U.S.-China Competition: Perspectives from South Asia

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Editor

DECEMBER 2023
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On 8 November 2023, the United States’s (US) International Development Finance Corporation (DFC) announced a loan of US$553 million for Sri Lanka to develop the Colombo port’s west container terminal, thereby making the island nation the DFC’s second-largest market in the Indo-Pacific. This was only one of the recent indications of the increasing importance being accorded by the US to a South Asian country. In the last three years alone, the US has sought to heighten its defence and security cooperation with the Maldives and Bangladesh and commenced its Millennium Challenge Corporation (MCC) projects worth a grant of US$500 million with Nepal. As the Indo-Pacific grows in prominence in global geopolitics, the US is countering China’s influence by offering alternative development partnerships and attempting to maintain a favourable balance of power in the region.

Despite India’s strategic clout in South Asia, the region has not been immune to broader structural shifts caused by the bilateral dynamics between the US and China. The US’s approval of China’s membership to the World Trade Organization (WTO) and its accommodation of China as a “responsible stakeholder” from the early 2000s accelerated the latter’s economic growth and integration. This enabled China to develop trade and development partnerships in South Asia with little scrutiny. The 2008 global financial crisis further entrenched China’s influence in these countries. China’s diversified relations, historically focused on Pakistan, has expanded in other countries in the form of loan provisions, investments, political engagement, people-to-people contacts, and military and defence cooperation. These initiatives were further institutionalised under China’s Belt Road Initiative (BRI), launched in 2013. Beginning that year, China made bigger investments in South Asia and by 2022, that figure had breached US$100 billion.

Since then, and especially from 2017, tensions between the US and China have escalated. China’s aggressions in the South China Sea and Taiwan, its treatment of the Uyghur minorities, unfair trade practices, and trade and technology wars with the US which prompt the latter to accuse it of intellectual property theft—have caused the competition between the two countries to heighten in recent years. The US is increasingly seeing China as a threat to its hegemony and the preservation of the Western values-based order, and is responding through its Indo-Pacific strategy. The strategy advocates for robust engagement with the Indo-Pacific countries, both bilaterally and in collaboration with regional partners.

South Asia—a crucial geography at the heart of the Indo-Pacific region—is not exempt from the consequences of the ongoing US-China tussle. Indeed, there is growing interest in the South Asian region, and it is being driven by multiple factors. Primarily, South Asia will be useful for both the US and China for accessing and maintaining their presence in the Indian Ocean and securing their sea lines of communication and trade. The region also aligns with their respective strategic ambitions: it helps China counter India’s influence and presence in the region and enhances its status as an Asian power; for the US, the region offers an opportunity to push back against China through India. Finally, China’s lending, investments, and projects in the region will help China expand its economy and trade, while offering it the leverage to mitigate any potential unrest in Xinjiang and Tibet.

To be sure, South Asia remains vulnerable to China’s unsustainable and opaque lending policies, white-elephant projects, and unfair trade practices. As a response, the US is involving itself in the region—both bilaterally and in collaboration with its regional partner, India—in strengthening democracy and democratic institutions, promoting market access, development, maritime security and defence, and covering infrastructure gaps. The prospects of such cooperation have further increased following India and China’s clashes at Galwan in 2020.

At a time when the tensions between the US and China are escalating without any prospect of end in sight, this special report attempts to provide South Asian regional perspectives on the US-China rivalry. The six essays in this report attempt to capture insights and perspectives from analysts in South Asian countries often missed when studying the broader structural changes in the Indo-Pacific and the evolving US-China competition. As this report highlights, South Asian countries are not passive victims of the geopolitical churning. Despite advocating for non-alignment, these countries are actively leveraging and exploiting the rivalry to further their own national interests, recognising that both countries bring unique benefits to their development goals.
China continues to appeal to South Asian countries for its easy flow of capital, less bureaucratic red-tape in lending, development assistance, investments with fewer conditions, and ability to promote connectivity and mega-infrastructure projects. At the same time, these countries also acknowledge that China’s capital, influence, and institutional and multilateral strength are no match to that of the US. The United States, for its part, helps these countries in domains such as food security, climate mitigation, health, education, disaster management, energy, democratic institution-building, counterterrorism, and security and defence.

In the first chapter, Ayesha Siddiqa gives three reasons why, despite China’s economic, military, and strategic relations with Pakistan, the latter refuses to unequivocally take its side: domestic vulnerabilities; the potential benefits from both powers; and its history of adopting a neutral stance with both. In Afghanistan, Javid Ahmed argues in his piece, the Taliban remains non-aligned even after 20 years of the US-led war on terror. He explains that the US is the Taliban’s preferred partner due to its financial and diplomatic clout, while China is a necessary economic partner.

Bhagya Senaratne follows with an exposition of how a strategic culture of non-alignment, domestic compulsions, and wedging, are shaping Sri Lanka’s foreign policy. In the fourth essay, Amish Raj Mulmi uses the examples of the Millennium Challenge Corporation (MCC) Compact and the State Partnership Program (SPP) to highlight how China uses the Communist Parties and the civil society in Nepal to limit the US from furthering its interests in the country. These developments have compelled the US to counterbalance China by committing to invest an additional 1 billion dollars in Nepal, assisting the nation in strengthening its democratic institutions, and enhancing cooperation and collaboration with India.

The pattern of balancing is not very different for the Maldives, as described by Rasheeda Didi in her chapter. Its strategy of non-involvement and non-partisanship allows the country to gain from the rivalry given its need for development assistance, and especially because the US and China have different priorities in the Maldives, to begin with. Nur Ahmed rounds up the report with an article that focuses on how Bangladesh—a rising power in its own right—cannot yet afford to choose a side. The article delves into the different nature of partnerships and the importance of the US and China for Bangladesh, even as it maintains its principle of ‘friendship to all, malice towards none’.

By looking at the US-China competition through the eyes of six different South Asian scholars, the report highlights how these states are responding to the rivalry. The aim is to build deeper understanding on the interrelated and complex issues, which will be crucial for the readers to familiarise themselves with the region as its importance in global geopolitics grows in the coming years.

- Aditya Gowdara Shivamurthy
The growing muscularity of Sino-US competition is increasingly impacting the geopolitics of South Asia. The competition is multi-layered—military, economic, technological and political—and the roles that regions and individual states are playing in it vary.

Despite its significance, and despite both China and the United States feeding their partners with weapons technology seeking to build partnerships that could help during an actual conflict, South Asia is unlikely to be part of any such kinetic operations should they occur. These states are more likely to be part of the larger competition between the two powers, in technology, business and politics. From the politics of competing trade corridors to that of being part of the Indian Ocean littoral, South Asia is a beneficiary of the big-power contest. As they did earlier during the Cold War between the US and the former Soviet Union, regional states are choosing their side depending on the benefits that will accrue to them.

However, in the case of Pakistan in particular, its capacity to exploit the competition is limited by its historical relationship with the US and its domestic vulnerability. Islamabad is caught in a corner where it would desire to get closer to China because of its economic, military and geopolitical might, but does not do so due to its perception that American geopolitical power still has an edge over that of China. This constrains Pakistan’s capacity to truly benefit from the competition in beefing up its own geopolitical power.
Unlike India, which is an American partner and considered a key stakeholder in the US’s Indo-Pacific strategy, Pakistan remains in limbo, labelling its policy as ‘strategic and necessary balancing’. In actual practice, the policy leaves Pakistan at the mercy of whatever gains may result from circumstances and the willingness of either the US or China to assert itself and invest in it. It is the opposite of a proactive approach originating from Islamabad. The overall policy revolves around its notion that while China is gaining strength, it is far from decisively replacing American power.

