

ISSN 2180-3250

VOL. **17** No. **1**

June 2026

**INTERNATIONAL
JOURNAL OF
CHINA
STUDIES**

International Journal of China Studies

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International Journal of China Studies, Vol. 17, No. 1, June 2026

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Research Articles

The Influence of Business Environment on the Relationship between FDI and Economic Growth in China

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Abstract

China's growth and the significant increase in foreign direct investment (FDI) inflows have been evident over the past three decades. However, the growth rate of FDI has recently slowed down due to various factors. With the goal of stimulating FDI inflows, China has proposed a policy of "optimising the business environment". Addressing this phenomenon, the current study examined the relationship of FDI, business environment, and economic growth in China based on the retrieved annual data between 1986 and 2020. The bounds test for cointegration was performed to determine the existence of a long-term relationship involving these variables. The obtained results revealed the positive influence of FDI and business environment on China's economic growth. More importantly, the study found that a good business environment can enhance the positive influence of FDI on economic growth. Therefore, efforts to improve the business environment and attract FDI inflows are conducive to China's economic growth.

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Keywords: *Business Environment, China, Cointegration, Economic Growth, FDI.*

1. Introduction

In this increasingly globalised economy, foreign direct investment (FDI) serves as a catalyst for economic growth (Tang and Tan, 2015; Banday *et al.*, 2021). Economic growth is an important goal when it comes to the development of a country. FDI can improve the levels of management skills and technology of the host country through training and knowledge transfer, resulting in enhanced productivity (Dritsakis and Stamatiou, 2014; Gherghina *et al.*, 2019). Such as China, rapid economic growth is closely linked to the influx of foreign capital (Wei and Liu, 2001; Buckley *et al.*, 2010). The investment efficiency of FDI is generally higher than that of domestic investment (Kueh, 1992). The influx of foreign capital has intensified competition in China's domestic market, which in turn has strengthened the overall strength of Chinese firms (Gaur *et al.*, 2018). FDI promotes China's economic growth through three intermediary effects, namely employment, technology spillovers, and output efficiency (Luo *et al.*, 2021). According to a report by China's Ministry of Commerce, although foreign-invested enterprises account for less than 3 per cent of China's enterprises, they contribute nearly half of China's foreign trade, one-quarter of the output value and profits of industrial enterprises above designated size, and one-fifth of tax revenue. Therefore, FDI is an important component of China's economy.

However, in recent years, various events like the re-industrialisation of developed countries, the COVID-19 epidemic, and the Russia-Ukraine conflict have led to a decline in global investment and increasingly fierce competition to attract foreign investment. In addition to this, China is grappling with the challenges posed by the US-China trade war and complex geopolitics. These factors put China at a disadvantage in attracting FDI. This is evident from the significant drop in the growth rate of FDI inflows, which plummeted from approximately 20 per cent in 2010 to a mere 2.05 per cent in 2020. Meanwhile, the growth rate of GDP in China dropped from about 10 per cent in 2010 to 2.35 per cent in 2020. In light of this, it is essential to cultivate new investment advantages in order to cope with the changes in the internal and external environments for economic growth. With respect to this, the Chinese government has proposed the optimising business environment policy to attract FDI and promote economic growth.

Numerous past empirical studies attested to the contributions of FDI to economic growth, but certain studies documented that economic growth is not the outcome of FDI inflows. For instance, Krugman (1983) pointed out that FDI only accounts for a small part of the total capital formation, and it can hardly be regarded as an important driving force for economic growth. Meanwhile, according to Griffin and Enos (1970), not all FDI inflows have a positive impact on the host country, and these FDI inflows may lead to environmental degradation, overexploitation of natural resources, price distortions, and other issues. In addition, Doraisami (2007) also pointed out that recipient countries are vulnerable to sudden outflows of foreign capital triggered by economic or political crises. Notably, a meta-analysis of Gunby *et al.* (2017), which encompassed 280 estimates from the Chinese studies, concluded that the impact of FDI on economic growth in China may have been overstated. As such, it is crucial to take a closer look on whether FDI effectively promotes economic growth in China.

Although the relationship between FDI and economic growth is hardly a new research area, the role of business environment in the relationship between FDI and economic growth in China has remained unexplored. As one of the countries in Asia, China attaches great attention in developing a friendly business environment in order to attract FDI for higher economic growth. In addition, the Chinese government has proposed the implementation of a higher standard of open economy by further optimising the business environment for high-quality economic development.

However, it must be acknowledged that China faces some key challenges in terms of the business environment and attracting foreign investment. As far as China's internal environment is concerned, owing to the ageing problem and rising labour costs, China's comparative advantage in providing low-cost labour has been taken over by other countries (Li *et al.*, 2012). Consequently, some foreign-funded enterprises have relocated from China and set up factories in India, Vietnam, Indonesia, Malaysia, and other countries. In addition, it is important to note that venture capital is influenced by the institutional and cultural context, especially when it comes to foreign venture capital. This presents a significant challenge for their investments in China (Bruton and Ahlstrom, 2003; Wang, 2016). In China, the government plays a crucial role in the economy. Thus, venture capital tends to be geographically concentrated and nationalised, with a preference for cooperation. The regulation of IPO and the active participation

of the state's active participation in capital investment have influenced venture capital activities. This has led to Beijing, Shenzhen, and Shanghai becoming leading destinations for venture capital, offering better investment opportunities and profit margins (Pan *et al.*, 2016). However, there are some challenges in foreign venture capital. Wang *et al.* (2016) pointed out that China lacks a mature system to effectively support venture capital. Most Foreign Venture Capitalist Firms (FVCFs) are not eligible to register as Qualified Foreign Investment Vehicles (QFII) due to strict capital controls and other legal restrictions. To accommodate their investments in China, the FVCFs have established relationships with the Chinese government or state-owned enterprises (Guo and Jiang, 2013). This incomplete and inadequate investment environment retards FDI inflows.

Furthermore, China faces a serious external threat, the presence of the Sino-US trade war and the "re-industrialisation" of developed economies, such as Europe and the United States, may have weakened the Chinese economy and reduced attractiveness for FDI (Lee *et al.*, 2023). Influenced by factors such as the ideology of a Chinese threat and "de-Chinisation", several countries have identified Sino-US tensions as a business risk in the Chinese market. Consequently, China's economy is facing significant challenges as the United States, Japan, South Korea, and the European countries attempt to supplant China's manufacturing industry with alternatives in Vietnam, India, Southeast Asia, South America and other regions (Lee, 2023). Furthermore, the threat extends beyond manufacturing to high-tech FDI. The U.S. President has signed an executive order that restricts U.S. entities from investing in semi-conductors and micro-electronics, quantum information technology, and artificial intelligence with China. In response to this, some European, Japanese and South Korean companies have followed suit by withdrawing their investments in China.

Therefore, the current study focused on exploring the influence of the business environment on the relationship between FDI and economic growth in China. The study's findings would not only enrich the existing body of literature on economic growth by unravelling variations found in earlier studies but also provide valuable insights for policymaking. Specifically, the obtained findings may guide policymakers, especially in optimising the positive influence of FDI on the overall economic growth.

The remainder of this paper is organised as follows: Section 2 provides a review of earlier studies, and Section 3 details the methodology and dataset

utilised in the current study. Section 4 presents and discusses the obtained empirical results and findings, while Section 5 provides conclusions with policy implications.

2. Literature Review

The demand for FDI has continued to increase over the past decades for both developed and developing countries. With the expansion of economic globalisation, FDI serves as a dominant factor that affects the economy and more importantly, an important channel of technology transfer and innovation (Konstandina and Gachino, 2020; Pandey *et al.*, 2022). Accordingly, FDI typically occurs when an investor establishes a business or acquires assets in a foreign company. In most cases, FDI takes place in more open economies and involves capital investment and may also include management or technology investment (Kerner, 2014; Gherghina *et al.*, 2019). It operates in an increasingly complex environment and has become increasingly qualified as a fulcrum to stimulate economic growth.

However, studies have presented mixed findings on the relationship between FDI and economic growth. Most prior studies supported the view that FDI is an important factor in promoting economic growth (Shen *et al.*, 2010; Sokang, 2018; Kumari *et al.*, 2021). However, certain studies found that the FDI inflows exhibit either no significant impact or a negative impact on economic growth (Herzer, 2012; Mahembe and Odhiambo, 2016; Gunby *et al.*, 2017). This may be attributed to the excessive share of FDI that squeezes out domestic investment and increases the economy's dependence on foreign capital. As such, sudden withdrawals of FDI may collapse the economy of the host country (Wan, 2010). In addition, FDI in highly polluting industries in developing countries damage the environment and poses extra costs for economic development (Blanco *et al.*, 2013; Asongu and Odhiambo, 2020).

Furthermore, Blomström, Lipsey, and Zejan (1994) discovered that FDI does not necessarily promote economic growth at all times and further elaborated that FDI can only promote the economic growth of a country that has reached a certain level of development. Likewise, Fortanier (2007) added that the effectiveness of FDI in promoting economic growth depends on the characteristics of the host country itself, such as trade openness and financial development. In another study, Balasubramanyam *et al.* (1996) revealed that the role of FDI in stimulating economic growth largely depends on the

business environment, such as the trade policy in the host country.

Meanwhile, earlier studies postulated that the business environment is limited to customers, competitors, suppliers, regulators, and other external groups that may affect the business operations (Kefalas and Schoderbek, 1973; Dess and Beard, 1984; Swamidass and Newell, 1987). With in-depth research on the business environment, studies have begun to consider quantifiable factors that represent the business environment. From a more comprehensive perspective, the business environment can be defined as the current or expected institutional and behavioural environments, which affect the risks and returns of enterprise development and the economic strength of a country or region (Worthington and Britton, 2006). Accordingly, Bah and Fang (2015) summarised business environment into five aspects, namely infrastructure, corruption, financial development, security environment, and environmental regulation. In another study, Civelek *et al.* (2016) considered multiple aspects, such as the comprehensive actions of national, social, financial markets, and other factors, as the influencing factors of business environment. In general, institutional quality, infrastructure, human capital, innovation, financial development, laws, and regulations are widely considered as factors related to the business environment (Jayasuriya, 2011; Wang *et al.*, 2022).

The relationship between the business environment and FDI has gained growing research interest, and studies have proposed that the optimisation of the business environment is conducive to increasing the FDI inflows (Krifaschneider and Matei, 2010; Morris and Aziz, 2011). For instance, Piwonski (2010) found that the increase in the ranking of business environment indicators by one rank would bring more than US\$40 million in FDI inflows to the host country and further concluded the correlation between government behaviour and FDI.

Meanwhile, other prior studies observed the varying effects of the business environment on FDI for different countries. For instance, Corcoran and Gillanders (2015) found that a high-quality business environment is conducive to increasing the FDI inflows but noted that this conclusion is not applicable for Sub-Saharan Africa, the world's poorest region and the OECD countries. However, the study demonstrated that the improvement of the business environment is more important for the middle-income countries.

Apart from that, several past studies demonstrated the importance of the business environment and highlighted the negative consequences of a

weak business environment to economic growth. For example, poor financial development reduces capital investment and causes improper allocation of resources. Problems like backward infrastructure, corruption, and criminal activities cause companies to experience significant loss of sales, resulting in a decline in total output and factor productivity (Bah and Fang, 2015). A study based on African countries showed that optimising the business environment can improve women's labour participation rate, which is conducive to promoting social equity and creating economic efficiency (Ncube *et al.*, 2021).

Accordingly, a business environment is an important guarantee for economic growth, and it plays direct and indirect roles in promoting economic growth. In terms of the direct effect, the business environment can improve factor productivity and resource allocation efficiency, promote entrepreneurship and economic transformation, and stimulate market vitality (Zhong and Chen, 2023). As for the indirect effect, the business environment is conducive to improving enterprise innovation efficiency and operation efficiency, accelerating talent flow (Wang *et al.*, 2023), attracting FDI inflows, and stimulating the spillover effect of foreign investment for higher economic growth (Bayraktar, 2013).

In short, numerous prior studies examined the relationship between FDI and economic growth but resulted in mixed findings with no unified conclusion. Moreover, the contributions of business environment have been inconsistent. Despite the extensive studies on the relationship between FDI and economic growth, only a few studies focused on the influence of the business environment on the relationship between FDI and economic growth, particularly in China, a large and rapidly growing country in Asia. In view of the above, it was deemed essential for the current study to address these identified gaps in the literature.

3. Methodology and Data

3.1 Theoretical Model

The following Solow's model of economic growth served as this study's theoretical framework to examine the influence of business environment and FDI on economic growth in China:

$$Y_t = K_t^\alpha (A_t L_t)^{1-\alpha} \quad (1)$$

where Y_t denotes the output; K_t refers to the physical capital stock, including foreign direct investment (FDI) and domestic investment (DI); A_t is the labour-augmenting factor determining technological progress and economic efficiency; L_t is labour input; the coefficients of α and $1-\alpha$ are the marginal product of capital and labour, respectively.

However, the neoclassical theory of economic growth assumes $\alpha < 1$, implying the diminishing rate of marginal return on capital. Assuming that the growth rate of technology (g) is constant, A_t is rewritten as follows:

$$A_t = A_0 e^{gt} BE_t^\theta \quad (2)$$

Where g refers to growth rate of technology and BE indicates the level of business environment.

Based on this model, labour-augmenting technology (i.e., factor A_t) relies not only on the exogenous technological advancement but also on the business environment (BE), as business environment significantly influences the degrees of technological progress and economic efficiency (Wang, Cui, and Dong, 2023). Assuming that labour input, L_t , grows at a constant rate, n , then L_t is rewritten as follows, where n indicates the exogenous growth rate of labour:

$$L_t = L_0 e^{nt} \quad (3)$$

Accordingly, the increase in both labour input, L_t , and technology level, A_t , at a constant rate indicate that technological progress makes labour more effective. The capital per effective labour is represented as $k_t = K_t / A_t L_t$, where $A_t L_t$ represents effective labour input.

Capital accumulation is a crucial component in Solow's model of economic growth, as new capital investment improves the long-term economic performance. One of the basic assumptions of the Solow's model is that all savings is used for investment. In literature, capital accumulation is measured by the change in the stock of physical capital, K_t , and it can be represented mathematically as $\dot{K}_t = sY_t - \delta K_t$, where s is the rate of savings; sY_t denotes savings; δ is the rate of capital depreciation.

If capital stock, K_t , and output, Y_t , are expressed in terms of per unit effective labour, then the dynamics of capital accumulation per unit effective labour, incorporating factors like n and g , is written as follows, where k grows and eventually converges to the steady-state point at k^* :

$$\dot{k}_t = sk_t^\alpha - (n + g + \delta)k_t \quad (4)$$

As capital per labour is presumed to remain constant at the steady-state level, the capital accumulation function can be more precisely defined as follows:

$$k^* = \left[\frac{s}{(n + g + \delta)} \right]^{\frac{1}{(1-\alpha)}} \quad (5)$$

$$\left(\frac{Y_t}{L_t} \right)$$

$$= A_t \left[\frac{s}{(n + g + \delta)} \right]^{\frac{1}{(1-\alpha)}} \quad (6)$$

where Y_t/L_t denotes output per labour (expressed in terms of per capita GDP).

