's August 2018 outline of the administration's new Afghanistan and South Asia policy attempts to remedy the stalemate in Afghanistan through a power realignment and a reevaluation of the US strategic partnership with Pakistan. The United States' inability to garner adequate support from Pakistan is an interesting side note and applicable example in how a great power is not always able to leverage smaller powers into doing their will. Robert M. Hathaway points out in his monograph "The Leverage Paradox" how leverage is a multi-directional process and not just the prerogative of the strong.⁵⁹ He explains how this middle power state skillfully redirected the Bush Administration's employment of American enmity after 9/11 for Pakistan's financial and military gain. Pervez Musharaff leveraged their geographic location, an emphasis on past American betrayals, and the fear of internal collapse to garner political cover for his regime, \$5.6 billion in economic aid or grants, and \$2.2 billion in foreign military financing and other security-related aid.⁶⁰ Pakistan proved there are limits to great power leverage over smaller states. Great power influence has its limits, especially when small and middle powers have China as another option to align with.

One dynamic US policy will need to overcome is India's reliance on crude petroleum imports from Iran. As concerns over North Korea's nuclear program calm, the Trump Administration has turned its focus on Iran. The US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) has set in motion more economic sanctions for the regime, which poses

⁵⁹ Robert M. Hathaway, "The Leverage Paradox," Wilson Center, December 11, 2017, accessed November 23, 2018, <https://www.wilsoncenter.org/publication/the-leverage-paradox>, 3-4.

⁶⁰ *Ibid.*, 57.

a new round of old complications for Indo-US relations. As the world’s second largest importer of crude petroleum, India imports over eleven percent of this energy source from Iran.⁶¹ Any sanctions imposed on Iranian exports will have a negative effect on the Indian economy. However, this could also represent an opportunity for the United States, now a net exporter, to fill the potential gap while also ensuring Saudi Arabia keeps production high enough to keep prices down.

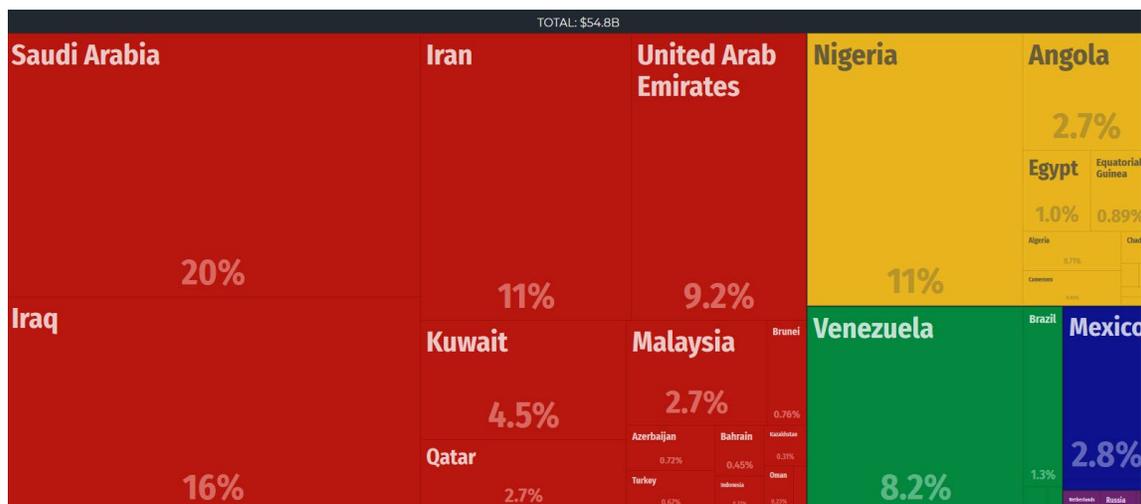


Figure 3: Percentage of India’s crude petroleum imports by country. The Observatory of Economic Complexity, “India Exports, Imports, and Trade Partners,” accessed January 6, 2019, <https://atlas.media.mit.edu/en/profile/country/ind/>.

US economic influence in India far outpaces China. FDI inflow to India from the United States is about seventy percent higher than from China.⁶² However, China is far outpacing US FDI into smaller states around the Indian periphery. Chinese investments in Sri Lanka, for example, show FDI inflows seventy-five percent higher than the United States. India shows that it

⁶¹ “Import Origins of Crude Petroleum to India (2016),” The Observatory of Economic Complexity, accessed November 25, 2018, http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/ind/show/2709/2016/.

⁶² United Nations, “Bilateral FDI Statistics,” Conference on Trade and Development, accessed November 25, 2018, <https://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx>.

is still the regional hegemon in this area, dwarfing the FDI in Sri Lanka of both countries by a factor of ten.