The ‘Two Allies’ Game

Pakistan kept such a balance during the Cold War, maintaining relations with China while being aligned with the US against the former Soviet Union. Indeed, Pakistan played a critical role in helping Washington initiate its dialogue with Beijing in the early 1970s. This also made it easier for Pakistan to justify its alignment with China and the US at the same time. It was the US’s pivot towards the Indo-Pacific in 2012—centred around a threat from China—that took away Pakistan’s advantage of comfortably managing both sides.

Pakistan’s view of the Sino-US comparative power and its own strategy started to change during the mid-2000s. There are three phases.

2005-06 to 2013

This first phase can be described as one of cautious observation and re-evaluation of global geopolitics by Pakistan. Senior Pakistani officials became suspicious of Washington’s intent in the region to the point where some began to call the US “one of the most hated great powers of all time” while others concluded that “China is likely to play a greater role in global affairs in future due to its predicted emergence as the biggest economic power in 2025.” Some within the Pakistani army—such as, for instance, former chief of the Inter-Services Intelligence (ISI), Lt. General Asad Durrani (retd)—even began to speak of a new geopolitical partnership between Pakistan, China and Russia to counter US power. Though scepticism of US intentions set in as the US grew more keen to develop ties with India, some segments of the army considered the prospect of waning American power.

However, the then ruler of Pakistan, army chief and president General Pervez Musharraf, remained cautious. China was no doubt an important source—other than the US—of military equipment for his country. However, Pakistan was also an important ally of the US in the global war on terror (GWOT), which Musharraf did not want to disturb. Besides, both the US and the UK were helping him negotiate a reconciliation with his political opponent, Benazir Bhutto. Even so, he
helped China secure its long-term security interests by encouraging its investment in developing the Gwadar seaport in Baluchistan province, without necessarily aggravating relations with Washington.

2013 to 2018

Pakistan-US relations declined in the period following Musharraf’s ouster from power. It started with the US developing doubts about Pakistan’s commitment to the GWOT, followed by the elimination of Osama bin Laden by US Seals in Abbottabad in May 2011 (without informing Pakistan) and the Salala incident in November 2011 when Pakistani and US-NATO troops exchanged fire on the Pakistan-Afghanistan border. It marked one of the lowest points in US-Pakistan bilateral ties. Almost as a corollary, Pakistan grew closer to China. By 2012, the American ‘pivot’ towards Asia, especially its position in relation to Beijing, became clear. Pakistan became even more unsure of how long its military and economic ties with Washington would endure.

Thus, the period 2013-2018 witnessed an upswing in China-Pakistan relations, moving to a new emerging partnership in which Islamabad saw itself benefiting further from China’s increased geopolitical and geo-economic clout. China had already contributed to Pakistan’s defence industrial potential through military sales and co-development and co-production projects. In April 2015, a new chapter began with the signing of the China-Pakistan Economic Corridor (CPEC) memorandum of understanding (MoU). It led to Chinese investment, from 2016, in a series of projects in Pakistan in the areas of communications, energy, and infrastructure development. According to one estimate, by the end of 2017, Chinese financial flows into Pakistan, including loans, had crossed US$50 billion. This was more than what Pakistan would have hoped to obtain from the US, which further added to China’s value for Islamabad. The then ruling party, the Pakistan Muslim League – Nawaz (PMLN) was delighted. This phase was marked by much enthusiasm in Pakistan for China’s Belt and Road Initiative (BRI) and a resolve not to let ties with the US “impinge upon Chinese interests and alter our strategic relationship” with China.

Soon, CPEC became popular even among the Pakistani public. The corridor was meant to create multiple economic opportunities for Pakistan, such as establishing non-exclusive economic

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a Gwadar port provides China, through the China Pakistan Economic Corridor, an alternative access to the sea, outside the Malacca Strait.

b The North Atlantic Treaty Organization
zones along its length, and channelling Chinese resources through it. Gwadar port was further developed as a trans-shipment port providing Chinese trade access to and from Central and South Asia in partnership with Pakistan. It was believed that this connectivity would not just benefit bilateral trade but also create strategic alternatives for China that would propel it to become a bigger economic power than the US by 2026.6

**2018 – 2023**

Despite China’s rapid initial investment of about US$26 billion, CPEC started to stall around 2018. This coincided with a change of government, which brought the Imran Khan-led Pakistan Tehreek-e-Insaf (PTI) to power, but may not have been entirely caused by it. No doubt the Imran Khan government did slow down the pace of the project by calling for changes of investment priorities and a need for greater accountability.7

Pakistan’s tardiness in the project under the PTI government became visible. It did not meet some of its commitments such as installing a desalination plant at Gwadar port for supply of potable water. Pakistan also distributed the least amount of money to Baluchistan province, where Gwadar is based, during that period, giving it no more than US$200 million in CPEC investment. This gradual hesitation signaled Pakistan’s resistance to China and led to Beijing shying away from greater commitment. Since 2018, the same year the PTI came to power, the CPEC seems to have, as described by author Andrew Small, lost steam.8 Though the development of Gwadar is on-track—such as construction of an international airport and other facilities—it is no longer strictly shut for non-Chinese diplomatic traffic. Beside British envoy Jane Marriott, US ambassador to Pakistan David Blome also visited Gwadar in September 2023, the first US official to do so since 2006.9

Pakistan’s new balancing of relations with China vis-a-vis the US seems to be a carefully considered move driven initially by pressure from the Donald Trump administration. It indicates an appreciation in Islamabad that, unlike in the Cold War, Pakistan cannot afford to back any one side entirely. It cannot part ways with the US, even if the US is unwilling to give Pakistan the money and weapons it seeks. The US’s capacity to help Pakistan obtain financial assistance from organisations such as the International Monetary Fund (IMF) or to negotiate with the Financial Action Task Force (FATF) cannot be underestimated. In August 2017, the then army chief, General Qamar Javed Bajwa expressed Pakistan’s resentment at being left out of the US’s Indo-Pacific strategy, saying: “Pakistan does not need material or financial assistance from the US but needs to be trusted and
treated with respect.” It indicated his keenness to continue Pakistan’s relationship with the US and not allow the civilian government to flip the balance entirely in Beijing’s favour.

No doubt Gen. Bajwa was driven by other concerns as well, such as the civilian government’s overarching control of the CPEC project. However, his primary motive was to assuage the US’s growing apprehension of Pakistan getting trapped in a Chinese debt burden and thereby overly supporting China politically. Similarly, in June 2023, former Minister of State for Foreign Affairs (MoFA) Hina Rabbani Khar reiterated in an interview that Islamabad had no appetite to choose a side in the growing rivalry between Washington and Beijing. The statement may have been needed to bring down the temperature in Pakistan-US bilateral relations that could have risen due to an earlier expressed view by Khar. Allegedly, the US accessed a leaked document of Pakistan’s Foreign Office of two months earlier, in which Khar had suggested tilting towards China and abandoning the policy of maintaining a ‘middle ground’. Despite the realisation of limited prospects of extracting dividends from the US, the post-2018 period has brought about an adjustment in Pakistan’s policy, making room for the recognition of American power, while at the same time seeking to benefit the most from Beijing’s financial and military capabilities.

While remaining engaged with the US, Pakistan has quietly invested in its relationship with Beijing too. No doubt it has resisted allowing Chinese security forces to be stationed in Pakistan, which China wanted following the rise in terror attacks on Chinese investments and Chinese citizens in Pakistan especially since 2018. This does not mean, however, that the ties between them have weakened. On the contrary, it is Chinese financial inflows that have kept Islamabad afloat amid its dire financial straits and during its negotiations with the IMF.

More importantly, Pakistan’s defence-industrial base is now almost entirely dependent on Beijing. The partnership has allowed Pakistan to gradually build up its defence-industrial capacity through several co-development and co-production projects. In a situation where American and Western equipment has almost become unavailable for Pakistan, there are clear benefits in partnering with China and its gradually evolving military-industrial complex. It is not just about access to technology but providing fillip to Pakistan’s defence industry that may not be able to deal with issues of lack of economies of scale and a comparatively vibrant technological, R&D, and production base.
Pakistan’s policy revolves around the notion that while China is gaining strength, it is far from replacing US power.