Following that, Equation (2) is substituted into Equation (6). With the application of natural logarithm, the following growth model is obtained:

$$\ln \text{GDP}_t = \ln A_0 + \theta \ln \text{BE}_t + \frac{\alpha}{1-\alpha} \ln s_t - \frac{\alpha}{1-\alpha} \ln(n + g + \delta)_t \quad (7)$$

Considering $\ln A_0 = \beta_0 + \varepsilon_t$, and the assertion by Mankiw et al. (1992) that savings (s_t) are equal to investments (comprising both domestic and foreign investments), the growth model can be reformulated after investments are segregated into domestic investment (DI) and foreign direct investment (FDI):

$$\ln \text{GDP}_t = \beta_0 + \beta_1 \ln \text{FDI}_t + \beta_2 \ln \text{DI}_t + \beta_3 \ln \text{PG}_t + \theta \ln \text{BE}_t + \varepsilon_t \quad (8)$$

where $\ln \text{GDP}_t$ is the logarithm of per capita real GDP; $\ln \text{FDI}_t$ is the

logarithm of per capita real FDI inflows; $\ln BE_t$ is the logarithm of the business environment; $\ln DI_t$ is the logarithm of per capita real domestic investment; $\ln PG_t$ is the $\ln(n+g+\delta)_t$.

In addition, the study considered the addition of an interaction item into the regression model to examine the moderating effect of business environment on the relationship between FDI and economic growth:

$$\ln GDP_t = \beta_0 + \beta_1 \ln FDI_t + \beta_2 \ln DI_t + \beta_3 \ln PG_t + \theta \ln BE_t + \gamma (\ln FDI_t \times \ln BE_t) + \varepsilon_t \quad (9)$$

If $\gamma \neq 0$ and is statistically significant, then this implies that FDI and business environment interact and jointly influence the economic growth in China. At the same time, this also implies no direct interpretation for the coefficient of individual variable, as these variables are interdependent (Wooldridge, 2016). In order to measure the relevance effect, the marginal effect of FDI on economic growth was calculated in this study through the use of partial derivatives as follows:

$$\frac{\partial \ln GDP_t}{\partial \ln FDI_t} = \beta_1 + \gamma \ln BE_t \quad (10)$$

Referring to Equation (9), the influence of FDI on economic growth is contingent upon the extent of business environment. In order to validate the significance of its marginal effect, Brambor, Clark, and Golder's (2006) proposed formula of new standard errors was applied in this study to compute the t-statistics for the inferential test. More specifically, the formula of the new standard errors ($\hat{\sigma}$) for the marginal effect of FDI with respect to business environment is written as follows:

$$\begin{aligned} & \hat{\sigma} \\ & = \sqrt{\text{var}(\hat{\beta}_1) + \ln BE^2 \text{var}(\hat{\gamma}) + 2 \ln BE \text{cov}(\hat{\beta}_1, \hat{\gamma})} \end{aligned} \quad (11)$$

where *var* and *cov* are the variance and covariance of FDI and the interaction term, respectively.

3.2 Sources of Data and the Summary of Descriptive Statistics

This study covered the yearly time series data of China from 1986 to 2020. All data were retrieved from various reputable databases, namely World Development Indicators (WDI) of World Bank, the United Nations Conference on Trade and Development (UNCTAD), National Bureau of Statistics of China, and International Country Risk Guide (ICRG). All variables in this study were converted into natural logarithm in order to standardise the unit of measurement, control heteroskedasticity, and improve stationarity.

More specifically, the dataset for per capita real GDP, population growth, per capita real FDI, and per capita real gross fixed capital formation (total investment) were collected from the WDI database. Furthermore, referring to Tang and Tan (2015), this study constructed the domestic investment variable by subtracting FDI with gross fixed capital formation. Ang (2010) and Tan and Tang (2012) applied the same calculation.

Apart from FDI inflows and economic growth, it was deemed noteworthy to highlight business environment as another important variable accounted in the present study. Referring to past studies on business environment (Worthington and Britton, 2006; Eifert, 2009; Jayasuriya, 2011; Acquah and Ibrahim, 2020), an index for business environment was constructed from four perspectives, namely (1) institutional quality, (2) financial development, (3) infrastructure, and (4) human capital and innovation (see Appendix A). In this study, the entropy weight method was employed to construct the business environment index (Ding *et al.*, 2016; Shi and Liu, 2020; Zhu *et al.*, 2023). The entropy weight method is an objective weighting method. The fundamental concept is to determine objective weights based on the variability of the index. In general, when the information entropy of the data is smaller, it indicates a higher degree of variation in the index value. Consequently, it provides more information and plays a more significant role in the comprehensive evaluation, resulting in a higher weight (see Appendix B for more details). Table 1 presents the summary of the descriptive statistics for each variable.

Table 1: Summary of Descriptive Statistics

Variables	Mean	Min.	Max.	Std. Dev.
$\ln\text{GDP}_t$	7.878	6.869	9.143	0.827
$\ln\text{FDI}_t$	3.977	2.231	4.601	0.791
$\ln\text{DI}_t$	2.882	1.75	3.768	0.678
$\ln\text{PG}_t$	-2.071	-2.885	-1.690	0.244
$\ln\text{BE}_t$	5.296	4.069	6.412	0.726

3.3 Econometric Methods

Pesaran, Shin, and Smith's (2001) proposed bounds test for cointegration was applied in the current study to examine the presence of a long-term equilibrium relationship involving FDI, business environment, and economic growth. This cointegration test was conducted using the autoregressive distributed lag (ARDL) model. Therefore, the bounds test is also known as the ARDL cointegration test.

Unlike the traditional cointegration tests, the bounds test for cointegration has several advantages. Firstly, the bounds test for cointegration is more efficient in a small sample study. Secondly, this test can be applied regardless of whether the explanatory variable(s) is pure $I(0)$, pure $I(1)$, or a mixed order of integration. Thirdly, the ARDL estimation with appropriate lag length can correct the serial correlation problem in the equation. Therefore, Pesaran, Shin, and Smith (2001) documented that the bounds test has better statistical properties than the traditional cointegration tests.

In order to examine the presence of cointegration using the bounds test, this study estimated the following ARDL model as follows:

$$\begin{aligned}
 \Delta \ln \text{GDP}_t = & \alpha_0 + \delta_1 \ln \text{GDP}_{t-1} + \delta_2 \ln \text{FDI}_{t-1} + \delta_3 \ln \text{DI}_{t-1} + \delta_4 \ln \text{PG}_{t-1} \\
 & + \delta_5 \ln \text{BE}_{t-1} + \sum_{i=1}^p \varphi_i \Delta \ln \text{GDP}_{t-i} + \sum_{i=0}^q \vartheta_i \Delta \ln \text{FDI}_{t-i} \\
 & + \sum_{i=0}^s \phi_i \Delta \ln \text{DI}_{t-i} + \sum_{i=0}^m \omega_i \Delta \ln \text{PG}_{t-i} + \sum_{i=0}^n \rho_i \Delta \ln \text{BE}_{t-i} + \mu_t
 \end{aligned} \tag{12}$$

where Δ is the first differenced operator; μ_t is the error term; p , q , s , m , and n represent the optimal lag order determined by the Akaike Information Criterion (AIC).

In order to determine the existence of a cointegrating relationship, this study performed the joint significance F-test on the lagged explanatory variables, namely $\ln\text{GDP}_{t-1}$, $\ln\text{FDI}_{t-1}$, $\ln\text{DI}_{t-1}$, $\ln\text{PG}_{t-1}$, and $\ln\text{BE}_{t-1}$. The calculated F-statistic exceeding the upper bounds critical value implies that the variables are cointegrated. Otherwise, it would be concluded that the variables are not cointegrated, or a long-term relationship of economic growth, FDI, and business environment in China is unattainable.

4. Empirical Results

This study employed the time series econometric techniques. Specifically, the unit root test was first performed to determine the stationarity of the data. Following that, the cointegration test was performed to determine whether there is a long-term equilibrium relationship involving the variables under study. The presence of cointegrated variables suggests that a meaningful growth model can be estimated for the relationship involving FDI, business environment, and economic growth in China.

4.1 Unit Root and Cointegration Analyses

It is highly important to check the stationarity of data before the time series analysis is carried out. Regression analysis involving non-stationary variables produces spurious estimated results. Therefore, a unit root test was performed on the data prior to any further analysis. In order to ensure the reliability of the results, the existence of a unit root was examined using two different methods, namely the Augmented Dickey-Fuller (ADF) and the Phillips-Perron (PP) unit root tests.

Table 2: Results of Unit Root Tests

Variables	ADF test	PP test
<i>Level:</i>		
$\ln\text{GDP}_t$	-2.395(3)	-3.305(4)
$\ln\text{FDI}_t$	-1.717(2)	-1.520(3)
$\ln\text{DI}_t$	-2.655(1)	-2.352(1)
$\ln\text{PG}_t$	-0.952(2)	-1.767(3)
$\ln\text{BE}_t$	-3.327(0)	-3.327(0)

<i>First difference:</i>		
$\Delta \ln \text{GDP}_t$	-3.978(0)***	-3.969(3)***
$\Delta \ln \text{FDI}_t$	-4.112(1)***	-3.457(3)**
$\Delta \ln \text{DI}_t$	-3.084(0)***	-2.977(3)***
$\Delta \ln \text{PG}_t$	-3.935(0)***	-3.691(3)***
$\Delta \ln \text{BE}_t$	-5.903(1)***	-6.419(3)***

Note: The asterisks *** and ** denotes statistical significance at the 1 and 5 per cent levels, respectively. The optimal lag order for ADF test is chosen by the AIC, while the bandwidth for PP test is selected with the Newey-West procedure.

Table 2 presents the results of the unit root tests. Although the variables were non-stationary in level, all variables were found stationary after the first difference was taken. Therefore, it can be concluded that the variables were $I(1)$. This study then proceeded to test whether there is a long-term equilibrium relationship involving these variables.

As for the selection of the appropriate lag order for the bounds test with the ARDL model, AIC was employed. Enders (2004) suggested a maximum lag order of three years to capture the system's dynamics for annual data analysis. Consequently, the lowest AIC values suggested ARDL (1, 2, 2, 1, 0) lag order as optimal. Table 3 presents the results of the bounds test for cointegration, along with the critical values for $T = 36$. The calculated F-statistics value was 5.209, which exceeded the 5 per cent upper critical value of 4.630, indicating the presence of cointegration.¹ The obtained results confirmed the presence of a meaningful estimation of a long-run relationship of FDI, business environment, and economic growth in China.

Table 3: Results of Bounds Test for Cointegration

Model	$\ln \text{GDP} = f(\ln \text{FDI}, \ln \text{DI}, \ln \text{PG}, \ln \text{BE})$		
Optimal lag	ARDL (1, 2, 2, 1, 0)		
F-statistics	5.209**		
Small sample critical values, $T = 36$			
Significance Level	10 per cent	5 per cent	1 per cent
Lower bound, $I(0)$	2.696	3.276	4.590
Upper bound, $I(1)$	3.898	4.630	6.368

Notes: The asterisk ** indicates statistical significance at the 1 per cent level. R-squared: 0.999; F-Statistic: 2914.481 [0.000]; Jarque-Bera: 1.367 [0.505]; Breusch-Godfrey LM: 2.721 [0.257]; ARCH: 2.465 [0.116]; Ramsey RESET: 0.701 [0.491]; [...] refers to the p-values. The small sample critical values are obtained from Narayan (2005).

4.2 Estimation of a Long-term Relationship

As this study observed the cointegration involving these variables, a long-term relationship was estimated. The ordinary least squares (OLS) estimator was used to perform the estimation as it is regarded as the best linear unbiased estimator (BLUE) with the lowest estimator variance. In addition, the OLS estimator is widely used in the study of time series data because it is an efficient and super-consistent long-run estimator, especially when all variables are $I(1)$ and cointegrated (Stock, 1987).

Table 4 presents this study's long-term estimation results. Model 1 showed the results of regression analysis prior to the introduction of the business environment variable. The results revealed domestic investment and FDI as the main driving factors of China's economic development. Specifically, the results revealed that an increase of 1 per cent in FDI corresponded to an increase of 0.8 per cent in economic growth. Similarly, with other factors held constant, an increase of 1 per cent in domestic investment led to an improvement of 0.86 per cent in economic growth. However, we find that population growth exhibits a negative correlation with the growth of GDP. Several prior studies that were based on the Solow's model of economic growth, such as those by Mankiw *et al.* (1992), Ding and Knight (2009), and Su and Liu (2016), reported similar negative observations.

Model 2 presented the results of regression analysis after the introduction of the business environment variable. The results revealed the positive influence of business environment on economic growth. Specifically, an increment of 1 per cent in the business environment was associated with an increase of 0.034 per cent in economic growth. This particular result was found consistent with the study of Bah and Fang (2015), suggesting that better business environment tends to boost the economic development.

Considering the cointegrating relationship of FDI, business environment, and economic growth, the scope of analysis in this study was expanded to examine the moderating role of business environment in influencing the influence of FDI on economic growth. In particular, the interaction term $(\ln FDI_t \times \ln BE_t)$ was included in the analysis. Referring to the results of Model 3, the interaction term between the business environment and FDI was found to be statistically significant and positively related to economic growth at the 99 per cent confidence level. This particular result highlighted the crucial role of the business environment in enhancing the contributions of FDI to economic growth.

Table 4: The Estimated Results of Long-run Relationship

Variables	Model 1	Model 2	Model 3
Constant	1.938*** (0.000)	1.732*** (0.000)	1.725*** (0.000)
Domestic Investment, $\ln DI_t$	0.860*** (0.000)	0.829*** (0.000)	0.776*** (0.000)
Population Growth, $\ln PG_t$	-0.133*** (0.000)	-0.239*** (0.000)	-0.250*** (0.000)
Foreign Direct Investment, $\ln FDI_t$	0.800*** (0.000)	0.774*** (0.000)	0.726*** (0.000)
Business Environment, $\ln BE_t$		0.034* (0.088)	0.095*** (0.002)
$(\ln FDI_t \times \ln BE_t)$			0.130*** (0.007)
Marginal effects: $\partial \ln GDP / \partial \ln FDI$			
$\beta_1 + \gamma BE_{\text{MIN}}$			1.254*** [0.161]
$\beta_1 + \gamma BE_{\text{MEAN}}$			1.413*** [0.215]
$\beta_1 + \gamma BE_{\text{MAX}}$			1.558*** [0.264]
Diagnostic tests:			
R^2	0.998	0.998	0.999
Adjusted- R^2	0.998	0.998	0.999
F -statistics	3419.956 *** (0.000)	3864.531 *** (0.000)	5068.135 *** (0.000)
χ^2_{NORMAL}	0.963 (0.618)	0.254 (0.881)	0.331 (0.847)
χ^2_{AUTO}	4.083 (0.130)	1.489 (0.475)	1.051 (0.591)
χ^2_{ARCH}	0.216 (0.643)	0.059 (0.808)	0.057 (0.812)
χ^2_{RESET}	0.010 (0.992)	1.650 (0.111)	0.712 (0.483)

Note: The asterisks *** and * indicate statistically significant at the 1 per cent and 10 per cent levels, respectively. Figures in the parenthesis (.) are the p-values. [.] represents the corrected standard errors for marginal effects suggested in Brambor et al. (2006).