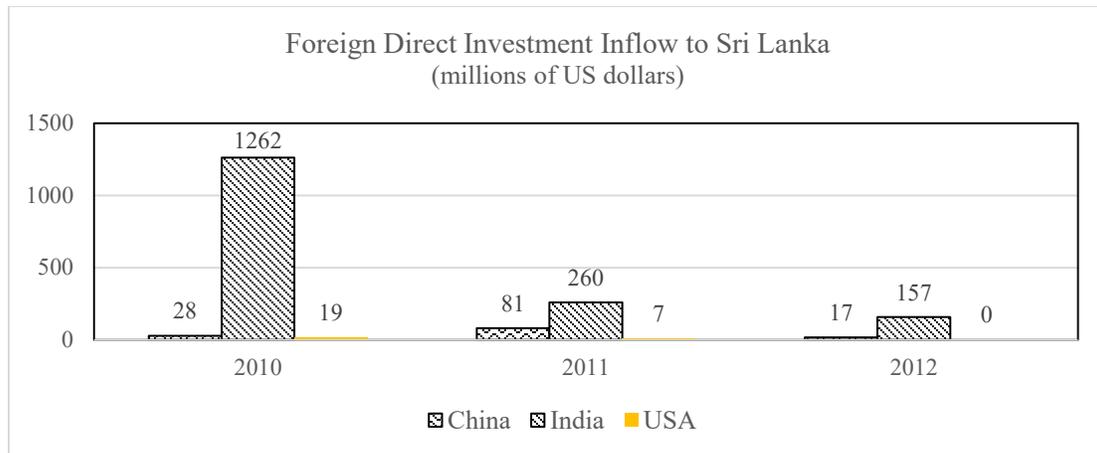


Figure 4: Foreign direct investment inflows to Sri Lanka by country. United Nations, “Bilateral FDI Statistics,” Conference on Trade and Development, accessed November 25, 2018, <https://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx>. [Chart constructed by author]

Given the stated US national interests in South Asia and the dynamics between other middle and rising players in the region, US foreign policy towards the region is likely to remain pragmatic in its approach towards India. As the Trump Administration continues its trade war with China, it will continue its stated South Asia policy of hard expectations with Pakistan and seek closer ties with India over the long term. Partnership with the Indians offers a practical counterbalance to China’s BRI influence and rising naval presence through the IOR and West Africa.

Small State Interaction in South Asia: A Case Study

Characteristics of Small State Interaction with Great Powers

In a world influenced by multilateral cooperation, cross-border investment, and a rules-based order, small states yield noticeable power on the international stage. Even realist portrayals of the interactions of power between large and small states are veiled in the language of international law, and their violations of small state sovereignty are publicly denied to avoid

shaming from the larger international community. Small states welcome this type of world order, since violations of sovereignty are likely to attract an overwhelming response from the larger community of states and their small state brethren. Their welcoming of multilateral forums is accompanied by an equally cautious acceptance of great power influence over their economies and internal political struggles – both of which they are susceptible to when bandwagoning with a large state on key issues or projects.

Whatever power small states project is dependent on what they offer to larger powers, but the reciprocal demands placed on small states for their resources or strategic passage, for example, rarely lead great powers to simply take it by force. Instead, the larger power will avoid intimidation, appeal to world opinion, and operate from a position of “moral rectitude” to gain advantage.⁶³ Great powers, or at least the wise ones in the current international system, do not simply tyrannize small states into bending to their will, lest they draw international criticism, sanctions, or drive the smaller state into the arms of a balancing large power. They will, as Marshall Singer states, build “ties on the basis of mutual perceived interest,” in order to reach agreements for access and resources which will extend beyond the current regimes since they appear to not violate sovereignty.⁶⁴ China, as proven earlier, does this adeptly and learned from earlier missteps in Africa, which brought a backlash to their investments in the region. This attempt is evident in President Xi’s renewed focus on “win-win” solutions and an internal crackdown on corrupt practices abroad.

Any aggregate of small state power in multilateral forums is effective on larger powers only when they take place in multilateral forums, and they amplify the boutique interests of small states. While they may not always be successful at influencing larger state policy, these forums serve to normalize international norms around larger issues which affect all states, regardless of

⁶³ Fox, *The Power of Small States*, 2.

⁶⁴ Marshall R. Singer, *Weak States in a World of Powers: The Dynamics of International Relationships* (New York, NY: The Free Press, 1972), 370.

size. In this manner, the aggregate voice of small states makes a difference in foreign affairs and puts increasing pressure on larger states to conform. Policies adopted by international councils attempting to counteract the manmade effects of climate change are an example. In 1989, the “Malé Declaration” was issued by the newly formed Alliance of Small Island States (AOSIS), bringing attention to early climate science. AOSIS continued as a leading voice for island states at the center of the climate debate, influencing larger international forums such as the World Bank and the United Nations. AOSIS influence at the United Nations Framework Convention on Climate Change (UNFCCC) in 1992 and subsequent pressure for legal commitments were forerunners to the Kyoto Protocol in 1997.⁶⁵ Lacking in structural power compared to larger industrialized countries, the AOSIS block negotiated from their “moral rectitude” position at the Conference of Parties (COP) 15 in 2009. COP15 adopted several of AOSIS’s demands, to include new and additional funding for the Copenhagen Climate Fund and setting scientific findings from the Intergovernmental Panel on Climate Change (IPCC) as the basis for future policy actions after the initial commitment period of the Kyoto Protocol ended in 2012.⁶⁶ Despite failing to meet their primary negotiating goals at COP15, an AOSIS delegate marveled at their ability to influence the negotiations at all by noting that it was a victory for member states like Tuvulu, whose entire population of 14,000 could have “fit in this building.”⁶⁷

Great Power Struggle for Influence: Maldives

The Republic of Maldives is the archetypical small state. As the smallest Asia nation, the Maldives sits south of the Indian subcontinent adjacent to major sea lanes traversing between Africa, the Middle East, and East Asia. One third of its population of 342,000 lives on the main

⁶⁵“Alliance of Small Island States: 25 Years of Leadership at the United Nations,” Alliance of Small Island States, accessed January 12, 2019, aosis.org/wp-content/uploads/2015/12/AOSIS-BOOKLET-FINAL-11-19-151.pdf, 6.