There is also the cautious yet steady growth of maritime cooperation between the Pakistan Navy (PN) and China’s People’s Liberation Army Navy (PLAN). Since the mid-2000s, Pakistan has procured naval arms from Beijing, boosting both its surface and submarine fleet. While only once has a Chinese nuclear-attack submarine visited Karachi, in 2016, the two navies regularly hold exercises. Pakistan has increasingly turned to China due to non-availability of western weapons for it. Interactions between Pakistan’s mid-career officers and their Chinese counterparts have also increased as a result of weapons training, boosting, to some extent, China’s soft power. As analyst Ghulam Ali has pointed out, Pakistan’s experience of operating in the Indian Ocean can prove of great use to China’s ambitions in the area. While this explains the PN’s critical role in the Sino-US competition, there is little indication that the PN would involve itself in any direct confrontation with the US on China’s behalf if tensions arise in the Indian Ocean.

PN sources acknowledged this, with some senior commanders even downplaying the Australia-United Kingdom-United States (AUKUS) military and security pact (which boosts US presence in the Indian Ocean) claiming it was of no relevance to Pakistan. Such comments may be driven by the need to bring down anxiety regarding Indo-Pacific strategy amongst naval personnel being trained in China, but it also depicts the inability of the PN command to have a greater say in the country’s overall military strategy which has historically been dominated by the army and air force. PN seems to be gently carving a role for itself which is evident from its decision to station one of its Chinese Type 054P frigates, PNS Tughral, in the Gulf of Aden to watch over the safety of Pakistan’s merchant ships. Since the country’s total number of ships is limited to around 10, it can be assumed that such positioning would add to PN’s experience and knowledge of monitoring critical chokepoints, information that would be beneficial both for Pakistan and China. This is a case of closer cooperation between PN and PLAN without any strategic direction from the top. A clearer and much-needed direction will only come when Pakistan acquires greater confidence in the capacity of its Asian ally in relation to Washington. Clearly, Pakistan would like to stay safe and steady in a multi-polar world.
The Taliban’s return to power in Afghanistan has placed them in a challenging position amid the intense rivalry between the United States and China. As the two powers vie for influence, the Taliban’s approach has been one of non-alignment and neutrality. Guided by pragmatic necessity, the new rulers recognise that their international legitimacy and future hinges on working with both powers. Thus they aim to mend relations with the United States, favouring them as a partner for political legitimacy and support, while also keeping China as a necessary partner to leverage Beijing’s economic promises. While the outcome of this balancing act remains uncertain, it carries significant implications for Afghanistan’s future in a world shaped by superpower rivalry.

Historically, China’s role in Afghanistan has been less than assertive—an image that Beijing now seeks to change. Unlike Afghanistan’s other five neighbours, China shares no historical commonalities with the Taliban, nor with other Afghans. During the 1990s, China had minimal engagement with the Taliban while its Afghan policy relied on Pakistan’s support to safeguard its interests. However, the Taliban’s return has prompted Beijing to adopt a more active approach. They have kept their diplomatic mission in Kabul, appointed the first ambassador to the Taliban government, ceded control of the Afghan embassy in Beijing to the Taliban, established direct channels with Taliban security services, actively courted Taliban leaders, and secured commercial contracts. Despite not formally recognising the Taliban, these actions represent a functional form of diplomatic normalisation. Both parties now seek a new framework to ensure some measure of long-term predictability in the relationship. Yet, challenges persist, as the Taliban’s understanding of China remains limited and the Chinese lack complete confidence in their dealings with the Taliban.
Nevertheless, China is typically drawn to political systems that offer enduring stability in relationships, even when led by political Islamists like the Taliban. In a Chinese government policy position paper issued in April this year, Beijing outlines its priorities through the "Three Respects" and "Three Nevers" principles in its dealings with the Taliban government. These principles involve “respecting” Afghan sovereignty, independent choices, and religious beliefs while highlighting how China will “never” interfere in Afghanistan’s internal affairs, pursue self-serving interests, or seek a sphere of influence. As a result, Beijing is unfazed by the Taliban's restrictions on women's rights, nor has it conditioned its engagement on Taliban's adherence to democratic norms.

Meanwhile, Taliban leaders view China’s cooperation model as one of mutual non-interference in domestic affairs. Despite their self-portrayal as champions of “true Islam”, they have refrained from commenting on China’s repression of its over 20 million Muslim Uyghur and Hui Muslim minority populations, essentially accepting these actions as Beijing’s internal antiterrorism policy. In return, Beijing has accused the US of causing a humanitarian crisis in Afghanistan by freezing the country’s foreign assets, publicly supporting the Taliban to pressure Washington for asset release. Additionally, Beijing has criticised what it perceives as “double standards” in US counterterrorism operations, particularly after a US strike killed al-Qaeda leader Ayman al-Zawahiri in Kabul in July 2022; China asserts that such strikes violate other nations' sovereignty.

Ideologically, Beijing appears to tacitly acknowledge that Taliban's belief system does not fundamentally clash with its own, recognising that ideology is to the Taliban what nuclear weapons are to North Korea—they can be relied on for regime survival. Politically, both sides seem to agree on creating a predictable form of Taliban governance.

Private sources, in interviews with this author, suggest that China has encouraged Taliban rulers to project an image of 'inclusivity' in governance and establish a 'functionally inclusive' intra-Taliban decision-making process. This involves reviving the earlier Taliban’s leadership council to de-couple the regime’s executive and clerical authorities and streamline decision-making through consensus between the Kabul- and Kandahar-based Taliban rulers. While China did not actively engage with Afghan warlords, its unspoken stance on their exclusion from the current government appears to align with the Taliban's position. Instead, according to this author’s interviewees, China

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a Author’s private, off-the-record discussions with knowledgeable individuals and insiders in Washington, DC, the United Arab Emirates, and Qatar, whose identities are anonymised due to their role in the ongoing dialogues.
is subtly advocating for including authorised proxies of Afghan warlords in a Taliban-majority government.

Economically, Beijing has lured the Taliban with investment promises to include integrating Afghanistan into China’s Belt and Road Initiative (BRI). The Taliban’s commerce minister confirmed in October 2023 that they had “requested China to allow us [Taliban] to be a part of the China-Pakistan Economic Corridor,” a BRI flagship project. While the Taliban see potential benefits in their engagement with China, they also recognise that Beijing is unlikely to outmatch American investments. China has a history of overpromising and underdelivering in Afghanistan, as seen in the failed contracts for the Amu Darya hydropower plant and the US$50-billion copper deposit lease dating back to 2007, which did not bring expected economic benefits. Despite Chinese claims of investment, the implementation remains unclear.

Even now, despite Beijing’s extensive economic pledges to the Taliban government, such as a US$200-million industrial park and tariff elimination, none of these promises have materialised. Despite the launch of the Tunxi Initiative in April 2022, which involved Afghanistan’s neighbours and Russia supporting humanitarian efforts, none of the promises have been met. Instead, China has secured lucrative 25-year oil and gas contracts worth over US$500 million, with a highly imbalanced revenue-sharing arrangement favouring Chinese companies. This one-sided approach could potentially lead to Chinese pressure for the entry of their private security firms into Afghanistan. Though China has not formally recognised the Taliban government, these binding commercial agreements implicitly acknowledge the Taliban’s legal status as a government.

Still, China’s cautious approach to the Taliban is driven by concerns over anti-China Uyghur elements under the Taliban’s protection in Afghanistan, who pose risks of possible weapon transfers and tactical jihadist collaboration. Uyghur fighters have aligned with various groups, including Pakistani Taliban and ISIS affiliates. An attack in December 2022 on a hotel in Kabul frequented by Chinese nationals, likely involving Uyghur associates of ISIS-Khorasan, prompted Beijing to advise its citizens to leave Afghanistan. Similarly, Khatiba al-Tawhid wal-Jihad (KTJ), an al-Qaeda splinter faction, maintains a tight network with Uyghur fighters and serves as cross-regional financial intermediaries.