However, according to Wooldridge (2016), if an interaction term is found to be statistically significant, it is challenging to conduct a direct interpretation of the estimated coefficients, particularly in this case, for FDI and business environment, as their influence on economic growth now would depend on the combined influence. In light of this, the marginal

effect of FDI on economic growth was calculated under the influence of the business environment. In order to ensure robustness of the results, the standard errors for the marginal effect were computed according to the formula recommended by Brambor *et al.* (2006). The obtained results are included in Table 4.

Overall, the marginal effect of FDI on economic growth was found to be statistically significant and positive at the 1 per cent level. The influence of FDI on economic growth was deemed valid across various levels of business environment, at the minimum, mean, or maximum level. More specifically, this study ascertained the increase of the marginal effect of FDI with business environment, ranging from 1.254 per cent to 1.558 per cent. With that, the obtained results and findings of the current study highlighted that the improvement of the business environment in China not only promotes economic growth but also enhances the contributions of FDI in sustaining the country's long-term economic growth.

This finding is consistent with the perception of enterprises in the context of China's business environment optimisation. A favourable investment environment, efficient administrative services, and a well-developed infrastructure and social service system are conducive to attracting FDI (Wang and Hu, 2023). Moreover, Kwak *et al.* (2019) added that the prosperity and development of e-commerce, such as Alibaba in China is also closely attributed to the improvement of infrastructure, the construction of systems and regulations, and the development of technology management.

In a practical setting, the favourable business environment in China has successfully attracted the American biotech company, Moderna. On 5th July 2023, they endorsed a strategic cooperation agreement with the Shanghai Municipal Commission of Economy and Information and the Minhang District Government. This agreement signifies an estimated investment project of approximately US\$507 million in China (Xinhua, 2023). To facilitate this investment, the administrative approval process was streamlined, high-quality services were provided to enterprises, and a factory was constructed in Shanghai within a span of three months.

A recent report by China Daily (2024) highlighted that the President of Fresenius Kabi MedTech, a medical device manufacturer based in Germany, has agreed to increase their investment and production in China. This decision was influenced by the robust growth of the Chinese market and the investor-friendly business environment. Clearly, the conducive

business environment in China, characterised by excellent infrastructure, efficient systems, and a wealth of talent and innovation, has created ample opportunities for FDI. This has not only facilitated the development of foreign businesses but also yielded substantial economic benefits. As such, it is reasonable to conclude that optimising the business environment promotes both domestic and foreign enterprises, which in turn drives economic growth in China.

5. Conclusion and Policy Implications

Although the relationship between FDI and economic growth has been explored in numerous studies, the obtained empirical findings have yet to yield a unified conclusion. In addition, the proposition of optimising business environment policies in China offers a fresh research perspective. Therefore, the current study selected China as a sample to examine the relationship of business environment, FDI, and economic growth using time series data spanning from 1986 to 2020.

The empirical results of this study showed the significant and positive influence of FDI on China's economic growth. The results further identified business environment as an important factor in promoting long-term economic growth. At the same time, this study observed the positive moderating effect of the business environment on the relationship between FDI and economic growth. In other words, a more favourable business environment in China amplifies the positive influence of FDI on economic growth. In light of this, maintaining a conducive business environment is vitally important in attracting foreign capital inflows and, in turn, propelling long-term economic growth.

Based on these findings, this study recommended policymakers to maintain their focus on enhancing the business environment to effectively promote long-term economic growth. Given that institutional quality, infrastructure, financial development, and human capital and innovation are the four major pillars of the business environment, policymakers should strive to improve these pillars to provide a conducive environment for businesses in China. As such, the Chinese government should prioritise uplifting institutional quality, such as encouraging government effectiveness, ensuring a stable political environment, and combating corruption. In addition, there is a need to continually reinforce infrastructure, including a reliable transportation system, robust electricity supply, and advanced

information and communications technology (ICT). Moreover, attention should be directed to refining the financial sector, especially channelling financial resources to small and medium-sized enterprises (SMEs).

Besides that, in order to provide the necessary skills and talented labour to support the influx of FDI, the Chinese government's fiscal budget should prioritise an increased allocation for education, English language proficiency, and scientific research. This can help nurture innovative talents, foster development through education, and drive industrial structural adjustment by enhancing human quality and innovation capabilities. The emphasis should be placed on strengthening international scientific research cooperation to attract high-quality foreign investment. This includes a focus on encouraging high-end foreign investment through collaboration and cooperation in scientific endeavours.

Note

- ¹ To ensure robustness, the present study also conducted the Johansen (2002) multivariate cointegration test with Bartlett correction for small samples. Consistent with the results of the bounds testing approach to cointegration, the findings of Johansen's cointegration test also provide evidence of cointegration. This confirms that our findings are robust and reliable. To conserve space, the full results are not reported here but are available upon request from the corresponding author.

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Appendix A: Dimension of Business Environment

Indicators	Sources
<i>Institutional Quality:</i>	
Political Stability	ICRG
Corruption	ICRG
Government Effectiveness	ICRG
Rule of Law	ICRG
Voice and Accountability	ICRG
Regulatory Quality	ICRG
<i>Financial Development:</i>	
Share of Deposit to Financial Institution to GDP	CNBS
Share of Broad Money Supply M2 to GDP	WDI
Share of Domestic Credit to Private Sector to GDP	WDI
Share of Stock Market Capitalisation to GDP	CNBS
<i>Infrastructure:</i>	
Railway Operating Mileage (10,000 km)	CNBS
Road Mileage (10,000 km)	CNBS
Telephone Penetration (including mobile phones) (100 people)	WDI
Electricity Consumption (kWh per capita)	WDI
<i>Human Capital and Innovation:</i>	
Number of University Graduates (million)	CNBS
Research and Development Expenditure (billion yuan) to GDP	CNBS
Technology Market Turnover (100 million yuan) to GDP	CNBS
Patent Applications by Residents	CNBS

Note: ICRG = International Country Risk Guide, WDI = World Development Indicators, and CNBS = National Bureau of Statistics of China.

Appendix B: Supplementary Materials for Entropy Weight Method

Explanation	Formula Expression
Construct an Evaluation Matrix X.	
Assume an evaluation matrix composed of m evaluation objects and n indicators. where x_{ij} is the evaluation value of the j-th evaluation item under the i-th evaluation index.	$X = [x_{ij}]_{mn}$
Standardise the Data.	
To eliminate the impact of the dimensional differences of different data indicators and ensure the reliability of the results, using the range method to standardise the index values so that they are between [0~1].	For beneficial response indicators: $x'_{ij} = \frac{x_{ij} - \min(x_{ij})}{\max(x_{ij}) - \min(x_{ij})}$ For non-beneficial reaction indicators: $x'_{ij} = \frac{\max(x_{ij}) - x_{ij}}{\max(x_{ij}) - \min(x_{ij})}$
Calculate Proportion.	
Based on the standardised data obtained above, calculate the proportion of the secondary indicators: Since there are indicators with a value of 0 after standardisation, for the convenience of calculation, all data are shifted by adding 0.1.	$P_{ij} = \frac{x'_{ij}}{\sum_{i=1}^m x'_{ij}}$
Calculate the Index Information Entropy Value.	
e_j is the information entropy value of the j-th index. The greater the entropy value e_j of an index, the smaller its role in the comprehensive evaluation and the smaller its weight; otherwise, the greater its weight.	$e_j = -k \left[\sum_{i=1}^n P_{ij} \ln(P_{ij}) \right]$
where, $k = \frac{1}{\ln m}$, P_{ij} is the proportion of the index in the i-th year under the j-th index.	
Calculate the divergence of indicator j.	$d_j = 1 - e_j$
Determine the Entropy Weight of the Evaluation Index.	
	$w_j = \frac{d_j}{\sum_{j=1}^n d_j}$
Calculate the Composite Score Index.	
	$U_i = \sum_{j=1}^n x'_{ij} \times w_j$

Disconnected Both Offline and Online: Identity Construction in an Online Depression Community in China

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Abstract

Today's China presents a paradoxical scenario where remarkable economic prosperity coexists with escalating mental health challenges, particularly the alarming prevalence of depression among the youth. Many adolescents in China held a reluctant attitude toward the use of mental health services. Instead, they resort to expanding online depression communities (ODCs) across social media as an alternative means of communication about their depressive experience. This study observes a group of young people who frequently confide their depressive emotions and stories under a dead stranger's Weibo page called 'Zoufan' (走饭), the largest unmanaged ODC in China. Employing small stories research methods, it describes and interprets how the participants construct their individual and collective identities in the 'progress paradox' of Chinese society. A total of 2,000 comments from the top 20 core participants of 'Zoufan' were analysed by drawing on the Social Identity Theory (SIT). The findings reveal that when the core participants constructed their individual identity, their comments conveyed three recurring themes of 'lacking'—support, 'eligibility', and associations in their offline lives. When they constructed their collective identity, their comments reflected three connotations related to personal intimacy with the late Ms. Ma/Zoufan, which, however, lack genuine connections with other community members online. The discussion and conclusion highlight a painful state of disconnection that these individuals experience both offline and online, drawing attention to a sense of alienation

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and further revealing the underlying socio-cultural issues that permeate Chinese society.

Keywords: *Disconnect, Depression, Identity Construction, Small Stories, Online Community, 'Zoufan' Weibo.*

1. Introduction

According to the World Health Organization (WHO), around 332 million people have depression globally by 2025 (World Health Organization, 2025). Previous research proved that depression turns out to be a significant risk factor and the leading cause in most suicide cases (e.g., Li *et al.*, 2012), while suicide is the No.1 cause of death among Chinese young people aged 15-34 (Zhao, 2018). In China, the prevalence of depression among college students ranges from 15 to 40 per cent, a rate significantly higher than the 5 per cent observed in the general population before 2019 (Song *et al.*, 2020). During the COVID-19 pandemic in 2020, the estimated overall prevalence of depression witnessed a dramatic surge, reaching an alarming rate of 26.9 per cent (Liu *et al.*, 2022). In that period, China's adolescent population reached 156 million, indicating that over 9 million Chinese adolescents could have depression, based on the global statistic that 6.2 per cent of adolescents worldwide experience this mental illness (Zhou *et al.*, 2023). Notably, the incidence of depression is on the rise annually, affecting both the general population and adolescents/youths.

Over the past 20 years, China has experienced remarkable economic expansion and made substantial strides in alleviating poverty, despite the pandemic leading to lower economic growth. Conversely, life satisfaction and well-being have significantly declined over these two decades, a counterintuitive phenomenon called the 'progress paradox' (Graham *et al.*, 2017). This term highlights the discrepancy between rapid socioeconomic advancements and the psychological well-being of individuals, challenging the notion that material prosperity contributes to happiness. Moreover, individuals from urban areas and with higher education levels are more prone to reporting depression than their counterparts in rural regions and with lower levels of education (Graham *et al.*, 2017). This finding corroborates the phenomenon that the participants of this study, who are active users of Weibo, are more susceptible to depression due to their

identities as the newly emerged Chinese middle class (Anagnost, 2008), a demographic characterised by its urban setting and higher educational attainment. The pressures and challenges faced by this group, epitomised by the concept of *neijuan* or ‘involution’, which signifies an intensely competitive social environment that compels individuals to engage relentlessly in competition (Gu & Mao, 2022), are likely contributing factors to the rising rates of depression among them.

Numerous studies have examined the depression rate, the factors and consequences (e.g., suicide) among adolescents, particularly within the student population (e.g., Gao *et al.*, 2020; Zhou *et al.*, 2023). However, it was not until 2020 that the General Office of the National Health Commission of China released a work plan on exploring characteristic services for depression prevention and treatment, which, for the very first time, targeted adolescents from middle school to institutions of higher learning, which has much overlapped with this study’s participants, who are Weibo users between 18 and 22 years old (data.weibo.com, 2019). Despite this, the current research reveals reluctance, failure, and delays in seeking offline treatment among many adolescents and college students in China over the past two decades (Hesketh *et al.*, 2002; Ip *et al.*, 2016). In contrast, online or web-based mental health services show promise in addressing the largely unmet needs for mental health recovery in China (Tan *et al.*, 2021). These services are highly accessible, acceptable, and efficient, though their effectiveness still requires further investigation (Tan *et al.*, 2020). Against this backdrop, online depression communities (ODCs) on social media platforms have rapidly proliferated, and this study is inspired by one of these communities in China, namely, ‘Zoufan’ Weibo.

2. Online Depression Community and ‘Zoufan’ Weibo

The challenges China faced in addressing the widespread depression, including but not limited to stigma and stereotypes, lack of effective therapies and inadequate mental-health resources, and high charges for counselling and psychotherapy (Smith, 2014; Zhang *et al.*, 2017), have highlighted the increasing need for online mental health communities, such as ‘tree holes’ and support groups (Chen, 2024). An important notion about online communities and psychological well-being is the “sense of place” in these communities, which is related to the third of the three essential places in people’s lives proposed by Oldenburg (1999) – the place for living, the

place for work, and the place for conviviality. However, in the case of online mental health communities, especially Online Depression Communities (ODCs), there seems to be a fourth place – the place for melancholy.

Rather than being titled and regulated by managers, unmanaged ODCs are often self-formed and feature a prevailing sharing of negative emotions (usually associated with higher levels of depression symptoms) and mundane, fragmented, and daily communication (Tang *et al.*, 2021). Without professional support groups and policies on content and participation restrictions, unmanaged ODCs often contain discussions on suicide that probably increase suicide risk (Settanni & Marengo, 2015). The research site for this study, ‘Zoufan’ (走饭) Weibo, is the largest unmanaged ODC in China and the largest ‘tree hole’ on Weibo.

In March 2012, Ms. Ma Jie (马洁), the blogger for the Weibo page ‘Zoufan’ and a college student born in the 1990s, took her own life. Since then, the number of followers of ‘Zoufan’ has been increasing exponentially, transforming the page into a living community and symbolic space where ‘regular members’ share their experiences with depression. The large-scale following has not only attracted scholarly attention but also that of Weibo authorities. Due to the stringent governmental regulation of Weibo and rising concerns over ‘collective suicide’ (Crabtree *et al.*, 2010), all 1,897 of her posts were removed from the desktop version of the platform in 2020, although they remain accessible via mobile devices. Also, the exact number of followers has been obscured, replaced by an artificially fixed estimate. Nevertheless, ‘Zoufan’ followers appear undeterred by these interventions, continuing to value this space as a vital outlet for emotional expression and identity construction, which underscores this research’s positioning: Rather than merely focusing on this social media platform, the study seeks to unpack the social phenomenon catalysed by Ms. Ma’s suicide, which has proliferated in a ‘butterfly effect’ across the digital landscape.

Despite the community’s unique and representative significance as a social phenomenon, it remains underexplored in academic research. Among the limited studies targeted explicitly at the ‘Zoufan’ Weibo, a prominent investigation aspect is to recognise suicidal ideation/tendency and help prevent suicide based on artificial intelligence or discourse analysis (Gao & Meng, 2019). However, the detection was mostly based on topic identification by text mining or word frequency calculation, which is insufficient to delve deeper into the socio-cultural factors that explain the

uncontrollable and soaring growth of ‘Zoufan’ followers. Also, little attention was paid to the complicated relationship between the depression narratives and the identity themes that emerged from these narratives.