⁶⁶ Nicole Deitelhoff and Linda Wallbott, “Beyond Soft Balancing: Small States and Coalition-Building in the ICC and Climate Negotiations,” *Cambridge Review of International Affairs* 25, no. 3 (September 2012): 360, accessed January 12, 2019, <https://doi.org/10.1080/09557571.2012.710580>.

⁶⁷ Deitelhoff and Wallbott, “Beyond Soft Balancing”, 361.

capital island of Malé, with the rest scattered over 1,190 islands and twenty-six atolls.⁶⁸ Its geography renders it immediately attractive for both tourism and geopolitical intrigue. Over the past several decades, the Maldives stood at the crossroads of all modern trends, its political system shuddering under the weight of globalization, climate change, Islamic extremism, and more recently, the Chinese economic expansion westward to South Asia with its Belt and Road Initiative. The internal dynamics of this small island state, one and a half times the size of Washington, DC, now stands between two rising regional powers, India and China, leaving opportunities and challenges for both in either their quest to remain dominant in their influence over the country, as is the case with India, or to beseech power through economic influence and set the conditions for future military basing, as China is apparently attempting.

Since its independence from Britain in 1965, the Maldives has operated predominately as veiled autocratic state under the auspice of being a democratic republic. Three years immediately following independence, the sultanate continued political rule since the Maldivian king's conversion to Islam in 1153.⁶⁹ Maldivian culture and history reflects its geographical intersection of Indian and Sri Lankan influence, yet Islamic religious structure. Even today, as secular tourists infuse money into the more than eighty island resorts across the atolls, alcohol is not allowed on non-tourist islands or in the capital city of Malé. Prior to 1965, the Maldives' location provided lucrative trade opportunities for Borah merchants from Ceylon and defensive positions on Gan Island, the southernmost atoll, to block from Japanese infiltration into South Africa during World War II.⁷⁰ This military and economic connection maintains Maldives' value to larger regional players in their desire to increase influence in the IOR.

⁶⁸ Central Intelligence Agency, "South Asia: Maldives," *The World Factbook*, accessed January 18, 2019, <https://www.cia.gov/library/publications/the-world-factbook/geos/mv.html>.

⁶⁹ Urmila Phadnis and Ela Dutt Luithui, "The Maldives Enter World Politics," *Asian Affairs* 8, no. 3 (1981), 168.

⁷⁰ *Ibid.*, 170.