This author’s interviewees indicate that China has made calculated concessions to the Taliban, especially the Haqqani faction, in exchange for cooperation and intelligence.
sharing against the Uyghur militants, whom Beijing has designated as terrorists. This includes supplying border surveillance systems, such as commercial drones, to monitor Uyghur militant movements across the border. A liaison service now operates between Chinese and Taliban intelligence agencies, quietly extending China's security presence in Afghanistan. This collaboration complements two Chinese military bases on the Tajik-Afghan border, including a listening post established in 2021, allowing China to gain insights into the activities of Uyghur militants and facilitating the extradition of specific fighters from Afghanistan. Meanwhile, Chinese intelligence has expertly blended into local roles like construction workers, restaurant owners, or running private businesses, supports the Taliban's media centralisation to control the flow of information, and prioritises cooperation with great powers like Russia over competition in Afghanistan.\(^{17}\)

A key challenge for Beijing is how adversaries in Afghanistan may use commercial technologies, like drones, to enhance battlefield tactics and potentially launch lone-wolf attacks against Chinese interests. While preventing such attacks falls under domestic law enforcement, it is a significant counterintelligence concern that demands close cooperation with Taliban's intelligence directorate. Addressing this challenge will likely entail counterterrorism financing, digital counterterrorism efforts, and online policing of platforms, chat groups, and madrasas.

Conversely, Taliban rulers recognise the centrality of Washington's financial and diplomatic influence in preserving stability in Afghanistan. They openly acknowledge that completely severing ties with Washington would jeopardise their newfound authority, prompting their desire to normalise relations with Washington and cooperate in counterterrorism efforts. Despite the strained relationship, it is unlikely for Washington to abruptly destabilise the Taliban government or actively engineer its downfall. Ultimately, slowing down the Taliban's re-Islamisation campaign hinges on Washington's broader outreach, separating security and non-security matters, and engaging in direct and discreet dialogues with influential clerics in Kandahar.

Given the Taliban's staying power, it is conceivable that Washington may eventually offer the Taliban a 'survival package' with political and financial incentives, contingent on compliance with counterterrorism and certain human rights standards. This could involve releasing frozen assets gradually. To ensure long-term stability, establishing a US liaison mission in Afghanistan could become necessary. Exploring indirect incentives, like allowing the Taliban to open a
political office at the United Nations without formal recognition, and seeking areas of compromise, especially on 'inclusivity,' could reshape diplomatic strategies and lexicon over time.

Ultimately, the Taliban face the challenge of skillfully managing their intricate relationships with China and the United States, which could determine their future. The road ahead is fraught with risks for the Taliban, and missteps in their dealings with either Washington or Beijing on both security and non-security issues could lead to their complete isolation or an uncontrollable domestic unrest. Their capacity to maintain this delicate balance while delivering on promises of stability will determine their fate and Afghanistan's place in the world.

“Beijing appears to tacitly acknowledge that ideology is to the Taliban what nuclear weapons are to North Korea—they can be relied on for regime survival.”
Contestations between the United States (US) and China in the area of trade are continuing to intensify, showing little sign of thawing in the immediate future. The ripple effects of the rivalry are being felt the world over, with countries now having to opt to align with either one of the two sides. In South Asia, countries like Sri Lanka are feeling the pressure given their historically close relationships with both sides. Sri Lanka’s location and the ability to engage with a variety of state actors makes the country strategically important in Indian Ocean geopolitics. This essay outlines four factors driving Sri Lanka’s approach on the US-China rivalry: its strategic culture; non-alignment; domestic compulsions; and wedging.

**Sri Lanka’s Strategic Culture and Non-alignment**

A nation’s strategic culture—encompassing the viewpoints of the military, the intelligentsia, and foreign policy executives, among others—collectively shape a state’s responses to external influences. For Sri Lanka, the strategic dilemma is related to its relations with the United States, nurtured since independence and framed by shared adherence to democratic values, and China’s support in the 1950s in the form of the Rubber-Rice Pact and, from 2000 onwards, during the conflict with the Liberation Tigers of Tamil Eelam (LTTE). Moreover, since independence, Sri Lanka has maintained a stance of non-alignment. This is a strategy that Sri Lanka uses to balance China and the US, but it is at risk due to the influence from India, China, and the US.
Having an officially non-aligned policy outlook has helped Sri Lanka navigate many complex situations such as the Indo-China war of 1962 and the Indo-Pakistan War of 1971. There are occasions, however, when questions can be raised as to whether or not Sri Lanka is indeed practicing non-alignment in its foreign policy. For example, until 1956, Sri Lanka’s foreign policymaking was tilted towards the United Kingdom and the United States because of the ruling party’s ideological affiliations with those countries.

The author of this article, in an earlier paper, explains: “Sri Lanka’s strategic culture has significantly echoed the need for engagement with China; the military, for instance, has encouraged the government to engage with China for defense and security reasons, especially in procuring defense equipment. Simultaneously, the foreign policy elites sought support from China at the United Nations, especially when Sri Lanka was a topic of discussion at the United Nations Human Rights Council (UNHRC) in 2012.”

Today, Sri Lanka’s incumbent President Ranil Wickremesinghe is ideologically closer to the United States and other Western countries, and the ties are visible in the numerous visits that US government officials have made to Sri Lanka over the past year, as well as Sri Lanka’s ability to negotiate an Extend Fund Facility (EFF) with the International Monetary Fund (IMF).

Maintaining a position of non-alignment is not an easy task for Sri Lanka given the influence from India. For example, India played a crucial role in assisting Sri Lanka during the initial waves of the COVID-19 pandemic in 2020 and 2021, and the economic crisis in 2022, both of which encouraged Sri Lanka to work with the United States. India’s interest in restructuring Sri Lanka’s debt to India was influential in Sri Lanka’s negotiations with the IMF.

Indeed, Sri Lanka’s non-aligned policy is being tested every time India and the US question Sri Lanka’s decision to permit Chinese vessels to dock at Sri Lankan harbours. China, for its part, insists on allowing these ‘research and survey’ vessels to berth in Sri Lanka because of its own relationship with China. Shi Yan 6 was the latest vessel to dock in Sri Lanka on 25 October. Since February 2017, 19 Chinese survey vessels have entered Sri Lankan waters.

**Economic Compulsions**

Both the US and China are important partners in Sri Lanka’s development drive. Between 2009 and 2015, China emerged as Sri Lanka’s leading lender, providing much needed assistance for Sri Lanka’s physical infrastructure development.
This was amplified further with Sri Lanka becoming a founding member of both the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB). Domestically, post-war, Sri Lanka desperately needed financial assistance to improve its deficient infrastructure facilities. Some 14 years later, Sri Lanka needs to further improve its infrastructure facilities if it is to attract investments and tourists. Records from the Department of External Resources indicate that the bulk of the assistance between 2001 and 2014 was through the EXIM Bank as export credit, with at least 85 percent from these projects being financed through these loans. This reliance and the need for investments illustrate the need for Sri Lanka to continue to have good relations with China despite the delays in debt restructuring.

The US’s bilateral assistance to Sri Lanka has primarily focused on aiding for reconciliation and the improvement of human rights within the country; this is different from the nature of China’s assistance. The World Bank has funded 59 projects in Sri Lanka since the end of the conflict, focusing more on improving existing infrastructure. These include the US$213 million for the Metro Colombo Urban Development Project, US$100 million each for ‘Sri Lanka - Transforming the School Education System as the Foundation of a Knowledge Hub’ and ‘Sri Lanka - Road Sector Assistance Project - Second Additional Financing’. However, it is only recently that the US has started to attempt to invest in infrastructure connectivity. The US’s International Development Finance Corporation (DFC) has announced a loan of US$553 million to Sri Lanka to develop the Colombo port’s West container terminal.