This study extends beyond merely focusing on the textual representation of depression, delving into how the core participants of the ‘Zoufan’ community construct their identities within the context. Given that identity explores “how people understand their relationship to the world, how that relationship is constructed across time and space” (Norton, 1997:410), it is rational for this study to consider identity work as a lens through which the socio-cultural factors contributing to depression in China can be examined and discussed. Specifically, this study is anchored by a three-fold objective: First, it explores the core participants’ individual identities as depressed persons via self-disclosure in the community; Second, it analyses the core participants’ collective identities as the community members; Lastly, it seeks to portray the real-life plights faced by this group of people by situating ‘Zoufan’ phenomenon in broader socio-cultural contexts of today’s China. These objectives are mainly realised by linguistic analysis of the small stories shared by the commenters, alongside the application of the Social Identity Theory (SIT).

3. Identity Construction and Social Identity Theory

This study adopts a postmodern perspective of identity construction: Identities are fluid, malleable, changeable, multiple, complex, and situated in the social context (Cruwys *et al.*, 2014; McCarthey & Moje, 2002; Mishler, 2004; Sarup, 1996). In essence, “the theories of construction presume that identity is produced, and changed, at least in part by a person’s interactional, situational, sociohistorical, and cultural contexts...challenges universal, ahistorical accounts of fixed or essential identities which centre on a bounded or monadic individual” (Taylor, 2015: 2). Accordingly, identity construction is deemed a social process, and more importantly, a discursive production of self in contexts. This resonates with the Social Identity Theory (SIT)’s conceptualization of the self as a set of stable traits but also a potentially fluid process.

SIT originally emerged to expound intergroup phenomena or group processes (Tajfel, 1970), but later, it became an umbrella term that contains two theoretical methods: social identity theory and self-categorization theory (Turner & Oakes, 1997). The first is related to sameness, oneness, and

collectivity, whereas the second is very close to the meaning of individuality. Note that ‘collective identity’ is sometimes used interchangeably with ‘social identity’ (e.g., Cruwys et al., 2014; McKinlay & McVittie, 2011; van Leeuwen, 2021), and some researchers (e.g., Bamberg *et al.*, 2011) combined membership categories and physical characteristics into the notion of personal identities, because “the personal/individual is social, and vice versa” (Bamberg, 2012: 15). Nonetheless, to avoid ambiguity and overlapping meanings of those concepts, this study employs ‘collective identity’ to indicate the community’s membership as oneness, and ‘individual identity’ to denote the uniqueness of the person(s) compared to the group outsiders. Thus, identity in this study is disaggregated into individual and collective identity.

Individual identity refers to self-categories and self-perceptions that define the individual as unique (e.g., ‘I’ and ‘me’). In contrast, collective identity refers to the collective categorical self (e.g., ‘we’ and ‘us’) (Turner *et al.*, 1994). Hence, individual identity emphasises the “uniqueness and inwardness” of the self (van Leeuwen, 2021: 12), while collective identity accentuates the condition of being the sameness or oneness within a group (McKinlay & McVittie, 2011). On the one hand, an individual is distinguished from others by important self-definitions and self-understandings regarding interests, attitudes, and behaviours. On the other hand, separate individuals share homologous habitus in a *universe of practice* and *field* (Bourdieu, 1977) or a *nexus of practice* - particular entities and social constructs with a consistent, self-regulating and ratifying set of rules of practices (Scollon, 2001). For example, each comment under ‘Zoufan’ is a point of linkage among the community’s whole network of linked practices, and the multiple linkages with recurring production of interactions make ‘Zoufan’ a nexus.

SIT has now been increasingly used as a framework for understanding health issues and phenomena (Haslam *et al.*, 2009), which “provide meaning to life, encourage the provision and receipt of social support, facilitate social influence, and engender a sense of belongingness” (Cruwys *et al.*, 2014: 13). All of these contribute to the power of social identity to protect against depression. For example, identifying strongly with larger and better groups usually has positive implications for self-esteem (Haslam & Reicher, 2006). However, given that depression has a ‘tradition’ of stigmatisation, identifying with an ODC may result in a non-significant relationship between

identification and well-being (Molero *et al.*, 2011) or a paradoxical mixture of positive and negative influences. Moreover, the group members are also vulnerable to the group's social influences, particularly social withdrawal, suicidality, and self-harm (Handley *et al.*, 2012).

Focusing on the relationship between engagement in ODCs and the construction of social identity, this study aims to explore how identities function within depression narratives as tangible resources for understanding depression. It proposes two conceptualisations: (1) Linguistic expressions (i.e., comments) can offer clues to the commenters' social identities in online and off contexts, including individual identities that bridge divides and collective identities that create connection (see more in Cohen, 2022); (2) 'Zoufan' is a nexus for understanding the social actions of macro-sharing of depressive experience in ODCs and the underlying socio-cultural factors.

4. Methods and Data

Instead of addressing the issue in question by psychological or psychiatric methods, this study situates and analyses the virtual data within the framework of the small stories research paradigm, to examine the depression narratives and identity construction from a linguistic perspective. Small stories research refers to accounts that are brief in length and ephemeral in nature, which are often underrepresented (Bamberg & Georgakopoulou, 2008). Including small stories in the main agenda of narrative and identity analysis is a necessity, given that our sense of constancy seems to be gained by a continuously changing process, and it is in everyday practices as sites of continuous and repetitious engagement that a continuous sense of 'who-we-are' comes to form (Bamberg & Georgakopoulou, 2008). Most of the comments under 'Zoufan' in this research are small, tiny talks or even talks of 'nothing'. As such, they could be deemed as the narratives that belong to 'small stories'. Unlike big data sources such as autobiographies, this research values these mundane and seemingly insignificant interactions, which are often overlooked yet essential for capturing the micro and fleeting aspects of lived experience.

Python (2020) was used to crawl the comments under the last farewell post of 'Zoufan' between 28 August and 20 December 2020 on a daily basis. A total of 67,614 comments (after all the duplicated, invalid, and blank values were removed) posted by 11,798 commenters under the last post of 'Zoufan' were collected. Of this entire data population, only 18 per

cent (N=12,103 pieces) are replies (回复) to other commenters, indicating a minimal interest in having dialogue among the commenters. This enclosed state, characterised by a sombre and pessimistic tone (Chen, 2024), suggests that the depressed self is often shaped within a confined and negative mental space (Chen *et al.*, 2024).

To locate the group of followers who most strongly identify themselves with ‘Zoufan’ and to rule out those who post only sporadically without long-term attachment to the community, this study tracked the most active users who frequently posted comments and replies under Zoufan’s last post and identified the top 20 commenters¹. A critical epistemological stance in this context is the recognition of the challenges and the secondary importance of verifying clinical diagnoses of depression among participants. Instead, through the process of filtration, a group of participants who demonstrate belongingness can be identified. These individuals consistently and actively engage with the community, indicating a higher likelihood of experiencing persistent depressive moods or disorders.

An aggregate of 2,000 pieces of comments from these top 20 core participants (100 pieces for each) was then randomly selected and imported into NVivo 12 Plus for further coding. The semantic coding technique of selective coding was employed to categorise the comments under two nodes: ‘Individual identities’ and ‘collective identities’. In determining and classifying the comments into these two types, attention was paid to relevant linguistic cues from vocabularies such as pronouns (e.g., ‘we’, ‘I’) and nominal expressions (e.g., ‘family’, ‘friend’, ‘Zoufan’) to the topic of the sentence, including syntactic topic, pragmatic topic and entity topic. The whole coding process went back and forth to ensure each comment was appropriately coded under the correct nodes. As hermeneutic interpretation can build out a more general theory or ‘ground theory’ based on coding (Kozinets *et al.*, 2014), this study then describes and explains the core participants’ data set in a hermeneutic way, supported by the small stories research paradigm, to present the newly emerging master-narrative (variously called ‘capital D discourses’) of the widespread depression in today’s Chinese society.

As for ethical concerns, given that self-presentation in cyberspace is an extension of offline identities and the depressed individuals in this community are vulnerable to potential harm, this research follows the conventional guidelines of ethical conduct as well as the ethical guidelines

for internet research (franzke, 2020; Townsend & Wallace, 2016), all information and data are handled professionally while privacy, anonymity, and confidentiality are ensured. All the names shown in the republishing are further pseudonymous, and all comments collected are exclusive to this study for fulfilling research purposes only.

Notably, given that the Chinese language prioritises the conveyance of ideas over strict adherence to grammatical rules, numerous comments feature omissions of subjects and conjunctions, alongside indistinct separations between sentences. Under these conditions, grammatical elements and punctuation that are omitted in the original Chinese are added within parentheses in the translation that follows. This ensures that the English rendition becomes more coherent and readable.

5. Findings and Analysis

This section mainly discusses two salient identities — ‘depressed individuals’ and ‘Zoufan members’, which are considered antecedent and generic identities that feature the sameness of the core participants’ mental conditions and the representativeness of their membership, respectively. The first identity, ‘depressed individuals’, projecting more emotional and physical characteristics that differentiate the participants from non-depressed people, is categorised as the individual identity that underpins the uniqueness of the depression-related image of a person. In contrast, the second identity, ‘Zoufan’ members, denotes a membership category and belongs to the collective identity that accentuates the condition of being oneness in this community.

5.1 Identity as Depressed Individuals

The ‘Zoufan’ Weibo page is themed with ‘depression’ because of its owner, Ms. Ma (or Zoufan). Consequently, the commenters are bonding and identifying themselves with Zoufan’s ‘from-depression-to-suicide’ story, which only makes sense when the communications are carried out via the social connections in this community context. The excerpt below subtly reveals the reasons for seeking solace and understanding in ‘Zoufan’—disconnection offline due to the absence of understanding from the surroundings, the deficiency of self-fulfilment and the lack of social associations.

Excerpt 1:**(1) Dialogue between Alice and Flo: ‘They do not believe.’**

Time span: 01:56:00-02:06:00 Date: 6 September 2020

Turn	Name	Comment/reply
11	Alice:	在家人面前崩溃，我做不到，做不到，我压抑的太好了。天啊，真的好痛苦。 I cannot break down in front of (my) family, I just cannot do it. I have suppressed myself too well. Oh my God, it is really miserable.
12	Flo:	我家人跟朋友都不信，他们觉得我不可能得抑郁…… My family and friends did not believe (me); they thought I could not have depression...
13	Alice:	嗯，我同桌也不觉得。 Well, my desk mate did not believe (me) either.
14	Flo:	我之前跟一个非常好的朋友说过，她也只劝我不要想太多，我也曾一度怀疑，真的是我想太多吗…… I told a very close friend before (about my depression), and she only advised me not to overthink, so I also once doubted whether it was real that I thought too much...
15	Alice:	我的老师也不信，她说，你抑郁什么啊？ My teacher also did not believe (me), (and) she said, “Why are you depressed?”
16	Flo:	我现在都不想说了，没人能理解我，只会叫我别想太多，多做些开心的事……我已经不知道怎么让自己开心了…… Now I do not want to talk about (my depression) anymore, no one can understand me, (they) would only tell me not to overthink and do more happy things...(but) I do not even know how to make myself happy anymore...
17	Alice:	是啊……我的闺蜜一直跟我说，要开心点，说实话这句话给我带来的其实是无边的压力。我要怎样才能体会到快乐？ Yeah...my bestie always tells me, to be happy, but to be honest, this sentence brought me immense pressure actually. What on earth can I do to experience happiness??
18	Flo:	我也不知道，以前很容易就能感觉到开心，但现在不行了，跟朋友出去也没有感到开心……只是没有在家那么闷而已…… I do not know either, I used to feel happy easily, but now I cannot, even going out with friends does not make me feel happy anymore... it is just not as boring as staying at home...

(2) Dialogue between Kai and Yan: ‘...not entitled to talk about depression.’

Time span: 3:17:00-3:47:00 Date: 21 October 2020

Turn Name Comment/reply

- 21 Kai: 穷且丑，原生家庭又单亲，我这种人婚恋市场也不行。真没啥竞争力。失败的垃圾。也没什么动力赚钱。真的丧的要死。
(I am) poor and ugly, from a single-parent family, and people like me do not have much appeal in the dating market. (I) really do not have competitiveness. (I am) a failed piece of rubbish. (I) do not even have the motivation to make money. (I am) really languishing to death.
- 22 Yan: 美丑都是别人说的，反正我是从不在意，婚恋市场时代不同以往了，为嘛要着急结婚呢，为嘛要结婚呢？一个人过一辈子的也不在少数（当然看个人）。单亲家庭起码有把你养到16吧 有的那些姥姥不疼舅舅不爱爹妈各奔东西的年轻人十四五就得自己养活自己。前半生注定只能活在痛苦中。
Beauty and ugliness are remarks from others, anyway, I do not care, the marriage market era is different from the past, why (are you) anxious to get married? Why get married? There are a few people who live their entire lives alone (depending on the individual, of course). Your single-parent family at least supports you until (you are) 16 years old, how about those young people who were not loved by their families, not looked after by their parents, and have had to live on their own since (they were) 14 or 15 years old? The first half of their life is doomed to live in pain.
- 23 Kai: 你说的这种情况我遇到过。然后她自杀了。所以还是不太想用比惨式的情况来跟我这种单亲家庭做对比。我的意思就是。不要觉得这个人不够惨就好像这个人没资格谈自己有抑郁症…也不用和我说别人多惨，我觉得大家都好难。真的好难。
I encountered such a situation before. Then she committed suicide. So (,) I do not really want to compare such a situation to a single-parent family case like mine and compare which one was more tragic. My point is, do not think that if a person is not miserable enough (,) he/she is not entitled to say he/she had depression...and (you) do not have to tell me how miserable it is for someone else. I think we all live a hard life. It's really hard.

(3) Commented by Wendy:

没有伙伴，我只有手机。时而开朗，时而平静，又时不时觉得乏味……抑郁，谁不抑郁，有吗……我对死一点都不感兴趣，可是活着，唉，为了活而活啊，少了什么啊……

(I) have no friends, I only have a mobile phone. Sometimes (I feel) cheerful, sometimes (I feel) calm, and from time to time (I) feel bored...Depressed, who isn't depressed, is there (anyone not depressed) ...I have no interest in death at all, but to live, alas, to live just to be alive, (I feel) something is missing...

Excerpt 1 is composed of two complete dialogues (Turn 11-18 and Turn 21-23) and one comment left by Wendy:

The first dialogue highlights a shared theme within the depression narrative: The absence of understanding and care from family and friends. In Excerpt 1 (1), Key stakeholders, as italicised, have emerged sequentially: ‘family’, ‘friends’, ‘desk mate’, ‘a very close friend’ and ‘bestie’. Those intimate and important characters were expected to offer positive and strong support to the commenters. However, they instead contributed to feelings of suppression (‘suppressed’ in Turn 11), misunderstanding (repeated ‘did not believe’ in Turn 12, 13 and 15), doubt and self-doubt (‘doubted’ in Turn 14 and ‘why’-question in Turn 15), misconceptions about depression (repeated ‘overthink’ in Turn 14 and 16) and overwhelming pressure (‘immense pressure’ in Turn 17). The responses exacerbate the frustration, confusion, and sense of failure (‘what’-question in Turn 17 and the negations ‘cannot’/‘does not’ in Turn 18), especially in the context of societal expectations to ‘do more happy things’ or ‘be happy’ (Turns 16 and 17).