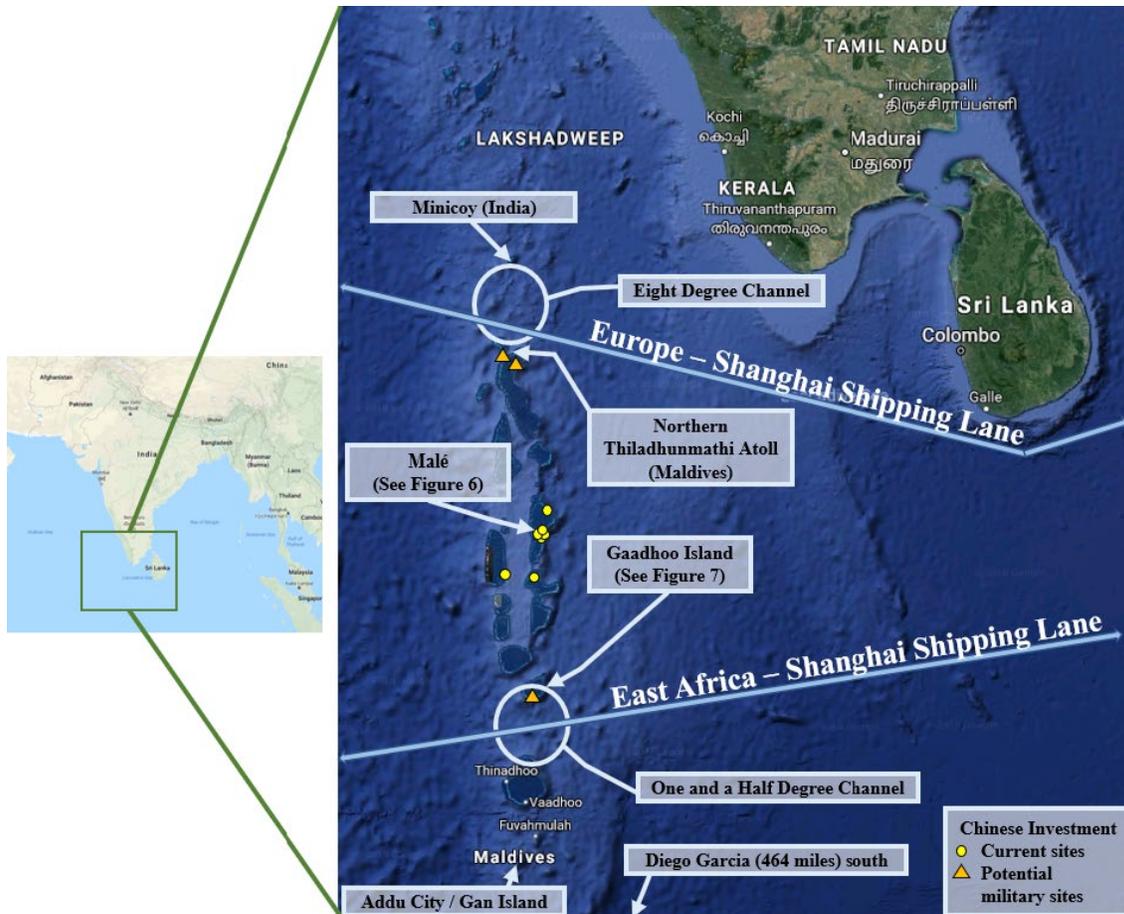


Figure 5: Shipping lanes via the Maldives [Chart constructed by author]

The Maldives location in the Indian Ocean along key shipping lanes has economic and security significance for China, India, and the United States. The archipelago possesses two major shipping channels, noted by the British Admiralty as the Eight Degree Channel in the north between the Indian island of Minicoy and the Maldivian Northern Thiladhunmathi Atoll. This channel controls the Europe to Shanghai shipping lane, or twenty-five percent of global container traffic.⁷¹ The One and a Half Degree Channel, also known as the Suvadiva channel, is located between the Haddhunmathi Atoll and Huvadhu Atolls in the southern portion of the archipelago and controls the East Africa to Shanghai shipping lane. Raw materials bound from Kenya,

⁷¹ “Trade Routes,” World Shipping Council, accessed January 19, 2019, <http://www.worldshipping.org/about-the-industry/global-trade/trade-routes>.

Northern Mozambique, and other points inland in East Africa are affected by this sea lane.

Chinese investments in these areas totals approximately \$38 billion.⁷²

This tug between larger powers in South Asia played out dramatically in Maldivian presidential politics over the last several decades. The 1981 preferential trade pact with India, which guaranteed Indian supply of essential commodities, aggregates, and river-sand to the Maldives in exchange for unfettered access to Indian markets for their exports, Maldivian leaders have practiced an “India First” policy with preferential diplomatic treatment to their larger neighbor to the north.⁷³ Since the Maldives independence in the 1960s, India was a source of economic and political stability for the country. India supported Maumoon Abdul Gayoom’s rule of the Maldives for over three decades and intervened militarily in 1988 to thwart a coup attempt.⁷⁴

In 2011, President Mohamed Nasheed, leader of the Maldivian Democratic Party (MDF) and the first democratically-elected president, allowed China to open an embassy in Malé, setting in motion a path for closer ties between the two nations. Today, just Saudi Arabia, India, Pakistan, Bangladesh, Japan, Sri Lanka, and China have embassies in the small capital, reflecting Malé’s close relationship with these seven countries as they relate to their national interests.⁷⁵ The US mission to the Maldives is located in Sri Lanka, and the ambassador there presents his credentials to both countries on behalf of the President. President Nasheed was arrested in 2012 after resigning his post upon claims that he ordered the “arrest and forceful abduction and detention” of a Supreme Court judge the month before. The charges were dropped in 2015, but he

⁷² American Enterprise Institute, “Chinese Investment Dataset,” accessed January 18, 2019, <http://www.aei.org/china-global-investment-tracker/>.

⁷³ Indrani Bagchi. “How ‘India First’ Turned into ‘China First’ for Maldives,” *The Times of India*, February 10, 2018, accessed October 28, 2018, <https://timesofindia.indiatimes.com/india/how-did-india-first-turn-into-china-first-in-the-maldives/articleshow/62864889.cms>.

⁷⁴ Sudha Ramachandran, “The China-Maldives Connection,” *The Diplomat*, January 25, 2018, accessed January 19, 2019, <https://thediplomat.com/2018/01/the-china-maldives-connection/>.

⁷⁵ Embassy Pages, “Maldives - Embassies and Consulates,” accessed January 19, 2019, <https://www.embassypages.com/maldives>.

was re-arrested on terrorism charges and eventually sought asylum in London and Sri Lanka. Former-president Gayoom’s half-brother, Abdullah Yameen, took power and quickly consolidated his influence until 2018.⁷⁶