**Wedging**

The strategic competition between the United States and China is beneficial for Sri Lanka because it can use it as a “wedge” strategy. Political scientist Timothy W. Crawford (2011) explains: “States use wedge strategies to prevent hostile alliances from forming or to disperse those that have formed. These strategies can cause power alignments that are otherwise unlikely to occur, and thus have significant consequences for international politics. How do such strategies work and what conditions promote their success? The wedge strategies that are likely to have significant effects use selective accommodation—concessions, compensations, and other inducements—to detach and neutralize potential adversaries.”

For example, during COVID-19, both China and the United States were attempting to attract Sri Lanka into their sphere of influence by providing medical assistance such as vaccines, masks, gloves, and other medical equipment. The United States committed US$5.8 million to Sri Lanka by May 2020 and donated 200 ventilators through the U.S. Agency for International Development (USAID). By mid-2020, China had donated its third batch of medical aid, including 30,000 PCR testing kits, 30,000 disposable coveralls, 30,000 medical protective face masks, 600,000 surgical masks, and 30,000 medical goggles. China additionally granted “$90 million in early October 2020.”
According to the U.S. Department of State, “Since July, 2021 …the United States has donated 3,408,370 … COVID-19 vaccine doses with the people of Sri Lanka. This includes 1,908,270 Pfizer and 1,500,100 Moderna doses. Of the 3,408,370 vaccine doses, 100% were donated in partnership with COVAX.”\(^{14}\) Sri Lanka avoided being looped into either one of the camps; instead, it opted to wedge the states in this instance, which proved to be advantageous.

Similarly, at the height of the economic crisis in Sri Lanka in 2022, the country received various financial and material assistance from a number of countries. The United States, for example, offered “$60 million (21 billion Sri Lankan rupees) of new humanitarian and fertilizer assistance” and thereafter agreed to “…provide an additional estimated $65 million (more than 23 billion Sri Lankan rupees) in assistance to Sri Lanka over a five-year period” through USAID.\(^{15}\) China offered more loans to Sri Lanka and expressed “its readiness to play a constructive role in Sri Lanka’s economic and social development.”\(^{16}\) India, for example, was “more forthcoming in assisting Sri Lanka during its time of need by extending support that are tangible to the Sri Lankan people… [thereby] … presenting itself as a dependable partner.”\(^{17}\) This illustrates the range of actors involved in assisting Sri Lanka, considering its strategic importance.

**Conclusion**

At a time when the US-China trade dispute is permeating other areas of relations across various regions, Sri Lanka appears to be balancing the two countries deftly. This article argued that four factors are influencing how Sri Lanka navigates this situation: its non-alignment principle, strategic culture, domestic compulsions, and wedging.

Whilst competition between states cannot be prevented, Sri Lanka, as a small power in international relations, appears to be championing its position and status well. It is neither antagonising the two states nor is it crumbling under pressure to be aligned with either one of them. Sri Lanka has remarkable relations with both the United States and China, evidenced by the high-level state visits and assistance the island has received over the past few years. It is currently benefitting from the bilateral competition between the two powers. Sri Lanka stands to prosper, should it choose to continue to wedge the states and use this position to its advantage.

“A non-aligned policy outlook has helped Sri Lanka navigate many complex situations.”
Nepali commentators have often referred to the United States (US) as Nepal’s aakashe chhimeki (“neighbour in the sky”),¹ or as a third neighbour.² After the United Kingdom (UK), the US was the second country to establish diplomatic ties with Nepal, in 1947, and remains the largest bilateral donor, with aid flow amounting to US$558.9 million between 2016–17 and 2021–22.³ The US-funded Millennium Challenge Corporation (MCC) compact has gone into implementation despite opposition from Communist parties in Nepal. Several high-level US officials have visited Kathmandu since the ratification of the MCC in early 2022,⁴ and Washington shares an extensive military relationship with the Nepal Army, contributing US$42 million worth of military support—or 27 percent of total assistance—in FY2022 alone.³

However, it may be premature to assume that the US enjoys a comfortable position in Nepal. Nepal has been a lesser-known stage of US–China competition since the beginning of the Cold War. US interest in Nepal at the time was motivated by the former’s desire to contain Soviet, and subsequently Chinese, Communist influence in the country. An expansive foreign-aid relationship, including a short-lived joint road-building programme with India in the early 1960s, was the foundation of Washington’s policy in Nepal.⁶ Nepal was also the site of the Central Intelligence Agency (CIA) programme known as Project ST Circus, which funded the Tibetan armed resistance movement out of Mustang, a Himalayan enclave inside Nepal, in the 1960s. The programme was ended in 1974 following the US–China rapprochement initiated by then Secretary of State Henry Kissinger and President Richard Nixon. However, US presence in Nepal continued “as a balancing factor in their struggle to keep going and to be able to deal with the counter pressures of India and China.”⁷
The paradigms of the US–Nepal relationship have changed in the 21st century, both due to global changes as well as Nepal’s transition from a monarchy to a republic in the 2000s following a civil war. Nepal is also affected by the increasing US–China competition; in February 2022, US Assistant Secretary of State Donald Lu told Nepali leaders that the US would have to review the bilateral ties if the MCC compact was not ratified.8

The MCC: Disinformation and Divergence

Under the MCC compact, the US will invest US$500 million in Nepal’s power and transport infrastructure over a period of five years starting August 2023, with Nepal contributing US$197 million to the project.9 Issues have emerged with the implementation of the compact, such as overbidding on contracts.10 However, its ratification by Nepal’s parliament was delayed by nearly five years after Communist parties in the country objected to the grant on various grounds, primary of which was that the MCC was included in the US’s Indo-Pacific Strategy both by then US Secretary of State Mike Pompeo and Assistant Secretary for South Asia David J. Ranz.11 There was also the unstated implication: that China was lobbying with Nepal’s Communist parties to block the compact.12

China’s preference for Nepal’s Communists has been evident since 2008, when Nepal became a republic. Between 2015 and 2017, Kathmandu signed several agreements with Beijing intended to reduce Nepal’s economic dependence on India and also joined the Belt and Road Initiative (BRI). China backed the merger of the Maoist and the UML parties—the two largest Communist forces in Nepal—to form the Nepal Communist Party (NCP), which held a two-thirds majority in parliament after the 2017 general elections. Two Speakers—Krishna Bahadur Mahara and his successor Agni Sapkota, who are both known to be close to China—blocked the passage of the MCC bill in parliament.13 Further, when the NCP began to disintegrate due to divisions between its two leaders, K.P. Sharma Oli and Pushpa Kamal Dahal ‘Prachanda’, in 2020, China lobbied to keep the Communists united.14

Another salvo to China was US Deputy Assistant Secretary for Defense Joe Felter’s comments during his February 2019 visit to Kathmandu, stating that Chinese investments must serve Nepal’s rather than China’s interests.15 Felter’s comments were termed “ridiculous” and “irresponsible” by then Chinese ambassador Hou Yanqi.16
Opposition around the MCC centred around whether the compact would supersede Nepali law and allow American forces to be stationed in Nepal despite the US’s clarifications that the MCC did not include a military component and that the compact would not prevail over Nepal’s constitution.17 Nepal’s Communists initiated massive protests against the compact, despite assurances to DC by top Nepali leaders that the MCC would be ratified.18 As the deadline for the ratification in February 2022 drew nearer, the US accused China of conducting a massive disinformation campaign in Nepal.19 A study by Nepali think-tank Centre for Social Inclusion and Federalism on China’s media influence in Nepal found that several Chinese journalists ran programmes on Nepali social media against the MCC.20 The Chinese foreign ministry also called the MCC a “Pandora’s box” and accused the US of “coercive diplomacy”.21

Although the MCC was ratified after Lu’s threat of revisiting ties, the US subsequently began to prioritise countering disinformation in Nepal. Acting Assistant Secretary for Global Public Affairs Elizabeth Kennedy Trudeau visited Nepal in September 2022 specifically to counter disinformation, while the US Embassy in Nepal held a disinformation workshop in all seven provinces of the country in August 2023.22 However, despite the US’s massive aid commitments and long history of close ties, Chinese influence within Nepal, along with local Communist leaders with established party-to-party links with the Chinese Communist Party, began to threaten Washington’s interests.