This dialogue highlights ‘Zoufan’ not only as a place where participants can openly share their depression, finding empathy and recognition from peers, but also signals a broader societal challenge — a significant gap in achieving depression recognition and intervention, underscored by the low and incorrect depression awareness among those closest to the affected individuals. However, family and friends play a decisive role in influencing individuals with depression on whether to seek professional help for their mental health challenges. Therefore, fostering more inclusive and understanding environments, both socially and culturally, is crucial, particularly within significant collective units like families and schools. Although illness is often regarded as a private matter, the master narratives on depression must first be normalised within the public sphere in China, a collectivist society. Then, this normalisation will enable individuals to feel validated when sharing their experiences more openly and foster greater understanding and support from others.

The second dialogue in Excerpt 1 (2) demonstrates the second theme—the deficiency of self-fulfilment and the lack of ‘eligibility’ to disclose depression in real life. First, Kai’s negative self-perceptions are exacerbated by Chinese societal expectations that emphasise material wealth, physical appearance, personal achievement, etc. The negative descriptors such as ‘poor and ugly’ and phrases like ‘not have much appeal’ and ‘not have competitiveness’ in Turn 21 suggest a deep-seated sense of not measuring up to expectations. This narrative is not unique to Kai but reflects a broader

sentiment among today's young people in China, highlighting how the lack of self-fulfilment is deeply intertwined with larger socio-cultural narratives of 'success' in China. As argued by Xiang and Qi (2023), "the idea of proving oneself is a paradox" (p.199), young people are compelled to validate their existence through preexisting standards. However, this relentless pursuit of recognition often comes at the expense of happiness and self-worth, as the societal definition of happiness in China remains narrowly aligned with the definition of success, leaving little room for individual fulfilment or emotional well-being. Then, Kai's conclusion in Turn 21, 'languishing to death', echoes the sentiment of fatigue and a sense of stagnation. 'Languish' is defined as "a neglected middle child of mental health" between depression and flourishing — the absence of well-being (Grant, 2021). This is where the emergent life philosophy concept of 'lying flat' (*tang ping* in Chinese) becomes particularly relevant, symbolising a rejection of relentless competition and the pursuit of conventional markers of success.

This dialogue also illuminates the complex interplay between societal perceptions of mental health and individual experiences of depression. Kai probably hoped to elicit some empathy and support from the unforeseeable audience by sharing her personal struggles. However, Yan's reply in Turn 22 interpreted Kai's upbringing in a single-parent family as fortune enough compared to those who experience outright neglect, which is projected to the real-life scenarios where individuals' mental health struggles are minimised or dismissed based on the external appearances of their lives. Hence, it further implies certain 'thresholds' for one to claim depression in Chinese society, fostering a harmful macro-narrative that depression is a condition only entitled to those whose lives are visibly 'miserable'. This framing dangerously oversimplifies depression, ignoring its complex causes and invalidating the experiences of many who do not meet these thresholds.

Furthermore, Excerpt 1 (3) shows a tendency to remain sluggish and self-isolated. The state of languishing, sluggishness, void and dullness is observed in Wendy's comment. Mobile phone addiction, exemplified by Wendy's comment that she only has her mobile phone, despite this clearly not being the case, has become a prevalent issue among young people in China. This phenomenon is positively related to negative emotions (Chen *et al.*, 2016), because social media usage does not make emotions easy and that the inability to be alone actually increases loneliness (Turkle, 2015). Also, it leads to the 'withdrawal mentality', a situational-avoidance device

to withdraw from social activities and associations offline (Magnavita, 1997; Oaten *et al.*, 2011). Being immersed in the virtual environment while disconnecting from the real world reflects the socio-economic phenomenon and psycho-social-structural dilemma between China's societal expectations of its youth and the allure of consumer culture (Bax, 2014). The scarcity of engaging in amateur life and offline activities drives individuals to seek solace in online environments to counter feelings of loneliness, emptiness, and meaninglessness; however, this growing digital dependence may just lead to more individual psychological distress and often exacerbate feelings of isolation.

5.2 *Identity as 'Zoufan' Members*

Although the community offers opportunities for the participants to freely express their depressive emotions and experiences, previous studies suggested that 'Zoufan' has insignificant positive impacts in responding to the members' needs for social support (Tang *et al.*, 2021). This study also found that the affiliation of 'Zoufan' was loose due to few direct interactions, a low possibility of continued contact, and a relationship with strangers. Among the sample data, only 18 per cent of the responses were directed towards others, while the remaining interactions consisted largely of self-talk. As self-talk takes precedence over dialogic exchange, an intriguing paradox emerges: Individuals who identify as depressed seem to seek attention within the discourse community while simultaneously resisting genuine engagement with others. They predominantly focus on self-expression, a state described as *affective incapacity* (Chen *et al.*, 2024). In this state, the depressed self-navigates a duality—their expressions appear to carry a willingness to affect and intervene in the emotional states of others, yet they resist being influenced or intervened upon in return.

Amid this sense of incapacity, there exists a unique and striking phenomenon: a profound personal intimacy with the late Ms. Ma/Zoufan shared by all the commenters. In this dynamic, Zoufan herself emerges as an invisible spiritual pillar, uniting the community in a way that transcends her physical absence. Notably, her suicide is frequently depicted as both courageous and admirable, transforming the site into an "affective space of suicidal longing" (Chen *et al.*, 2024), where the glorification of suicide and a longing for death become defining features and widespread practices within the community.

Excerpt 2:

(1) Commented by Irving:

刚才上楼差点摔倒了。突然感觉被扶了下,是你吗?爱你,上香了。
Just now (I) almost fell over when going upstairs. Suddenly (, I) felt (someone) helping me up. Is that you? (I) love you and have burnt joss sticks for you.

(2) Commented by Katie:

饭饭我下班了。不想在这里工作了,一点都不开心。
这个公司的管理好差劲,我又不知道去哪里?纠结年底要不要辞工?? ? ……
Fanfan, I am off work now. I do not want to work here anymore. (I am) not happy at all.
The management of this company is terrible, but I do not know where to go. (I am) hesitating about whether to resign at the end of the year or not??? ..

(3) Commented by Melia:

睡不着。刚才遇到喷子了。我哭了。我到晚上就是想自杀想死。还是饭这里比较温暖。
(I) can't sleep. Just now (,) I met an (Internet) troll. I cried. I just want to kill myself and die at night. It is warmer here in Fan's place.

(4) Commented by Lily:

我其实挺不想来走饭这里说话的,但在这里我觉得我不是一个人,所以我就允许自己继续在这里说话,这也算个去处。
In fact, I do not want to come to Zoufan to talk, but here I feel that I am not alone, so I allow myself to continue to talk here, which is also a place to go.

(5) Commented by Flo:

饭饭晚上好。我来看你啦。好几天没来了,还是忍不住了…
Good evening, Fanfan. I'm here to see you. I haven't been here for several days, but I still cannot help coming...

As mentioned, a few interactions were observed between the commenters. However, when confiding their innermost struggles, most commenters were inclined to address Ms. Ma/Zoufan rather than engage with other commenters. 'Fanfan' or 'Fan' is often used, as in Chinese culture, reiterative locution or the final syllable of a name often signifies intimacy, affection, or friendship. And this was not merely a personal choice or preference, but conveys three levels of connotations:

First, Zoufan is often perceived as a guardian angel or ghost (a spectral presence) in many comments. For example, in Excerpt 2 (1), with 'you'

referring to Zoufan, Irving believes that Zoufan is accompanying and protecting him. So, he burned incense to her, a religious ritual for statues of gods or idols, with the mental verb ‘love’ (爱) expressing a strong affection towards Zoufan. Such an affection differs significantly from that found in ‘fan circles’, where the admiration is directed toward living idols and is rooted in their human, rather than supernatural, existence.

The second connotation of the collective identity as ‘Zoufan’ members lies in the normative practice of sharing everyday life and emotions with Zoufan within the community, coupled with the imperceptible tendency to equate the site itself with Zoufan. For example, in Excerpt 2(2), Katie directed her questions about her job choice, an important life issue, toward Zoufan. Seeking advice, help, or support from peers in online communities (ODCs) is common (e.g., Zhang *et al.*, 2018), but asking questions to deceased people is both unusual and fantastical. This imagined help-seeking suggests that many commenters believe Zoufan can understand their struggles and offer emotional relief. Thus, sharing the mundane, everyday experiences with Zoufan appears to be an ‘affective practice’ (Wetherell, 2012) that authenticates the commenters’ identities as Zoufan members.

Also, both Excerpts 2(2) and 2(3) depict commenters’ unhappy, perplexed, and helpless selves through small, everyday stories or encounters. Yet, in doing so, they exclude key figures typically expected to offer tangible support, such as parents, friends, educators, or mental health professionals. At the same time, some commenters have come to equate the entire site with Zoufan herself, positioning it as Zoufan’s place (Fan’s place, 饭这里), as shown in Excerpt 2(3). This starkly contrasts with the fandom community, where the idol’s worship space encourages group participation among like-minded fans (Hills, 2017) rather than exclusively belonging to the idol. Simplifying the community into Zoufan’s place also reveals that commenters are involved in the community without engaging in authentic communal interactions, such as connecting with other members, exacerbating their tendency toward self-isolation within the community.

The third connotation of the collective identity is a psychological dependence on the community, which evolves into an (uncontrollable) habit of visiting the site. In Excerpt 2 (4), Lily shared that Zoufan was her go-to place for sharing, despite initially not wanting to frequent the site. This reluctance suggested that regular visits could imply a continuous struggle with negative emotions, given the community’s focus on sharing such

sentiments. The phrase ‘I allow myself to...’ reveals a nuanced internal conflict over her engagement with the site, balancing between the desire for support and the fear of becoming overly reliant on this digital sanctuary for emotional solace. Similarly, Flo’s comment in Excerpt 2 (5) articulated a struggle with the compulsive draw to the community, suggesting a conscious effort to avoid potential dependency. The attachment appears as a ritualistic engagement, where meaningful and genuine connections are eventually absent.

6. Discussion

Although the depression narratives analysed above were communicated via small stories, they reveal big stories about Chinese society. As observed, many young people in today’s China struggle with happiness due to the society’s overwhelming emphasis on pragmatic and material values, compounded by intense competition that shapes individual lives and limits personal capacities. Although studies show that the ongoing stigma of depression is still prevalent among the public in China (Yang *et al.*, 2020; Yu *et al.*, 2021), many Chinese people in the big cities may not feel this stigma anymore (Higgins *et al.*, 2008), especially young people. Disclosing a mental health issue is not necessarily difficult; however, the real challenge lies in the lack of understanding and support that often follows. Additionally, they may face doubts about whether they are ‘eligible’ to experience depression, and their struggles with meeting social expectations and forming meaningful connections are rarely acknowledged. Hence, they are becoming increasingly disconnected from their surroundings in the offline world, which also partially explains the widespread self-closure in real life (like a kind of self-protection) and self-disclosure in cyberspace (like a kind of self-help), which reveals the broader societal failure to provide adequate support for those grappling with depression.

On the other hand, although the massive participation in unmanaged ODCs like ‘Zoufan’ reveals an emotional need for such sites, the positive influences of these digital spaces on individual mental well-being landscapes are limited, because mutual interactions and genuine connections were rarely observed. Most comments are quite fragmented self-talk, making the sharing more like casual emotional dumping than a beneficial exchange. In particular, the peculiar personal intimacy with the late Ms. Ma suggests a cognitive process of delusion, isolating users from other commenters as their

focus remains solely on Zoufan, thereby fostering disconnection within the community.

The above indicates a painful state of disconnection that these individuals experience both offline and online, which is linked to a sense of alienation. Alienation, manifested as powerlessness, normlessness and social isolation, is described as a feeling of disconnection from meaningful relationships and a state of estrangement from others, society, or oneself, which is considered a key indicator of mental well-being, including depression (Chen *et al.*, 2022; Dean, 1961). This sense of alienation further reveals a fundamental disconnection in today's Chinese society, that material wealth does not connect with a safeguard for mental well-being. It sharply diverges from many of China's ambitious political, economic, and social policies that only emphasise the importance of prosperity, strength, and national greatness. It also challenges the prevalent assumption that economic growth and material success are synonymous with the overall health and happiness of the population. Although many governmental policies have included people's happiness as a central agenda, such as the claim that "people's happiness is the biggest human right" in China's official announcement for The Summit of the Future and the 79th Session of the United Nations General Assembly (Ministry of Foreign Affairs, 2024), this approach remains too broad and fails to sufficiently address the critical issue of mental health. Moreover, mental well-being is often overshadowed by the lack of other fundamental components necessary for societal success and individual fulfilment, such as employment and education. For instance, China's ongoing unemployment crisis has persisted for several years, with the unemployment rate for youth aged 16 to 24 exceeding 17 per cent in 2024 (Yang, 2024). This persistent issue highlights the need for a more targeted approach to addressing the complex relationship between societal stability, economic opportunities, and mental health.

7. Conclusion

This study illuminates a nuanced dynamic in the construction of individual and collective identities in online depression narratives, particularly within the context of a group identified as 'Zoufan': When the core participants construct and communicate their identity as 'depressed individuals', their narratives frequently underscore a significant lack of emotional support in their offline environments. This deficiency is multifaceted, encompassing not

just an absence of understanding and empathy from their immediate social circles, such as family and friends, but also a perceived ‘ineligibility’ to openly discuss their struggles with depression in real-world contexts, which in turn can lead to the disconnection offline. When the core participants construct their collective identity as ‘Zoufan’ members, the unusual sense of personal intimacy with the late Ms. Ma indicates a cognitive process of delusion, isolating users from other commenters by directing their attention exclusively toward Zoufan. This, in turn, promotes a sense of disconnection within the community. Also, the psychological dependence on the community reinforces the participants’ withdrawal from real-life social activities and connections.

The duality of these identities underscores a sense of disconnection and alienation, both online and offline, suggesting a lack of sufficient real-life support systems for individuals with depression and further exposing the growing divide between economic prosperity and mental well-being in Chinese society. A concerted effort is necessary to cultivate greater empathy, understanding, and awareness regarding mental health in society. Also, to foster a happier generation and a happier China, mental well-being ought to be addressed and emphasised in major national and social strategic plans. Additionally, promoting and facilitating access to mental health services and resources can help bridge the gap between those suffering in silence and the support they critically need. Ultimately, these efforts can contribute to a more compassionate and informed society where individuals feel empowered to seek help and support for depression.

Notes

- ¹ Two criteria of purposive sampling are applied: (1) participants had to post comments in at least three different months (whether consecutive or intermittent), which amounts to over three quarters of the total collection period; (2) participants were required to post at least one comment per day on average during the data collection period (114 comments at least at total).

Funding

This research was supported by the National Social Science Fund of China (NSSFC) -Project Title: *A Study on the Emotional Narratives and Identity Discourse of Unemployed Youth in Online Depression Communities* [Grant Number: 25CYY065].