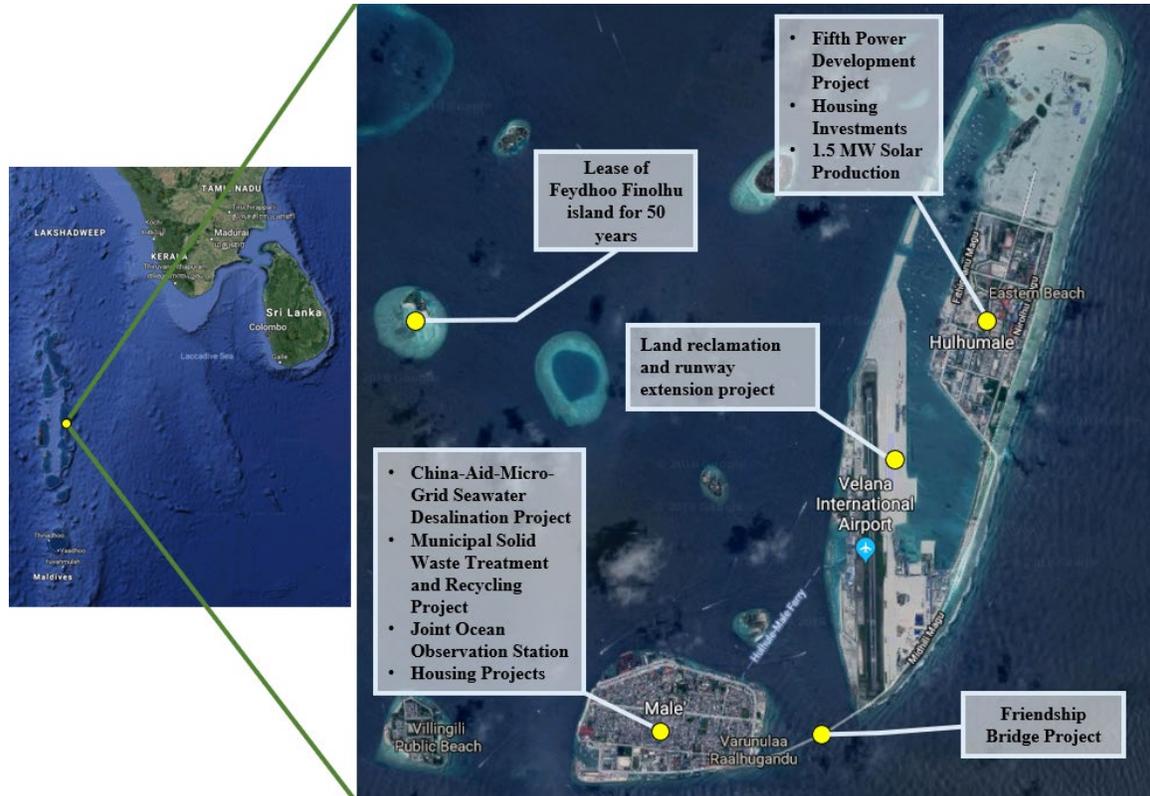


Figure 6: Chinese investment projects in the Malé area. Amit Bhandari and Chandni Jindal, “The Maldives: Investments Undermine Democracy,” Gateway House (blog), Indian Council on Global Relations, February 7, 2018, accessed January 19, 2018, <https://www.gatewayhouse.in/chinese-investments-in-the-maldives/>. [Chart constructed by author]

President Yameen attempted to balance Maldivian favor between India and China during his tenure, eventually tilting favor securely in the direction of China before losing the presidential election in late 2018. Chinese President Xi Jinping visited the island nation in September 2014, which was followed by a Free Trade Agreement (FTA) in September 2017. The agreement reduced tariffs on Chinese industrial and agricultural imports to zero, while guaranteeing

⁷⁶ Ramachandran, “The China-Maldives Connection,” *The Diplomat*.

Maldives top export, fish and fish products, receive similar treatment in China.⁷⁷ In contrast, the Maldives pays a twenty-five percent duty on their exports to European Union (EU) markets. Chinese FDI increased dramatically during this period to fund BRI projects such as the Friendship Bridge connecting the capital island to the international airport and housing projects on Hulhumale, a suburb island, to support relocation projects of the Yameen administration.⁷⁸ Total Chinese investment during President Yameen's tenure was \$1.7 billion.⁷⁹ These loans, with terms approaching the six to seven percent interest which caused Sri Lanka's Hambantota port to fall into a ninety-nine-year lease to the Chinese, now accounts for over forty percent of the Maldives GDP and eighty percent of their total foreign debt.⁸⁰ Loan interest alone is likely twenty percent of the Maldivian government's budget.⁸¹

President Yameen further isolated the country from India beginning in 2014 with the abrupt cancellation of the Indian company GMR Infrastructure's contract to upgrade the Velana International Airport in Malé. The \$400 million contract was subsequently given to China's Beijing Urban Construction Company (BUCC).⁸² In July 2015, the Maldivian Constitution was amended to allow foreign landowners of islands and over \$1 billion investment projects if seventy percent of the land is reclaimed – a precursor to possible future Chinese development.⁸³ Prime

⁷⁷ People's Republic of China, "China and Maldives Sign the Free Trade Agreement," December 8, 2017, accessed January 19, 2019, <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201712/20171202683630.shtml>.

⁷⁸ Ramachandran, "The China-Maldives Connection," *The Diplomat*.

⁷⁹ "Chinese Investment Dataset - China Global Investment Tracker," American Enterprise Institute, accessed January 18, 2019, <http://www.aci.org/china-global-investment-tracker/>.

⁸⁰ Jeong-ho Lee, "Why Are China and India so Interested in the Maldives?," *South China Morning Post*, September 25, 2018, accessed January 19, 2019, <https://www.scmp.com/news/china/diplomacy/article/2165597/why-are-china-and-india-so-interested-maldives>.

⁸¹ Ramachandran, "The China-Maldives Connection," *The Diplomat*.

⁸² "President Launches US \$400m Airport Runway Project," *Maldives Independent*, February 27, 2017, accessed January 20, 2019, <https://maldivesindependent.com/business/president-launches-us400m-airport-runway-project-129040>.