Courting Nepal Against China

In June 2022, the Nepal Army’s proposed participation in the US National Guard State Partnership Program (SPP) resulted in another tussle over US presence in the country. According to the US, Nepal had asked to join the SPP twice, in 2015 and 2017, before its application was accepted in 2019.23 Nepal Army authorities denied these claims, subsequent to which a 2015 letter to the US ambassador written by the then Nepal Army chief was leaked to the media. Communist parties again opposed Nepal’s participation in the SPP, which would enable a relationship between the Nepal Army and the Utah National Guard, on grounds that it was a military partnership. Eventually, in June 2022, Nepal decided to formally opt out of the programme.24 Beijing commended the decision, and once again, China had successfully waded into US–Nepal ties.25

Since then, Washington has engaged with Kathmandu to “counterbalance China”.26 The US now intends to invest over US$1 billion in Nepal in clean energy, electrification, and small businesses in health, agriculture, and tourism over the next five years, starting from a US$125-million loan to a Nepali bank to provide loans for small and medium enterprises.27
During Nepal’s Prime Minister Pushpa Kamal Dahal Prachanda’s visit to China in September 2023, the US committed to invest US$2 million in Nepal to support, among other things, delivering “democratic dividends”.  

The US is also keen on a resolution of the post-conflict transition in Nepal. In January 2023, US ambassador Dean R. Thompson emphasised that transitional justice should address human rights concerns during the war. Before his speech at the United Nations General Assembly in September 2023, in which he affirmed that there would be “no blanket amnesty” for serious human rights violations, Prachanda had been trying to gather support for a transitional justice amendment bill that, critics noted, “does not fully meet the country’s domestic law or international legal obligations and will not provide justice for victims if adopted in its current form.”  

Transitional justice is a discomforting issue for Prachanda and other Maoist leaders due to possible human rights violations during the civil war. China is also keenly watching the rekindling of American interest in the nearly 12,000 Tibetan exiles in Nepal, with reports suggesting that both Chinese president Xi Jinping and premier Li Qiang raised the issue of Nepali territory being used against China in conversations with Prachanda during the latter’s September 2023 visit. The joint statement issued after the visit specified that “Tibet affairs are China’s internal affairs” and Nepal will not allow “separatist activities” from within the country, and noted, for the first time, that Nepal is “against Taiwan independence.” The statement also called for the immediate implementation of the Boundary Management System agreement signed during Xi’s 2019 Nepal visit, which Tibetan advocacy groups claim could be used to refoul Tibetan exiles crossing over to Nepal.  

While Nepal had previously recognised Taiwan as an “inalienable” part of China, its explicit position against Taiwan’s independence suggests that China has been successful in reorienting Nepal towards its key positions. For China, renewed US interest in Tibet is equally concerning. The US has historically supported Tibetan exiles in Nepal after the shutdown of the Tibetan guerrilla movement. It has also periodically told Nepal that it is willing to help resettle Tibetan exiles in the US—an offer that Nepal has not taken up. Further, the US has urged Nepal to resume issuing identity cards to new Tibetan exiles, which Kathmandu had halted in the mid-1990s following pressure from China.  

The US has also raised the issue of Nepal forcibly repatriating Tibetan exiles to China. Under the US Tibet Policy Support Act (TPSA) 2020, the US has officially stated that the Dalai Lama’s succession is a strictly religious issue that “should be determined solely within the Tibetan Buddhist faith community.”
The Act also makes it imperative on the US to urge Nepal to honour the so-called “gentlemen’s agreement” that guarantees safe passage for Tibetan exiles to India. The TPSA has also set aside US$6 million per year until 2025 to assist Tibetan communities in India and Nepal. In 2022, Uzra Zeya, under-secretary and special coordinator on Tibetan issues in the Biden administration, met with Tibetan exiles in Nepal despite Kathmandu’s concerns.

Such American engagement with Tibetan exiles has led China to double-down on its security interests in Nepal, which was evident during Prachanda’s September 2023 visit. Beyond the joint statement seeking the expediting of the parliamentary ratification of the Mutual Legal Assistance Treaty that was signed during Xi Jinping’s visit to Kathmandu in 2019, Prachanda’s trip was viewed as a balancing act for his May 2023 visit to India, during which several economic agreements were signed. However, beyond a few trade agreements, no new initiatives were announced between Nepal and China, leading the media to comment that the visit had “no breakthrough, no notable gains.”

A much-anticipated agreement to implement the BRI in Nepal was delayed due to Nepal’s concerns around some clauses that hinted at security cooperation with China. Similarly, although China has repeatedly asked Nepal to join its much-vaunted but opaque Global Security Initiative, Nepal has refused on the grounds that it cannot join any security alliance that goes against its doctrine of non-alignment. Despite the public rejection of the US-backed SPP, Kathmandu knows that any security agreement with China will also create new suspicions in New Delhi, which has signalled its unwillingness to work with Beijing by refusing market access to China-backed investments in Nepal. Thus, the interests of Washington and New Delhi in Nepal have converged against China.

**Convergence**

It is generally believed that Washington and New Delhi have had divergent interests in South Asia, especially since the US-China rapprochement and the 1971 Indo-Soviet peace treaty. However, this is far from the truth. From the 1950s onwards, Washington’s imperative was to contain Communist China in South Asia, even if it meant deferring to India’s traditional security interests in the region: “[G]iven broader processes of strategic divergence or convergence, India is willing to strike tactical agreements to cooperate with outside powers inside South Asia…the United States and India have in fact often learned to coexist in the region’s third countries and to respect each other’s strategic priorities.”
Kathmandu knows that any security agreement with Beijing will create new suspicions in New Delhi.

Such convergence was most recently evident in Nepal during the post-conflict transition period, when the US deferred to India’s rapprochement with then-underground Maoists, and which has picked up pace once again since the sharpening of the US–China and India–China competitions. Indian companies have emerged as leading bidders for MCC transmission line contracts, which aim to facilitate Nepal’s power exports to India.\(^4^4\) The participation of the Chief of Army Staff of the Nepal Army General Prabhu Ram Sharma in the 13th Indo-Pacific Armies Chiefs Conference, which was co-hosted by India and the US, can be seen as another instance of Nepal acceding to India and the US’s convergence of interests in the region.\(^4^5\)

The two powers’ overarching goal of containing China—coupled with Washington and Delhi’s deepening partnership, both in regional mechanisms such as the Quad and bilaterally—would require Beijing to negotiate two fronts in Nepal as well as elsewhere. Meanwhile, Nepal, whose principle of non-alignment is increasingly coming under pressure, will have to walk a tightrope in the days to come.
The Maldives Protects its Gains Amid US-China Competition
Rasheeda M. Didi

The engagement between the US and China, and South Asia’s great powers is a cause for concern for the Maldives, particularly at a time when many Maldivians see India’s role in the affairs of their country with great suspicion. This has reached almost the level of paranoia, taking the form of an ‘India Out’ campaign involving public demonstrations. The previous government’s declaration of its ‘India First’ policy had also fuelled anti-India sentiments in the country.

It was with China’s entry into the Indian Ocean in the 21st century that the Maldives became a geostrategic battleground for China, India, and the US. Consequently, the Maldives’ strategic significance increased for the members of the Quad—the US, Japan, India, and Australia—as they declared a commitment to the vision of making the Indo-Pacific region stable, free, and open. It is therefore important for the Maldives to collaborate with the international community to mitigate the potential negative fallout of US-China rivalry.