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China's Image in Malaysian Mainstream Newspapers: Comparing Belt & Road Initiative Media Framing Across Languages

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Abstract

Malaysia has marked more than a decade of partnership with China under the Belt and Road Initiative (BRI). The new Pakatan Harapan government, led by Prime Minister Anwar Ibrahim, has reaffirmed Malaysia's support for the BRI and committed to enhancing trade cooperation with China, suggesting positive prospects for bilateral relations. Therefore, understanding media portrayals of the BRI is essential. While previous studies have explored media framing of China and the BRI, less attention has been given to differences across language newspapers. In Malaysia's multiracial society, newspapers in different languages reflect distinct ethnic perspectives. Through quantitative content analysis, this study reveals that Chinese-language newspapers emphasise issues related to Chinese cultural inheritance, which are rarely seen in Malay and English language newspapers. Malay newspapers focus more on issues related to the ECRL, while English-language newspapers feature more international news, particularly on international and ASEAN collaboration. These differences reflect historical, cultural and political orientations that shape how the BRI is framed across Malaysia's multilingual media landscape.

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Keywords: *Belt and Road Initiative, Ethnic, Malaysia, Media Framing, Newspapers.*

1. Introduction

Malaysia celebrated the 50th anniversary of diplomatic relations with China last year, in 2024. Over the years, the bond between the two nations has remained robust since their diplomatic ties were established in 1974. According to Voon (2024), China stands as one of Malaysia's most significant economic partners. Anwar Ibrahim, also serving as the finance minister, emphasised in 2023 that China remains Malaysia's primary export destination, with trade volume reaching RM450.84 billion. The economic collaboration between the two countries continues to strengthen, resulting in increased mutual investments. As of February 2024, the trade volume between China and Malaysia had reached a remarkable US\$15.52 billion, securing their position as the largest trading partners for the 15th consecutive year.

The Belt and Road Initiative, a major project initiated by China to connect Asia, Africa and Europe, has garnered significant attention. China characterises the BRI as an infrastructure project for international cooperation (Weng *et al.*, 2021) and aimed at enhancing infrastructural, economic and cultural connections across these continents (Ni, 2024). Flint and Zhu (2019) have identified three main goals through its strategies: economic integration, regional influence and global geopolitical impact. Some argue that the BRI is China's geopolitical move in Asia, Africa and Europe, in competition with the United States (Wang, 2016).

Malaysia, the first Southeast Asian country to establish diplomatic relations with China (Noor & Qistina, 2017), demonstrates a strong commitment to capitalising on the opportunities presented by the Belt and Road Initiative. This is evident as Malaysia was one of the pioneering countries to support the BRI when Chinese President Xi Jinping formally announced it in 2013 to link East Asia and Europe through physical infrastructure. Since then, Malaysia has received a substantial inflow of BRI-related funds for infrastructure (Francis & Tham, 2021). This dedication is further reflected by the establishment of the Belt & Road Initiative National Secretariat (BRINS) Malaysia in 2017 by the Ministry of International Trade and Industry, which aims to coordinate, monitor and facilitate the Belt and Road projects in the country (Teo, 2019). As reported by Voon (2024),

Chinese President Xi Jinping mentioned that Anwar Ibrahim's reaffirmation of Malaysia's support for China's Belt and Road Initiative (BRI) and his commitment to enhancing trade cooperation with China have sent a positive signal for the future of bilateral relations. With Malaysia celebrating ten years of the Belt and Road Initiative last year, it is important to examine the outcomes linked to future cooperation. As noted by Jamil (2023), while the previous Najib Razak administration was very open to the BRI project, the leadership of Mahathir Mohamad shifted by renegotiating multiple key BRI projects. The new government under Anwar Ibrahim may once again shift the country's stance on the BRI. Hence, it is crucial to examine how the media portrays the One Belt One Road initiative under different government administrations, as this is important for building the national image of China in Malaysia.

Numerous past and ongoing research endeavours aim to comprehend how the media shapes China's image and the One Belt One Road initiative. Some studies focus on comparing China's portrayal in Malaysian Malay newspapers (Hassan *et al.*, 2020), while others analyse TV news coverage of significant events such as Najib's visit to China (Ng, 2022), along with how Malaysian media portrays Chinese investment in projects like the Forest City Project (Wang & Reagan, 2020). Additionally, some research delves into how the One Belt One Road initiative is portrayed in Western newspapers (Bahoo & Alon, 2020) and compares framing analysis across multiple nations (Anunne *et al.*, 2019). Others explore perspectives from small and medium enterprises (SMEs) due to China's significant global impact on technology and development (Chin *et al.*, 2020). However, there has been limited exploration into how different Malaysian mainstream newspapers in various languages depict China's image and the representation of the One Belt One Road initiative across different language newspapers in the country. In Malaysia, English newspapers target educated Malaysians in urban areas, Malay newspapers cater to the Malay community, and Chinese newspapers appeal to the Chinese demographic. Therefore, it is crucial to examine the differences in how these newspapers portray China's image, especially concerning perceptions of the One Belt One Road initiative.

According to Kua (2015), racism remains a challenging issue in Malaysia, stemming from diverse cultural backgrounds, practices and demands among racial groups. Historical incidents like the 13 May 1969 political riot highlight the complexity of Malay-Chinese relations.

Malaysian Chinese may hold a favourable view of China due to ancestral ties, as mentioned by Soon (2023), who noted Najib Razak's assumption that Malaysian Chinese would inherently hold pro-China sentiments due to their ancestry and genetic ties. This assumption did not necessitate a thorough comprehension of China and the Chinese, in fact, such viewpoints were shared by many leaders in the country with diverse immigrant populations.

This study makes a significant contribution to understanding media framing and its impact on public perception in a multicultural and multilingual context like Malaysia. As the Belt and Road Initiative (BRI) continues to influence geopolitical and economic dynamics, especially with the potential shift in direction and relations between Malaysia and China under the new government led by Anwar Ibrahim, it is crucial to understand how media representations in different languages shape public discourse and national attitudes toward China. The media act as the mouthpiece of the people, and by comparing the framing of the BRI across Chinese, Malay and English-language newspapers, this research reveals the subtle ways in which ethnic and cultural identities intersect with media reporting. As highlighted by Ng (2022), the coverage of Najib Razak's visit to China in Malay, Chinese and English media has been largely positive. However, since representation of the BRI in Malaysian media are shaped by the complex interplay of social, cultural and political factors, it is significant to examine how different media outlets reflect and influence perceptions of the initiative across different ethnic groups.

2. Literature Review

2.1 Belt and Road Initiative in Malaysia

Malaysia's engagement with China's Belt and Road Initiative (BRI) has been profoundly influenced by the strategic leadership of its Prime Ministers: Tun Abdul Razak, Tun Dr. Mahathir Mohamad, Najib Razak and Anwar Ibrahim. Each leader has played a pivotal role in shaping Malaysia's relationship with China, ensuring the country remains an active participant in this global initiative.

The foundation of Malaysia's involvement in the BRI can be traced back to Tun Abdul Razak, who established the groundwork for Malaysia-China relations. In 1974, amidst global uncertainty and regional apprehension towards China, Tun Abdul Razak took the decisive step of normalising

diplomatic relations with Beijing (Kee, 2024). This strategic move was motivated by the need to protect Malaysia's interests as Western powers began withdrawing their military presence from Southeast Asia (Kuik, 2024). Additionally, some analysts view this decision as a strategic effort to "pacify the ethnic Chinese" following the ethnic riots between Malays and Chinese and the introduction of the pro-Malay New Economic Policy (NEP) in 1971, which had significantly diminished the role of non-Malays in Malaysia's political and economic spheres (Baginda, 2002). The establishment of diplomatic ties with China was thus partly aimed at addressing the concerns of local Chinese voters. Under his leadership, Malaysia became the first ASEAN member state to establish formal diplomatic relations with the People's Republic of China in May 1974 (Kuik, 2021).

Building on Razak's diplomatic foundation, Tun Dr. Mahathir Mohamad further strengthened Malaysia's relationship with China by emphasising economic cooperation during his first term as Prime Minister, from 1981 to 2003. As a visionary leader, Mahathir recognised the potential of China's rapid economic growth and sought to position Malaysia as a key partner in Asia's rise. He championed South-South cooperation and viewed China as a vital ally in promoting regional integration and economic collaboration (Chang, 2024). Over his 22 years in power, Mahathir visited China seven times. His first visit in November 1985 was particularly significant, focusing on enhancing bilateral economic ties as China was implementing its open door and reform policies (Lye, 2019). Besides, Mahathir underscored the shared "economic revolution" between Malaysia and China, aiming to tackle poverty, unemployment and underdevelopment (Liow, 2000).

In his second term as Prime Minister (2018–2020), Mahathir adopted a more cautious stance towards the BRI, reflecting concerns over Malaysia's sovereignty and the financial viability of some projects. According to Gerstl (2020), he halted several major BRI projects, including the East Coast Rail Link (ECRL), to reassess their impact on Malaysia's interests. Mahathir's pragmatic approach involved renegotiating key BRI agreements to better align with Malaysia's national priorities (Jaipragas, 2019). This careful balancing act allowed Malaysia to continue benefiting from the BRI while protecting its autonomy and economic stability.

Najib Razak, who succeeded Mahathir, played a pivotal role in deepening Malaysia's engagement with China. During his tenure (2009–2018), Najib actively pursued closer economic ties with China, which

included significant investments and trade agreements (Lim, 2009). Under Najib's leadership, Malaysia became China's largest trading partner in Southeast Asia by 2009, and the value of trade between both countries in 2022 was about 17.1 per cent of Malaysia's total global trade worth RM2.8 trillion (Voon, 2023). Najib's administration saw the elevation of bilateral relations to a "comprehensive strategic partnership" in 2013, reflecting a high level of mutual trust and cooperation (Ngeow, 2015). This period marked significant infrastructure investments, including the East Coast Rail Link and the Malaysia-China Kuantan Industrial Park, which were key components of the BRI (Ngeow, 2019).

Anwar Ibrahim, Malaysia's current Prime Minister, marks a new phase in the country's engagement with the Belt and Road Initiative (BRI). Renowned for his reformist approach and commitment to good governance, Anwar is guiding Malaysia's relationship with China amid a period of global uncertainty and shifting geopolitical landscapes (Daniel, 2023). In addition, the transition from Najib Razak's administration to the current government has left lingering effects. During the two years before Anwar's term, Mahathir Mohamad's government focused on addressing the challenges posed by previous issues, notably due to the 1MDB scandal and the legacy of project negotiations under Najib's administration (Abdullah *et al.*, 2020). This backdrop inevitably influences Anwar's approach. While there is currently optimism, Anwar has conveyed cautious hope for the future of Malaysia-China relations. He remarked in an interview, "I think the relationship between Malaysia and China, which extends to the Association of Southeast Asian Nations, has a great future" (Xu & Zhang, 2023). Anwar's visit to China reflects optimism for future collaboration, and a senior Malaysian official has dismissed concerns about a "debt trap" associated with BRI projects (Chen & Bai, 2023). However, uncertainties remain, and long-term collaboration needs to be carefully monitored.

Although Malaysian leaders have consistently shown support for the Belt and Road Initiative (BRI), some politicians have expressed concerns about the ruling party's close alignment with China (Wang *et al.*, 2023). Different leaders have had varying approaches during their time in office. For example, Najib Razak's administration was highly supportive of the BRI (Ngeow, 2019), while Mahathir Mohamad adopted a more neutral stance, focusing on national interests and viewing China as a significant market with potential business opportunities (Kuik, 2021). Anwar Ibrahim

currently maintains a positive outlook on the BRI, and his visit to China has been seen as a promising sign (Chen & Bai, 2023). However, it remains too early to forecast long-term outcomes due to ongoing uncertainties. Therefore, examining how the BRI is portrayed across Malaysian newspapers in different languages is crucial for understanding its impact in a multiracial country.

2.2 National Identity & Cultural Contact

Malaysia is a multiracial country comprising three main ethnic groups: Malay, Chinese and Indian, alongside other minority communities. According to Abdul Rahman (2002), the Malays and other *Bumiputera* groups are regarded as the indigenous people of the country, whereas the non-*Bumiputeras*, who largely migrated to Malaysia since the latter half of the 19th century, have become an essential part of Malaysian society and contribute significantly to its development. The diverse cultural landscape of Malaysia offers a unique context for examining how national identity and cultural contact shape the identities of these groups. Muhamad et al. (2023) emphasised that Malaysia's cultural traditions, passed down through generations, are heavily influenced by the country's origin story. Malaysia's cultural history, which dates back hundreds of years, positions the country as a crossroads for various major cultural traditions originating in archipelagic Southeast Asia, including influences from China, South Asia, the Middle East and the West.

A study by Che Mat (2010) reveals that while Arabic-Malay translations in Malaysia require adaptation to local contexts and national ideologies, deep-rooted connections with Arab nations remain significant due to the historical influence of Arabic civilisation on Malay culture, religion and language. This is supported by Abu Bakar *et al.* (2015), who found that Malay Muslim students from religious schools show strong interest in Arab culture, reflecting Arabic's association with Islam. Egypt and Saudi Arabia have long been key destinations for religious study, and early Malaysia-Middle East ties, as noted by Harun (2009), were heavily shaped by Islam, which also exposed Malays to broader political and social developments. Similarly, Punitha and Kumaran (2014) trace the migration of Indian ethnic groups to Malaya back to 1786 under British colonisation, with Kumaran (2011) noting their roles in agriculture and infrastructure, highlighting the enduring cultural legacy evident in the continuation of Tamil traditions among Malaysian Indians.

On the contrary, previous scholars have emphasised the close connection between the study of Chineseness among overseas Chinese and China itself. Wang (2009) explained that the strong connections between overseas Chinese and China are rooted in their memories of China, which shape their identity through aspects such as biology, origin, culture and tradition. While it is undeniable that local culture, legal constraints and political systems have influenced the notion of Chineseness, this prevents them from being considered “pure Chinese.” Yet, given that most of their ancestors migrated from China, the manifestation of Chineseness in each country is distinct yet still recognisable. An evident example is that overseas Chinese engage in cultural or religious practices commonly associated with Chinese traditions, such as adhering to Confucian principles and participating in ancestor worship (Clarke, 2000). Kang (2015) further points out that studies on ethnic Chinese primarily focus on migrants from Mainland China, including those who migrated to Southeast Asian countries and their descendants, who constitute a significant portion of Chinese re-migrants. Malaysia, historically one of the main destinations for Chinese migration, suggests that Malaysian Chinese may feel a closer affinity and familiarity with China compared to other ethnic groups in the country. According to Thean (2023), former Prime Ministers Abdul Razak and Mahathir perceived a profound and inseparable tie between the Chinese community and China that could not be easily severed. Additionally, Mahathir also acknowledged the significance of fostering relations with China before the general election to secure support from the Malaysian Chinese community. This again underscores the familiarity of overseas Chinese, including Malaysian Chinese, with China.

Regarding the portrayal of the Belt and Road Initiative, it is anticipated that Chinese newspapers may depict it differently compared to English and Malay newspapers due to the varying characteristics and backgrounds of their target audiences. This difference in portrayal further reflects the diverse perspectives within Malaysia’s multiracial society, influenced by each group’s unique historical and cultural ties.

2.3 Framing Analysis Across Languages

Framing theory explains how media coverage influences audience perception by shaping the context in which issues are presented. Journalists construct frames by emphasising specific aspects of an event, guiding public thought and opinion (Lee & Basnyat, 2012). Goffman (1974) describes frames as

interpretive structures or central storylines that give meaning to events. Entman (1993) further defines framing as the act of making certain elements of reality more salient to promote specific interpretations or solutions, while also warning that biased framing and selective sourcing can distort public understanding. This research applies framing theory to examine how source selection in media coverage influences the portrayal of the Belt and Road Initiative and shapes perceptions of China's image.