⁸³ N. Manoharan, "India-Maldives Relations: A Tale of Two Concerns," Institute of Peace and Conflict Studies, June 28, 2017, accessed January 19, 2019, http://www.ipcs.org/comm_select.php?articleNo=5311.

Minister Narendra Modi attempted to improve ties in 2014 by offering \$4 million in aid and escalating the amount to \$30 million in 2015 and 2016 through his “Neighborhood First” policy.⁸⁴ Ultimately, the enticements were not enough to discourage island leasing deals, FDI investments, and the potential for a port facility at Gaadhoo Island, at the southern tip of the Eight Degree Channel.⁸⁵ Prime Minister Modi cancelled a state visit to the islands in 2015 due to new terrorism charges brought against former President Nasheed. By 2018, the Maldivian president refused to participate in an eight-day naval exercise, rejected the renewal of Indian visas, and allowed three Chinese naval vessels to make a port call in the capital.⁸⁶

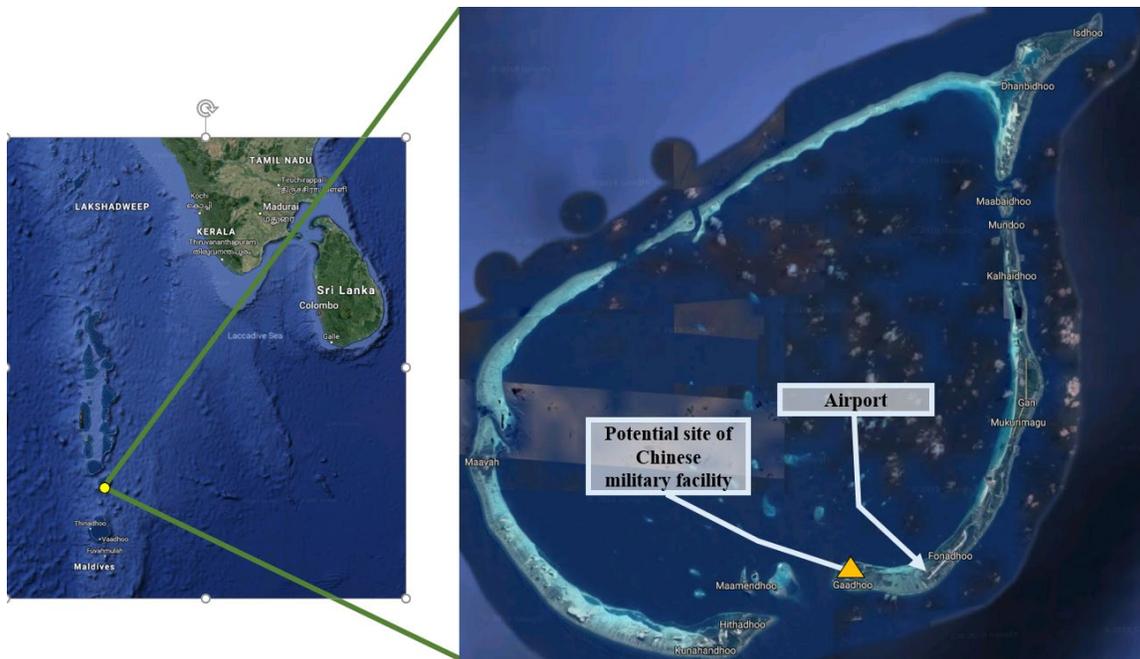


Figure 7: Gaadhoo Island [Chart constructed by author]

⁸⁴ Dániel Balázs, “The Maldives Takes Its Place in Indian Ocean Geopolitics,” *Foreign Policy* (blog), June 8, 2016, accessed January 19, 2019, <https://foreignpolicy.com/2016/06/08/the-maldives-takes-its-place-in-indian-ocean-geopolitics/>.

⁸⁵ Sachin Parashar, “China May Build Port in Southern Maldives,” *The Times of India*, April 11, 2016, accessed January 19, 2019, <https://timesofindia.indiatimes.com/india/China-may-build-port-in-southern-Maldives/articleshow/51771171.cms>.

⁸⁶ Lee, “Why Are China and India so Interested in the Maldives?” *South China Morning Post*.

In 2018, Chinese and Indian tension over Maldivian internal politics came to a crescendo as President Yameen attempted to quell dissent of his political opponents on the Supreme Court. On February 2, 2018, the court dismissed the charges against Nasheed and issued an order to release opposition members of parliament. Following this ruling, President Yameen declared a forty-five-day national emergency, ordered the Army close parliament, arrested two justices, and placed more opposition party members in custody. Former Presidents Nasheed and Gayoom aligned themselves against President Yameen, who responded by arresting Gayoom and sentencing him to nineteen months in prison.⁸⁷ As the presidential elections approached in the fall, fears that a free and fair election would not take place were met with international condemnation by the United States, Britain, and India. President Yameen dispatched envoys to China, Pakistan, and Saudi Arabia to discuss support for his actions, while India refused to receive the special envoy.⁸⁸

As former President Nasheed called from exile for Indian military intervention to ensure free elections, China's ambassador to the Maldives issued a statement: "The international community should play a constructive role on the basis of respecting the Maldives' sovereignty and will rather than take actions that may complicate the situation... We believe that Maldivian government, parties and people have the wisdom and capability to stabilize the situation."⁸⁹ Simultaneous to the events in early February 2018, the Chinese navy "Surface Action Group," consisting of Type 071 amphibious vessels entered the Indian Ocean for the first time since 2014.