The Maldivian government’s strategy in the US-China competition is one of non-involvement and non-partisanship. Nevertheless, the Maldives will protect its geopolitical environment if danger visits the Indian Ocean as maintaining peace in the region is among its stated priorities.

It was only around 2013 when the Maldives started to witness the consequences of US-China competition in South Asia and the Indian Ocean. At the time, the Maldivian government had begun to nurture a close relationship with China: among others, it awarded Chinese companies contracts to massive infrastructure projects, and amended Article 251 of the Constitution to allow foreigners to lease islands for 99 years. China also had plans to build an ocean observatory station in Makunudhoo1 and signed a Free Trade Agreement (FTA) with the Maldives; such an FTA was widely envied by many foreign governments and companies as it resulted in the slackening or

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1 The FTA is yet to be ratified at the time of writing.
cancellation of tariffs for Chinese goods for which there is great demand globally.

The Maldives professes to be non-partisan, and its diplomatic bilateral relations with both the US and China are continuing as before. China’s priority area is boosting infrastructure and renewable energy, and the US is focused on maritime security, counterterrorism, countering religious extremism, climate adaptation and environmental conservation, democratic governance, and building individual and community resilience. What the two share in common is assisting Maldives in the health sector—this was seen during the COVID-19 emergency, when both countries extended assistance.

South Asia as Battleground for US-China Competition

Although Xi Jinping is seeking to expand Chinese influence and power in Southeast Asia, the trend is rapidly moving towards South Asia and the Indian Ocean. However, any aggressive action displaying the competition or rivalry in the region would not be easy for either. This is because India will check the rise of other powers, including the US.

Since 1962, China and Pakistan’s relationship as allies has grown, and in recent years, India and the US have become good partners. This meant that China’s partnership with Pakistan has played a critical role in the region, and meanwhile, the US sees India as a “net security provider in the Indian Ocean region.”

Over the past 10 years, India has demonstrated its suitability for this role by expanding its strategic presence and defence capabilities in the region. This has been enhanced by the US arms sales to India, which has dramatically increased especially in the last five years. During this period, the US accounted for 11 percent of Indian defence imports. The Maldives considers this as a threat, as a robust India may mean a stronger threat for the neighbouring island nation.

Rapid Escalation Vs. China

China’s attraction to the Maldives is clear as the latter occupies a strategically significant location in the Indian Ocean with “proximity to international sea lanes through which two-thirds of the world’s oil and half its container shipments pass through,” taking traffic from the Suez Canal and the Straits of Hormuz to eastern India, south-east Asia and east Asia. China and the Maldives have shared a close relationship since 1972, when they officially established diplomatic relations. Emphasising this relationship in a speech in 2022, as the two marked the 50th anniversary of the establishment of diplomatic relations, then president Ibrahim Mohamed Solih said, “The bonds of friendship between our two countries are based on our mutual respect for each other’s sovereignty and territorial
integrity, and non-interference in internal affairs, our desire to cooperate closely towards our shared interests in social and economic development, and on the Maldives’ firm commitment to the One-China Principle.”

The Maldives has received Chinese aid in a range of sectors. The earliest was the Sinamale flats, a social housing project in the capital, Malé. This was followed by other assistance, including for the construction of the National Museum. However, it was in 2013, during Yameen Abdul Gayyoom’s presidency, that assistance was given at a more dynamic level. Among the projects was the 7-kilometer-long China-Maldives Friendship Bridge—connecting Malé to the airport on Hulhulé Island and Hulhumalé, a suburb of the capital. There was also the 7,000-housing units project of ‘Hiya,’ and the expansion of the Velana International Airport, all of which attracted curiosity from foreign countries. Other projects included the renovation of the Ministry of Foreign Affairs building in 2021, and the 2022 signing of the much-needed micro-grid seawater desalination project in five islands which aimed at achieving a sustainable solution to clean drinking water shortages.

The China-Maldives relationship has been mutually beneficial so far: the Maldives receives funds for its projects with little conditionalities compared to the international financial institutions while China is able to “protect its sea lines of communication, access the Indian Ocean, and challenge India’s presence and influence in the region.” Appreciating the assistance that the country has received, then President Solih, in the same 2022 speech mentioned earlier, summarised the history of the relationship thus: “China has walked with us hand in hand along our developmental journey.”

Fluctuating but Steady Relationship with the U.S.

The Maldives-US relationship has fluctuated over the years, depending on the Maldivian government’s foreign relations policies and political behaviour. It was steady until 2018 when Washington issued a statement indicating that it would “consider appropriate measures against those individuals who undermine democracy, the rule of law, and a free and fair electoral process.” During the period 2013 to 2018, under the Abdulla Yameen administration, bilateral relations sank to perhaps their lowest level with the Maldives leaving the Commonwealth and severing relations with Gulf countries like Qatar.
Over time, the Maldives-US relationship improved when the ruling party changed from the Progressive Party of Maldives (PPM) to Maldives Democratic Party (MDP) in 2018. In 2020, the two sides signed the Framework for U.S. Department of Defense-Maldives Ministry of Defence Defense and Security Relationship. It was a landmark achievement in the relationship, setting the two countries on the path to deeper engagement in maintaining peace and security in the Indian Ocean by cooperating in domains such as counterterrorism and anti-drug smuggling.

The pact was enhanced by then Secretary of State Mike Pompeo’s September 2020 visit to the Maldives, where he announced the establishment of the US embassy in the capital. While the official word was that this was to meant keep an eye on peace and security in the Indian Ocean the popular belief is that it was, in effect, to monitor China.

The US is satisfied with the Maldives for its advances in the domains of maritime security and counterterrorism, on which the two sides have conducted 40 bilateral exercises since 2012. It was particularly important to the US that in July 2019, then President Solih announced his government’s plans to facilitate the return and prosecution of Maldivian foreign terrorist fighters (FTFs). To add to the US’s satisfaction, in October 2019, the Maldives strengthened its existing anti-terrorism legislation with an amendment requiring the establishment of a rehabilitation and reintegration centre for returning FTFs.

The growing defence relationship between the US and the Maldives was manifested, in September 2022, by the visit of the US Coast Guard Cutter Midgett (MWSL 757) after an 11-year absence by the US Coast Guard. More recently, in early June this year, the United States Agency for Development (USAID) and the Maldives signed an amendment to the Development Objective Grant Agreement. This will give an additional amount of US$7.2 million, bringing the total US support to approximately US$36 million. These funds will support programmes on democratic governance, individual and community resilience, environmental conservation, and climate change adaptation.

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b Prior to this, the same embassy, located in Colombo, represented both Sri Lanka and the Maldives.
Conclusion

Some analysts foresee China’s failure in its rivalry with the US.\textsuperscript{14} Their view is that regardless of how much China invests in Asia, its authoritarian political culture will make it likely to stumble in its relations with the region in the long run. As for Maldives, the political system of an ally, especially a donor-ally, is less important than the assistance being given.

Summing up, the Maldives would appear to be gaining from the US-China rivalry in various forms, as it prioritises its interests and keeps its doors open to financial and other assistance from either one of the two great powers.

“The Maldivian government has nurtured a close relationship with China in the past 10 years and maintains a steadily growing relationship with the US.”
Since the end of the Cold War, there has been an increasing possibility of the global order being divided into two blocs: the United States (US) and its allies, and China and its partners who are growing in number. The gulf is particularly pronounced in the Indo-Pacific region where flashpoints, such as the Taiwan Strait and the South China Sea, exist. The Russia–Ukraine War has added a new dimension to this dynamic and forced more countries to choose a side.