Many past researchers have demonstrated that media often contain ideological biases. In a study of the Malaysian policy on Teaching and Learning Science and Mathematics in English, and the announcement of the Upholding the Malay Language, Strengthening Command of English policy, Chew *et al.* (2012) observed that Malay and Chinese newspapers approached coverage and framing differently. Specifically, Malay newspapers placed a greater emphasis on conflict framing when reporting on the issue of teaching science and mathematics in English policy compared to the matter of upholding the Malay language while strengthening command of English policy. In contrast, Chinese newspapers covered both issues in similar ways. Likewise, John (2015) found that the incorporation of Malay words and phrases in English newspaper advertisements in Malaysia signifies a distinct ideology, specifically a Malay-Muslim ideology, its values and culture, representing the Malay ethnic group and serving as government propaganda. Another study on the Tanjung Piai By-Election by Fernandez *et al.* (2023) yielded similar findings, showing that newspapers in different languages provided varying degrees of coverage, utilised different predominant sources, frames and valence of articles, reflecting the divergent portrayal of Pakatan Harapan and Mahathir Mohamad. This demonstrates that ethnic newspapers serve the purpose of advocating for and upholding the interests of their respective communities.

Newspapers in Malaysia are tailored towards the various languages and are tailored to specific ethnic groups. In this study, Malaysian newspapers, catering to different languages and ethnic groups, may frame the Belt and Road Initiative (BRI) and China's image differently, reflecting the distinct perspectives of the country's major communities.

3. Methodology

This research utilises a content analysis approach to study how the Malaysian mainstream newspapers portray the BRI. According to *Adqrates*'s

official website, one of the world's first programmatic advertising platforms founded by a team of media and marketing professionals, the top-circulating newspapers in English, Malay and Chinese are *The Star*, with a circulation of 248,559; *Sin Chew Daily*, with a circulation of 251,000; and *Harian Metro*, which is the most visited Malay newspaper site with a circulation of 100,000. This justifies the selection of these three newspapers for this study.

To gain deeper insights into the representation of Malay ethnicity, this study also includes *Utusan Malaysia*, which has an 80-year history and maintains a close relationship with the United Malays National Organisation (UMNO). This political party often asserts that it represents the interests of Malay groups in the country (Sukumaran, 2019; Lopez, 2009). The inclusion of *Utusan Malaysia* is particularly significant given its historical context and its role in shaping perceptions within the Malay community, which constitutes the majority in Malaysia.

The news from the four newspapers over the last seven years, specifically from 2017 to 2023, was analysed. The process began by entering relevant keywords such as “Belt and Road,” “Silk Road Economic Belt,” “China-Malaysia relations,” “One-China Policy,” “East Coast Rail Link (ECRL),” “ASEAN-China,” and “Xiamen University Malaysia Campus” into the search function on the official websites of the mentioned newspapers. The articles were then downloaded and analysed.

The process of content analysis began by analysing 20 per cent of the total articles. After that, the themes were operationalised and defined. “Others” is included in the coding sheet to capture issues that might not fall under any identified theme. The analysis was conducted using a coding sheet that emphasised segments, headlines and keywords related to the themes (see conceptual definition of each theme in Appendix). Each news article was meticulously read and analysed to assess the issues that occurred under the identified themes. Subsequently, a chi-square test was conducted using IBM SPSS 29 software.

In total, 2,284 news articles were analysed over the three months (*The Star*: 915 articles, *Harian Metro*: 196 articles, *Utusan Malaysia*: 170, and *Sin Chew Daily*: 1,003 articles). The breakdown of articles is as follows:

Table 1: Sample Distribution of Analysed News Articles

Number of News Articles (Year 2017-2023)	English Newspaper	Malay Newspapers		Chinese Newspaper
	<i>The Star</i>	<i>Utusan Malaysia</i>	<i>Harian Metro</i>	<i>Sin Chew Daily</i>
Total	915	170	196	1,003

Additionally, the news articles were categorised by segments. *Sin Chew Daily* and the two Malay newspapers featured more national news compared to *The Star*, which placed a greater focus on international news (see Table 2 below).

Table 2: News Segment Categories by Newspaper

News Segment	<i>The Star</i>	<i>Utusan Malaysia</i>	<i>Harian Metro</i>	<i>Sin Chew Daily</i>
National	201 (22%)	111 (65.3%)	171 (87.24%)	682 (68%)
International	563 (61.5%)	37 (21.8%)	24 (12.24%)	221 (22.03%)
Opinion Piece	151 (16.5%)	22 (12.9%)	1 (0.51%)	100 (9.97%)
Total	915 (100%)	170 (100%)	196 (100%)	1,003 (100%)

4. Findings

All four newspapers portrayed the Belt and Road Initiative (BRI) differently. This indicates that the English, Malay and Chinese newspapers have different agendas in covering news related to China's BRI. The results can be found in the following tables.

Table 3: Types of News

Types of News	<i>The Star</i>	<i>Utusan Malaysia</i>	<i>Harian Metro</i>	<i>Sin Chew Daily</i>
ASEAN	232 (25%)	18 (11%)	13 (6.6%)	26 (2.6%)
Economy	81 (8.9%)	13 (7.6%)	41 (21%)	150 (15%)
Politics	27 (3%)	5 (2.9%)	15 (7.7%)	14 (1.4%)
Culture	21 (2.3%)	6 (3.5%)	9 (4.6%)	249 (25%)
Education	6 (0.7%)	5 (2.9%)	5 (2.6%)	139 (14%)
Technology	32 (3.5%)	7 (4.1%)	14 (7.1%)	60 (6%)
Partnership	79 (8.6%)	28 (16%)	34 (17%)	159 (16%)
International Collaboration & Superpower	278 (30%)	19 (11%)	6 (3.1%)	89 (8.9%)

International Criticism & Problems	25 (2.7%)	9 (5.3%)	0 (0%)	10 (1%)
Mixed Topics (Opinion Based Analysis)	12 (1.3%)	1 (0.6%)	0 (0%)	24 (2.4%)
ECRL's Discussion & Progress	116 (13%)	57 (34%)	58 (30%)	72 (7.2%)
Others	6 (0.7%)	2 (1.2%)	1 (0.5%)	11 (1.1%)
Total	915 (100%)	170 (100%)	196 (100%)	1,003 (100%)

Table 3 demonstrates that the four newspapers focused on different aspects of the Belt and Road Initiative (BRI). For example, *The Star* emphasised international and ASEAN collaboration, focusing on projects that could benefit from the BRI, such as railway construction between ASEAN countries like Thailand, Myanmar and Cambodia, and partnerships with nations like Russia, Kenya and African countries. On the other hand, *Harian Metro* and *Utusan Malaysia* concentrated on the East Coast Rail Link (ECRL), particularly discussing its challenges and ongoing efforts related to the BRI. This was especially prevalent during Mahathir Mohamad's second tenure when Malaysia was burdened with the 1MDB debt, leading to frequent news articles debating the high costs and feasibility of continuing the BRI, along with its potential benefits and drawbacks. Meanwhile, *Sin Chew Daily*, with its predominantly Chinese readership and cultural focus, extensively covered cultural matters, alongside emphasising partnerships with China, such as Memoranda of Understanding (MoU) signings between Malaysian and Chinese corporations and universities.

Table 4: Chi-Square Tests of Types of News

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	952.733 ^a	33	<.001
Likelihood Ratio	987.612	33	<.001
Linear-by-Linear Association	4.800	1	.028
N of Valid Cases	2284		

a. 7 cells (14.6%) have expected count less than 5. The minimum expected count is 1.49.

Table 4 above shows a chi-square test conducted to understand the relationship between the six different types of news. The p-value of <0.001 indicates a significant difference between the types of news covered in *The Star*, *Utusan Malaysia*, *Harian Metro* and *Sin Chew Daily*.

4.1 Chinese Newspaper

4.1.1 Chinese Culture Inheritance and Roots of Overseas Chinese

In its coverage of the Belt and Road Initiative (BRI), *Sin Chew Daily* often links the initiative to the preservation and promotion of Chinese culture, a perspective rarely seen in Malay and English newspapers. The newspaper often employs keywords such as “bridge” (桥梁纽带), “kinship” (血缘) and “seeking roots” (寻根). Additionally, the term “fate” (缘分) is used to illustrate the historical and cultural bonds between Malaysia and China, emphasising the unique identity of Malaysian Chinese, which is deeply connected to their ancestral roots and migration from China (see Appendix: Paragraph 1).

The newspaper also emphasised how Malaysian Chinese preserve the culture and practices passed down from their ancestors in China, highlighting their spiritual connection to being Chinese and their responsibility to develop and promote Chinese culture within the country. This is rarely reported by English and Malay newspapers (see Appendix: Paragraph 2).

In addition to Chinese newspaper, the term “Chinese language” and “Chinese culture” (中华文化) are also often highlighted in *Sin Chew Daily*, emphasising the importance of culture, especially when compared to *The Star* and *Harian Metro*. It is noted that Malaysia is the country with the most comprehensive preservation of the Chinese language among Southeast Asian countries (see Appendix: Paragraph 3).

A report even noted that Malaysia is the place outside of Greater China where Chinese culture is most fully preserved, as people can easily communicate in Chinese and various southern Chinese dialects (see Appendix: Paragraph 4).

Furthermore, the preservation of Chinese culture is reflected in the study of Chinese poetry and history, serving as a means of connecting with China while enriching the cultural identity of the Chinese community in Malaysia. Chinese poetry, with its rich imagery and profound themes, provides insights into the values and philosophies of the Chinese people. Engaging with

both classical and contemporary works allows individuals to appreciate the nuances of the language and the beauty of poetic expression, fostering a deeper understanding of their heritage (see Appendix: Paragraph 5).

The connection between Malaysia and China goes beyond merely referencing the Chinese language or Chinese poetry; it also encompasses ritual practices and music, such as Chinese drumming. Of greater importance is the preservation of the spirit and core values of Chinese culture, which further illustrates the strong relationship and ties between Malaysia and China (see Appendix: Paragraph 6 & 7).

4.2 *English Newspaper*

4.2.1 *International and ASEAN Collaboration*

The Star prominently features international news compared to Malay and Chinese newspapers, with a particular focus on international relations and ASEAN-related issues tied to the Belt and Road Initiative (BRI) projects. It outlines the BRI's objectives, which were initially known as the "Land Silk Road" and the "Maritime Silk Road." These goals aim to enhance connectivity between China, Asia, the Middle East, Africa and Europe, while also fostering mutual understanding, cooperation and strengthening regional integration. This is not frequently reported by the Malay and Chinese newspapers (see Appendix: Paragraph 8).

The newspaper also covered the expansion and progress of the Belt and Road Initiative (BRI), noting that it has now extended to over 120 countries worldwide, highlighting the project's widespread success. This broad reach demonstrates China's ability to establish strong partnerships across continents, enhancing trade routes and infrastructure. The BRI's growing influence signifies not only its success in improving global connectivity but also China's increasing role as a major economic power shaping international development through strategic investments and collaborations with diverse nations (see Appendix: Paragraph 9).

The success of the Belt and Road Initiative (BRI) is also reflected in reports on collaborative projects, including maritime, rail and road developments, with numerous countries across Africa, Asia, Europe and ASEAN nations like Myanmar. These efforts are integral to China's broader economic strategy and its ambition to enhance regional connectivity (see Appendix: Paragraph 10).

The benefits of the Belt and Road Initiative (BRI) are also highlighted in numerous articles, which showcase how the initiative has positively impacted the economies and development of participating countries (see Appendix: Paragraph 11).

In addition to highlighting international collaboration and dialogues, the English newspaper also focuses on the strong ties between China and ASEAN countries such as Cambodia, Indonesia and Thailand. These efforts reflect the celebration of years of dialogue relations between China and ASEAN emphasising their commitment to fostering economic growth, regional stability and cooperation across Southeast Asia (see Appendix: Paragraph 12).

This is evident in several news articles covering dialogues with ASEAN countries, such as Cambodia, which has experienced positive changes from its collaboration with China (see Appendix: Paragraph 13).

The Star also draws attention to various challenges associated with the BRI, such as the high costs of constructing railways that connect China with other countries. The issue of debt traps, which has been a concern for several countries internationally, is also widely discussed. These concerns are featured more frequently in *The Star* compared to coverage in Malay and Chinese newspapers (see Appendix: Paragraph 14).

4.3 Malay Newspaper

4.3.1 ECRL's Progress & Malaysia-China Partnership

Malay newspapers have closely followed the progress of the East Coast Rail Link (ECRL), a significant project connecting China and Malaysia. The ECRL faced a temporary halt in 2018 when the new government led by Mahathir Mohamad initiated a review of the project. This review was prompted by concerns over the project's high costs and the financial difficulties inherited from the previous administration under Najib Razak, particularly the debts associated with the 1MDB scandal. This is reported by both English and Chinese newspapers, however their focus leaned more towards other issues rather than the ECRL itself (see Appendix: Paragraph 15 & 16).

Additionally, *Harian Metro* and *Utusan Malaysia* frequently provided updates on discussions surrounding the ECRL. Several reports highlighted the potential benefits of continuing the project, emphasising its potential

to boost trade and contribute to a more prosperous future. Other articles focused on the current government's efforts, led by Anwar Ibrahim, particularly concerning negotiations about the project's prospects and the associated construction costs (see Appendix: Paragraph 17 & 18).

Additionally, Malay newspapers highlighted the collaboration and partnership between China and Malaysia during Najib Razak's tenure, which emphasised discussions about various mega projects and investments under the Belt and Road Initiative. While Mahathir Mohamad had to re-evaluate the ECRL project due to concerns over high costs, the importance of maintaining strong trade and investment ties remained crucial, especially considering China's status as a technologically advanced nation (see Appendix: Paragraph 19 & 20).

The current government under Anwar Ibrahim has further solidified the relationship between Malaysia and China through diplomatic engagements. Both *Harian Metro* and *Utusan Malaysia* have underscored the Prime Minister's confidence regarding collaboration with China in various fields, particularly in education and investment, which are anticipated to boost the country's economy (see Appendix: Paragraph 21 & 22).

5. Discussions

The findings reveal that English, Malay and Chinese newspapers offer distinct perspectives on China's Belt and Road Initiative. Each newspaper's framing of the BRI is influenced by its cultural, political and economic context.

Chinese newspapers primarily focus on cultural inheritance, emphasising the Chinese language, practices and beliefs. Soon (2023) highlighted the use of China-Malaysia relations as a political campaign strategy, where leaders perceived a preference among the Chinese community for China. Hall (2005) supports this, stating that meaning-making is rooted in cultural and political contexts. Chinese newspapers cater to an audience with a Chinese background, who maintain a strong connection with China. In contrast, Malay and English newspapers provide minimal coverage of cultural themes.