⁸⁷ Bharatha Mallawarachi, "Timeline of Political Events Leading up to Maldives Election," *AP NEWS*, September 21, 2018, accessed January 20, 2019, <https://apnews.com/c7f8e438c5a643e58ea53ee239fcf40c>.

⁸⁸ "India's Statement on Extension of Emergency a 'Distortion of Facts': Maldives," *The Times of India*, February 22, 2018, accessed January 20, 2019, <https://timesofindia.indiatimes.com/world/rest-of-world/indias-statement-on-extension-of-emergency-a-distortion-of-facts-maldives/articleshow/63032002.cms>.

⁸⁹ Embassy of the People's Republic of China in the Republic of Maldives, "Spokesperson of Chinese Embassy in Maldives Counselor Yang Yin Refutes the False Remarks of Former President Mohamed Nasheed," February 13, 2018, accessed January 20, 2019, <http://mv.chineseembassy.org/eng/zmgx/t1534827.htm>.

After the statement by the Chinese embassy, the amphibious task force increased in size to eleven vessels, prompting India to move paratroops near the city of Bengaluru and begin a large naval exercise with forty naval warships.⁹⁰

The crisis ended in late September 2018 when MDP presidential candidate Ibrahim Mohamed Solih won the presidential election by a seventeen percent margin against President Yameen. Since the election was validated, and President Yameen conceded, President Solih quickly began repairing relations with India and other nations critical of Yameen's rule. Two state visits between India and the Maldives took place over the course of November and December. The Maldives moved to rejoin The Commonwealth in December 2018 after former President Yameen withdrew in 2016 – further exemplifying President Solih's potential return to a commitment in multilateral forums.⁹¹

With these direct investments in the Maldives, China demonstrates how they seamlessly continue their grand strategy of one-party rule through economic expansion in South Asia. Their methodical acquisition of island leases and infrastructure loans tether the small state to Beijing's control. This astute use of monetary servitude to slowly assert more and more control over the internal politics of a nation will eventually force small states, like the Maldives, into accepting onerous terms to relieve them of the debt burden in exchange for strategic basing and influence over vital sea lanes. Because they are financial and not diplomatic in nature, they stand to survive across administrations, expanding when a close ally occupies the executive and preserved during less affable administrations. China, using new and vast international financing vehicles like C-EXIM and the BRI, gains an ever-expanding "string of pearls" for influencing vital sea lines of

⁹⁰ Sanjeev Miglani and Shihar Aneez, "Asian Giants China and India Flex Muscles over Tiny Maldives," *Reuters*, March 7, 2018, accessed January 10, 2019, <https://www.reuters.com/article/us-maldives-politics-idUSKCN1GJ12X>.

⁹¹ "Maldives Requests Commonwealth Membership," *The Commonwealth*, December 19, 2018, accessed January 20, 2019, <http://thecommonwealth.org/media/news/maldives-requests-commonwealth-membership>.

communication from Africa and Europe which are so essential to keeping this military-economic cycle turning. Their actions in the Maldives fit Dr. Barnett's model – a rising New Core country reaching into the Gap for natural resources, then securing the lines of communication for those resources back to the mainland, refinement into finished goods, and transport back to the consumer. The question then presents itself to US strategists and USINDOPACOM operational artists: “What do we do about it?”

Competing with China's BRI: Disconnecting the Military-Economic Link

For even if a decisive battle be the goal, the aim of strategy must be to bring about this battle under the most advantageous circumstance. And the more advantageous the circumstances, the less, proportionately, will be the fighting.

—Liddell Hart, *Strategy*

Military leaders, driven first by heightened service parochialism during the recent years of sequestration and then more recently by a focused return to large-conflict preparation, sometimes see security cooperation missions as a readiness expenditure rather than a readiness multiplier. In some instances, this may be true. But in most venues, security cooperation can be accomplished in a way that enhances interoperability, increases partner capacity, and most importantly, strengthens the alliance. Ironically, a recent overemphasis on large-scale combat operations (LSCO) at the expense of security cooperation efforts cultivated over the past several years serves as a net destabilizer for overall deterrence efforts. US military leaders will not be served well in future conflicts if they withdrawal efforts in the security cooperation arena while near-peer military-economic efforts like the Chinese pursuits in South Asia gain traction and destabilize the region further. A more robust strategic approach resides with a balance between these two actions.

The case study in the Maldives serves as evidence to this point. US and Indian interactions with this, and other, small states have been dwarfed by Chinese influence. The influence came to an economic crescendo in 2018 and the military result was President Yameen

declining to participate in the biennial naval exercise Milan.⁹² A lack of Indian and US counter-influence led to outsized Chinese interaction with the small state and the inevitable international destabilization was resolved only through an unlikely, yet welcome, internal election and the unseating of the Yameen Administration.