Bangladesh, an emerging power in South Asia, has managed to achieve economic progress over the last decade by carefully navigating between the competing interests of major powers in the region. The country has built a partnership with China, which funds its development projects while maintaining low-key involvement in domestic politics. Such partnership is critical, as infrastructural development has been a key element of political agenda and legitimacy in the country’s history of electoral politics. Meanwhile, the United States (US) has maintained politico-economic connectivity with Bangladesh since its independence, and continues to explore newer avenues in this regard. Unlike Chinese assistance, that of the US often comes with some conditions such as compliance with labour standards, and alleged failure to meet them can make funding from platforms like the US International Development Finance Corporation (DFC) inaccessible.
The strategic significance of Bangladesh in the Indo-Pacific region\(^a\) and the country’s vision to modernise its armed forces have led to increased US interest in the country’s defence market, in which China has historically been a major player. In addition, the US tries to exercise political leverage by involving itself in Bangladesh’s democratic process.\(^b\)

To fully understand Bangladesh’s pragmatic foreign policy of balancing amid US–China rivalry, it is important to consider its neighbour—India. India has huge stakes in how Bangladesh shapes its policies in relation to the rivalry between the US and China; after all, India has its own rivalry with China, even as it shares geographical proximity and historical ties with Bangladesh. Bangladesh has been exploring options presented by this three-pronged competition and is formulating a balanced foreign policy based on its foundational principle of ‘friendship to all, malice towards none.’

**Bilateral Relations with China**

Bangladesh’s bilateral relationship with China has evolved since its independence. During the early years, this relationship was defined by the Cold War dynamics.\(^5\) However, China–Bangladesh relations have steadily grown over the years. While defence cooperation has historically been a key attribute of this bilateral relation, Chinese economic engagements coincide with China’s rise as an economic power and complement Bangladesh’s development goals.\(^6\) China has become Bangladesh’s largest source of military hardware,\(^7\) accounting for majority share of its imports in recent years.\(^8\)

The Belt and Road Initiative (BRI) has provided financial support for Bangladesh’s infrastructural development ambitions. Consequently, Chinese companies have been involved in major infrastructure projects, such as the construction of the longest bridge in Bangladesh—the Padma Multipurpose Bridge—as well as the Padma Bridge Railway Rail Link Project, Payra Power Plant, and Bangabandhu

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\(^a\)** Bangladesh is geographically positioned at the mouth of Bay of Bengal which is home to critical chokepoints of global seaborne trading routes. Bangladesh also offers a lucrative destination for investment because of its economic progress, largely driven by a young and energetic workforce at home and abroad.

\(^b\)** The US calls its involvement a positive catalyst for the existence of an inclusive democratic political system. It holds dialogues to accomplish this stated objective, with the practical implications often implying sanctions, cancellation of trade privileges, and visa restrictions.
Tunnel under Karnaphuli River. China also plans to make further investments in various sectors like information and communications technology (ICT), agriculture, food processing, and renewable energy. The Chinese economic presence in Bangladesh is reflected in the trade statistics, with China as Bangladesh’s top trading partner. China is also one of the largest sources of foreign direct investment (FDI) in Bangladesh, and Chinese investors are engaged in the country’s Export Processing Zones (EPZ). However, China’s growing involvement in Bangladesh has stirred geopolitical competition among regional and extra-regional players.

To understand the effects of Sino-American competition in this region, it is crucial to consider the dynamics of the rivalry between China and India. The proposed Sonadia Deep-Sea Port with Chinese support would have been the country’s first deep-sea port. Instead, Bangladesh has found a more optimal location and is now executing the Matarbari Deep-Sea Port Project with Japanese assistance. The construction of this port will augment strategic connectivity with Japan and India, both members of the Quadrilateral Security Dialogue (Quad), as it will establish an ‘industrial value chain’ from the Bay of Bengal to the landlocked north-eastern states of India.

**Bilateral Relations with the U.S.**

In line with its global agenda of promoting democracy, the US has had considerable influence on the political history of Bangladesh. Since Bangladesh’s independence, the US has played a crucial role in the country’s progress in food security, climate change adaptation, education, public health, disaster management, and energy. At present, Bangladesh is the top recipient of American aid in South Asia. Moreover, the US has also provided assistance in hosting the Rohingyas in Bangladesh, making it the top donor to respond to the crisis. During the COVID-19 pandemic, the bilateral relationship reached a new height as Bangladesh became the top recipient of vaccines from the COVAX facility. Additionally, the US is the largest market for Bangladesh’s staple export—readymade garments (RMG)—and one of the largest sources of FDI in the country.

While maintaining these strategic lifelines of the bilateral relations, the US has also engaged itself with domestic issues such as labour rights, the democratic process, and human rights. These involvements have led to the implementation of various policy measures. For instance, in 2013, the US cancelled the generalised system of preferences (GSP) programme for Bangladesh.
Bangladesh continues to be excluded from this trade benefit. Subsequently, human rights became the focus as the US imposed sanctions in 2021 on the Rapid Action Battalion (RAB), an elite force of Bangladesh Police, in which the US had credible involvement during its early years of formation. It also imposed sanctions on seven former and current RAB officials under its Global Magnitsky sanctions programme. These sanctions are still in force, and the Biden administration is now claiming to uphold democratic principles by announcing the applicability of visa restrictions policy in the context of Bangladesh. Therefore, the US policy in Bangladesh may resemble the ‘carrot and stick’ approach, given the implications of these policies.

The American policy toward Bangladesh presents both opportunities and challenges for the country’s political landscape. Bangladesh is aiming to diversify the options available in the case of defence purchases, as the country seeks modern armaments to accomplish its Forces Goal 2030. Bangladesh’s purchases from the US have increased since the 1990s. The trend of diversification is also present in the recent addition of modern equipment. Bangladesh purchased 23 types of new military equipment from 12 countries and added to the arsenal of the Armed Forces of Bangladesh in the last five years. The US, following standard procedure, intends to sign two agreements—the General Security of Military Information Agreement (GSOMIA) and the Acquisition Cross-Servicing Agreement (ACSA)—before establishing close defence cooperation. Given that Bangladesh’s foreign policy prioritises securing economic interests, it is expected that entering into a security cooperation agreement will require a longer period of careful examination.

**Uncertain Times, Pragmatic Explorations**

The geopolitical landscape is changing rapidly, and the world is witnessing the complex culmination of newer dynamics of conflicts and rivalries across the globe. These extra-regional factors will have sporadic impacts on South Asian countries, compounding challenges brought about by domestic compulsions; most of these countries will go through elections in the next year. Therefore, the Sino-US rivalries or any

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"Forces Goal 2030 is a long-term strategic plan designed to increase the Bangladesh Army, Bangladesh Navy, and Bangladesh Air Force’s capacity, adaptability, and readiness to face the challenges of the twenty-first century."
other geopolitical tussles will have greater impacts on the foreign policy dynamics of South Asian countries.

Bangladesh’s current foreign policy dynamics resembles increased engagement with foreign partners, leading to a rise in high-level visits by foreign delegates in recent months. This will result in political calculations being made both publicly and behind closed doors. China is expected to maintain its neutrality and continue to oppose increased US engagement in public forums. Bangladesh’s foreign policy apparatus will continue to maintain its hedging strategy amid Sino-American and Sino-Indian rivalries.

Therefore, India, China, and the US are all indispensable foreign partners for Bangladesh’s hedging strategy to avoid any foreign policy mistakes. The country is pursuing a foreign policy that will ensure its development agenda domestically as well as peace and stability in the regional and internal arena. Therefore, the engagement with all the global and regional players will be the priority of Bangladesh and it will contribute to facilitating multilateral frameworks where all international actors can resolve issues through negotiations and consultations. It will ultimately help the people of the region and beyond. ORF

Bangladesh is formulating a balanced foreign policy based on its foundational principle of ‘friendship to all, malice towards none.’
Endnotes

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The editor thanks Rajoli Siddharth Jayaprakash, ORF Research Intern, for his help in putting the citations in order.