As China proves itself adept at bringing small South Asian states into its orbit through economic coercion, and increases influence around India's periphery, the United States faces a strategic choice on how to respond along with its allies. The United States has less of a stake in South Asian geopolitics than say, China or India, but its engagement (or lack thereof) within the mix of this "Great Game" between the two regional players will define the region, and perhaps the larger Eurasian future over time. Small states, for reasons of geography and cultural influence, as evident in the discussion earlier, have an increasingly important role to play in this future. Small states will use whatever power they possess, and their sovereignty – protected by international norms and laws – to leverage these diplomatic and economic competition to their advantage.

Within this context, the United States must therefore find a way to gain advantage given the fact it will never compete with the Chinese in this arena through "dollar-to-dollar" matches in economic investment. US strategic interests are not the same in South Asia as they are for the Chinese or Indians, but they must compete nonetheless to maintain the international rules-based order which has been so advantageous to US growth since World War II. Thus, a cheaper, more efficient way of competing with the Chinese for influence over small state favor is needed. Theater Security Cooperation offers this solution for US policy makers, especially in the security arena.

⁹² "Maldives Declines India's Invite for Naval Exercise," *The Hindu Business Line*, February 27, 2018, accessed February 13, 2019, <https://www.thehindubusinessline.com/news/maldives-declines-indias-invite-for-naval-exercise/article22865394.ece>.

Theater Security Cooperation (TSC) is defined in the 2015 Guidance for the Employment of the Force (GEF) as encompassing “all DoD interactions with foreign defense establishments to build defense relationships that promote specific US security interests, develop allied and friendly military capabilities for self-defense and multinational operations, and provide US forces with peacetime and contingency access to a host nation. It is a way to achieve desired ends, not an end unto itself.”⁹³ Joint Publication 3-57.1 further categorizes TSC engagement activities into eight categories: operational activities, security assistance, combined exercises, combined training, combined education, military contacts, humanitarian and civil assistance, and other engagements.⁹⁴

The Army’s expansion of its Pacific Pathways initiative to include larger scale rotational deployments with Malaysia, Indonesia, and Japan is a productive start. They provide the foundation for land-based deterrence against Chinese expansion and show a renewed dedication to strategic allies in the Pacific. But division-level exercises, such as fiscal year 2020’s plan for Defender Pacific, designed to deploy a larger force and focus on interoperability for LSCO, should not come at the expense of small state engagements. Subject-matter expert exchanges, key leader engagements, and state-specific support at the battalion level and below are low-cost extensions of the larger US military engagement strategy exemplified by Pacific Pathways and the Multi-Domain Task Force.

Customizing future engagements with small states to build upon their specific strengths and augment their weaknesses takes multiple years of consistent engagement to be effective. For example, the opportunity to engage with the Maldives National Defense Force (MNDF) was

⁹³ R. Reed Anderson et al., *Strategic Landpower and a Resurgent Russia: An Operational Approach to Deterrence* (Carlisle, PA: Strategic Studies Institute, US Army War College, 2016), 121, accessed February 10, 2019, <https://www.jstor.org/stable/resrep12082>.

⁹⁴ Robert W. Button et al., “Linking Missions and Tasks,” in *Small Ships in Theater Security Cooperation*, (Santa Monica, CA: RAND Corporation, 2008), 9–10, accessed February 10, 2019 <https://www.jstor.org/stable/10.7249/mg698navy.10>.

harnessed over two consecutive logistics subject matter expert exchanges between 2014 and 2017. Then, subsequent interactions were interrupted by the souring of relations caused by the Yameen administration. Now that the crisis has passed, there is opportunity to reengage the MNDF alongside India to pick up where the US mil-to-mil engagements left off several years ago. Future engagements could focus on increasing capacity in areas where the MNDF struggles: medical outreaches, counterterrorism, and logistics.

Future small-state engagements should obviously not stop with the MNDF. All of these small-state engagements around China's periphery are low-cost opportunities to strengthen old alliances and build new relationships – all in order to show Beijing a constant drip of US influence and provide multiple strategic relationships for China to confront. In accumulation, these engagements have the ability to disconnect the potential Chinese military-economic link developing in small nations, such as the Maldives, and offer a strategic alternative to monetary enticements. Multiple engagements with small nations provide multiple dilemmas for China's strategists to confront at minimal cost to the United States. Mil-to-mil engagements, when done consistently and to meet capability gaps in partner nations, can have the desired effect of mitigating Chinese attempts to supplant the established world order with parallel systems such as their new development banks and the BRI.

Conclusion

This study validates the importance of small states in world affairs, as seen through recent history in South Asia. In addition, it reinforces the importance of Theater Security Cooperation and key engagements with small states as a low-cost counteraction to China's rise in the Indo-Pacific region. These engagements, along with traditional deterrence and increased focus on LSCO, provide the complete package to the operational artists in USINDOPACOM.

One can only wonder if more time and effort were given to the Maldives, or similar neighbors, over the past decade, the recent destabilization there could have been avoided. Almost two decades of inflexible focus on the Middle East has allowed China to make a stealthy

encroachment on small states. Now, the practice of operational art in the Indo-Pacific – namely, security engagements — could easily take a backseat to preparation for large-scale operations at the expense of long-term stability to prevent just such a conflict. Instead, one should not be sacrificed for the other. Small state engagements must continue to take priority in order to maintain consensus and build alliances to defend an established world order founded in the rule-of-law.

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