Malay newspapers predominantly emphasise the East Coast Rail Link (ECRL) project. *Harian Metro* and *Utusan Malaysia* highlight the project's suspension during Mahathir Mohamad's tenure due to debt concerns and its subsequent revival under Anwar Ibrahim with cost-reduction strategies. According to Wong (2025), the ECRL is a landmark BRI project enhancing

regional connectivity and represents a milestone in Malaysia-China economic and infrastructure collaboration. Malay newspapers reflect government narratives and the interests of Malay policymakers. Razak (2020) stated that *Utusan Malaysia* is currently owned by Media Mulia Sdn. Bhd., previously linked to UMNO through the Utusan Group. The paper ceased operations in 2019 due to a prolonged financial crisis, and the new ownership may further influence its coverage. Besides, these newspapers also emphasise partnership and collaboration, covering visits by Malaysian and Chinese leaders. Ng (2022) noted similar positive portrayals in TV coverage of Najib Razak's 2016 visit to China. Han (2024) observed that ties remain strong, with increased diplomatic activity ahead of key bilateral anniversaries. *Utusan Malaysia* and *Harian Metro* thus align closely with government perspectives and national interests.

In contrast, English newspapers such as *The Star* focus on the international aspects of the BRI. Catering to an English-proficient, educated audience, *The Star* emphasises ASEAN collaboration, economic development and international trade benefits. It features supportive views from ASEAN leaders, including those from Vietnam and Brunei, and global figures like Vladimir Putin. Nevertheless, unlike Chinese and Malay newspapers, *The Star* tends to discuss the problems and issues that have arisen from BRI projects. Some international news pieces highlight issues and challenges associated with the Belt and Road Initiative, such as debt problems and concerns about the efficacy of resolving these issues. For instance, Wu (2023) linked BRI projects to criminal activity, and Mai *et al.* (2024) found that Western media often present negative portrayals. Wong and Areddy (2018) also noted concerns over BRI-induced debt crises in poorer nations.

Overall, gaining insight into how newspapers across languages depict the BRI is essential for understanding Malaysian perceptions, which in turn influence future bilateral relations and cooperation strategies between Malaysia and China. Each language newspaper represents distinct ethnic voices in the country, thereby shaping perceptions of the BRI and China. To summarise the findings, most newspapers primarily emphasise issues related to partnerships in their coverage of China's BRI. However, it can be assumed that Malays and other ethnic groups not targeted by Chinese-language newspapers or unfamiliar with the Mandarin language may have a limited understanding of China or Chinese culture, given the focus on international

collaboration and national projects rather than cultural aspects. Conversely, Malay-language newspapers tend to highlight collaborative projects like the ECRL as well as partnership-related issues. On the other hand, English language newspapers provide a more international perspective and discuss broader international and ASEAN-related issues under the BRI. These differing media approaches underscore the importance of understanding diverse perspectives within Malaysia's multicultural society, as they shape public discourse and perceptions of China-Malaysia collaboration.

The Belt and Road Initiative has significantly increased China's economic presence in Malaysia, with China involved in numerous major infrastructure and cultural projects related to the BRI. The paper recommends that China actively engage with various stakeholders worldwide, including global leaders, the media and policymakers, to better communicate the initiative's vision and mission, especially given ongoing concerns about China's intentions and the risk of narratives around imperialism and neo-colonialism. Although Malaysia has consistently supported the BRI, political instability has affected the progress of some BRI projects. While Malaysia will continue to support the BRI, it is unlikely to pursue additional costly mega-infrastructure projects. Instead, Malaysia is expected to be more open to digital connectivity projects under the BRI, which align with the country's technological development goals. The Belt and Road Initiative is expected to strengthen China-Malaysia relations, with China's industrial overcapacity fuelling infrastructure investments in Malaysia, which need such international collaborations for its own economic growth. However, challenges to deepening China-Malaysia relations include Malaysia's political instability, ethnic tensions, China's economic slowdown and the geopolitical dynamics of the South China Sea. Furthermore, it is crucial to recognise that in a multi-ethnic country like Malaysia, individuals from different ethnic backgrounds may have varying understandings of the Belt and Road Initiative (BRI). The perspectives of policymakers from these diverse ethnic groups, along with their roles as media sources, significantly influence how the BRI is portrayed and how public perceptions are shaped.

6. Conclusion

Malaysia's multicultural society heavily influences its relationship with China and shapes broader dynamics within ASEAN and Asia. This diversity is reflected in Malaysia's population, which comprises Malays, Chinese,

Indians and other ethnic groups, each maintaining distinct identities rooted in language, beliefs and practices. However, Malaysians are not yet very familiar with the BRI. Although they may have heard about it, many do not fully understand what it entails. In addition, the level of engagement in BRI-related activities is low. Greater efforts are needed to enhance the visibility of the BRI, particularly through social media, in order to promote a better understanding of the initiative. News coverage in Malay newspapers is relatively limited compared with Chinese and English newspapers. Overall, the findings indicate a positive perception of the benefits of the BRI, especially in the economic sector. This is consistent with Cheng et al. (2019), who noted that the BRI is viewed as an initiative that would benefit Malaysia in its economic, cultural and educational development.

To further solidify Malaysia's relationship with China, especially considering the diverse perspectives within the country, a few strategic actions are recommended:

Firstly, strengthening public engagement and dialogue is essential. Beyond merely involving representatives from various ethnic communities, Malaysia could benefit from establishing formal platforms for regular dialogue between government officials, community leaders and the general public. These platforms would provide a structured environment to discuss the Belt and Road Initiative (BRI) in greater detail, ensuring that every community gains a clear understanding of its objectives and benefits. By facilitating open conversations, these forums would help to address any lingering misconceptions or concerns that different groups might have. Such engagement would not only foster a shared vision for Malaysia's role in the initiative but also enhance the transparency and inclusivity of Malaysia's approach to international collaborations, particularly with China.

Secondly, enhancing media consistency is crucial in shaping public perception and understanding of the BRI. Given the significant role that the media plays in influencing public opinion, it is vital for Malaysia's news outlets, particularly those in English and Malay, to report on the BRI with greater consistency and clarity. The government could play a proactive role by encouraging or collaborating with media houses to produce detailed and balanced reports that highlight both the opportunities and challenges associated with the BRI. This could involve creating in-depth features, conducting interviews with experts, and providing coverage on how BRI projects are impacting local communities. Such efforts would ensure that the

narrative surrounding the BRI is accessible and relevant to all Malaysians, thereby promoting a more informed and cohesive public discourse.

Lastly, fostering inter-ethnic understanding and unity is imperative for the success of international initiatives like the BRI and for the overall harmony of Malaysian society. Improving relations between the Malaysian Chinese community and other ethnic groups is particularly important, given the Chinese community's strong cultural and historical ties to China. Chinese-language newspapers reflect a deeper understanding of China's culture and practices, which underscores the need for greater cross-cultural awareness. In this context, Malaysian Chinese newspapers and the Chinese community can play a pivotal role in promoting collaboration between different ethnic groups, such as through joint community projects or cultural exchange programs, which may help bridge gaps and foster a more comprehensive understanding of China.

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Appendix

Conceptual Operationalisation

Themes	Explanation
ASEAN	Issues related to ASEAN countries. (e.g., Thailand-China Partnership)
Economy	Issues related to economy, business and investment (e.g., BRI helps to boost FDI in the country)
Politics	Issues related to political matters (e.g., China should support Palestine during the war with Israel, aligning with stance of Malaysia)
Culture	Issues related to Chinese culture (e.g., Chinese temple inheritance that ties to Chinese ancestor from China)
Education	Issues related to education (e.g., the exchange of knowledge between China scholars and Malaysian scholars)
Technology	Issues related to China being a high technology country (e.g., China AI and automobile collaboration)
Partnership	Issues related to collaboration (e.g., signing MOUs with Chinese industries and the Chinese government)
International Collaboration & Superpower	Issues regarding international collaborations between countries that are not under ASEAN. This theme also highlights the intention of the BRI and China’s expansion of power (e.g., Rusia’s collaboration with China threatening America)
International Criticism & Problems	Issues related to problems and challenges behind the BRI (e.g., debt traps due to the high costs of the BRI)
Mixed Topics (Opinion Based Analysis)	Issues mention a mixture of topics instead of focusing on one (e.g., columnists’ analyses of the advantages and drawbacks of the BRI)
ECRL’s Discussion & Progress	Issues updating on Malaysia ECRL’s progress (e.g., cancellation and progress of the railway construction)
Others	Any other topics that do not fall under any of the identified themes (e.g., BRI and environmental issues)

Data Translation

(Paragraph 1) 中国驻马来西亚新大使白天说，他来马短短10天，深刻感受到马来西亚华人对祖籍国的热情，热爱和对中马关系坚强有力的支持。

Translation: China's new ambassador stated that in just 10 days since his arrival in Malaysia, he has deeply felt the enthusiasm, love and strong support of the Malaysian Chinese community for their ancestral homeland and the strong Malaysia-China relations.

(白天：来马短...9 December 2017)

(Paragraph 2) 我国华社对华教和中华文化永续的传承与捍卫，可说是中国以外发展得最完整和健全的国家。他说，在不同籍贯华人的共同努力下，中华文化在我国的发展与发扬，很多时候可说是“比中国还要中国”。“这是因为大马华人是以跨籍贯和宗教信仰的方式，共同来保护和传承中华文化。

Translation: The Malaysian Chinese community's commitment to the preservation and defence of Chinese education and culture can be said to be the most comprehensive and robust development outside of China. He stated that through the collective efforts of Chinese Malaysians from various ancestral backgrounds, the development and promotion of Chinese culture in Malaysia, at times, can even be considered "more Chinese than China itself." "This is because Malaysian Chinese, regardless of ancestral origins or religious beliefs, come together to jointly protect and pass on Chinese culture.

(吴添泉：两国...19 August 2023)

(Paragraph 3) 中国以外的海外华人超过4000万人，东南亚就占其中80%，唯有大马保留华文教育的国家；华文教育从来没有在大马断根，逾200年来也一直在我国扎根向上发展。

Translation: There are over 40 million overseas Chinese outside of China, with Southeast Asia accounting for 80% of that number. Malaysia is the only country that preserves Chinese language education; Chinese education has never been uprooted in Malaysia and has been established and developed here for over 200 years.

(充作综合教...20 September 2019)

(Paragraph 4) 国内随处可看到中文，人们方便用中文、甚至是中国南部的多种方言沟通，马来西亚是除大中华地区以外，保留中华文化最完整的地方，包括国内华小有30%的友族就读，可轻易和大中华地区进行接轨。

Translation: Chinese is widely visible throughout the country, and people can comfortably communicate in Chinese, including many dialects from southern China. Malaysia is noted for preserving Chinese culture more completely than anywhere outside Greater China. This preservation is reflected in the fact that 30% of students in Chinese primary schools are from non-Chinese ethnic groups, facilitating strong connections with the Greater China region.

(世林恳亲会千人宴...12 November 2023)

(Paragraph 5) 为促进马中两国文学交流，由中国作家协会与马来西亚汉文化中心联合发起成立的马来西亚中国文学读者俱乐部，将于8月17日下午4时，通过线上同时举行世界共12个国家“中国文学读者俱乐部”成立典礼。

Translation: To promote literary exchange between Malaysia and China, the Malaysian Chinese Literature Readers Club, jointly initiated by the China Writers Association and the Malaysian Chinese Cultural Centre, will hold its establishment ceremony online on August 17 at 4 p.m., coinciding with the formation of “Chinese Literature Readers Clubs” in a total of 12 countries worldwide.

(12国设中国文学...14 August 2021)

(Paragraph 6) 从中华文化汲取养分的这门艺术，如今不止是本地大小文化活动的常见表演，在有志者的推动下，从在地耕耘，再走入中国校园“播种”，后来更让廿四节令鼓传播到国外。

Translation: This art form, which draws nourishment from Chinese culture, is now not only a common performance at local cultural events but has also been promoted by enthusiastic individuals. It has transitioned from local cultivation to “sowing” in Chinese schools, and eventually led to the dissemination of the Twenty-Four Solar Terms Drum internationally.

(北野鼓扎根...12 June 2020)

(Paragraph 7) 中华独中始终秉持“礼、义、廉、耻”中华传统文化核心理念，以其雄厚实力、优良环境、严谨治学，成为马来西亚民办教育的典范之一，在传承弘扬中华优秀传统文化、促进中马友好关系发展等方面做出了积极贡献。

Translation: Chinese independent schools have always upheld the core values of Chinese traditional culture, namely “Li, Yi, Lian and Chi” (礼、义、廉、耻). With their strong capabilities, excellent environment and rigorous academic standards, they have become one of the models of private education in Malaysia. These schools have made significant contributions to preserving and promoting outstanding Chinese culture and fostering the development of friendly relations between China and Malaysia.

(林景清：只差...17 December 2023)

(Paragraph 8) BRI is the impetus behind a revival of the ancient Land Silk Road along Central Asia, connecting East and West, and the 21st Century Maritime Silk Road – sea routes that wind through South-East Asia to Africa and beyond.

(*One Belt, One Road...15 June 2019*)

(Paragraph 9) Today, it already links more than 120 countries and about 4½ billion of the world’s population. Its development platform is multilateral in nature; aimed at boosting inclusive global growth as well as strengthening cooperation between China and international organisations to enhance multilateral cooperation, serving as China’s contribution to the world economy and global governance, through dialogue and collaboration.

(*One Belt, One Road...15 June 2019*)

(Paragraph 10) China’s monetary flex is already apparent thanks to its “One Belt, One Road” initiative – an expansive vision for maritime, rail and road projects across Asia, Africa and Europe that features Myanmar prominently.

(*Myanmar economy...4 February 2021*)

(Paragraph 11) The East African country has witnessed the positive changes brought by China’s Belt and Road Initiative (BRI), which marks the 10th anniversary this year since its inception.

(*Feature: 10 years...18 October 2023*)

(Paragraph 12) China and ASEAN have more deeply realised the importance of promoting the building of a new community with a shared future.

(China-ASEAN strategic...8 September 2020)

(Paragraph 13) Ten years on, China's Belt and Road Initiative (BRI) has had a tremendous impact on Cambodia, injecting strong momentum into the kingdom's development of infrastructure, trade and economy.

(China's BRI has...13 October 2023)

(Paragraph 14) Many projects under the multibillion-dollar Belt and Road Initiative have stalled because of the global health crisis but that is not its only problem, analysts say..... Beijing has been accused of pushing developing nations into debt traps and of using the scheme as a foil for increasing its political leverage around the world.

(China turns on charm...19 October 2023)

(Paragraph 15) *Projek ECRL yang dicadangkan pentadbiran Najib mencetuskan kontroversi berikutan kosnya yang mencecah hingga RM70 bilion....Dr Mahathir sebelum ini menolak projek itu sambil menyifatkannya sebagai kontrak 'pelik' kerana negara perlu membiayainya dengan pinjaman dari China, selain mengupah kontraktor dari negara itu.*

Translation: The ECRL project proposed by Najib's administration sparked controversy due to its estimated cost of RM70 billion. Dr. Mahathir previously rejected the project, labeling it a "strange" contract because the country would need to finance it through loans from China while hiring contractors from that nation.

Harian Metro (22 August 2018)

(Paragraph 16) *Projek infrastruktur mega, Satu Jalur Satu Laluan oleh China berdepan halangan selepas beberapa negara mengadu 'tertimbus' di bawah bebanan hutang Beijing.*

Translation: China's mega infrastructure project, One Belt One Road, faces obstacles after several countries complained of being 'buried' under the weight of Beijing's debt.

Utusan Malaysia (3 September 2019)

(Paragraph 17) *Kerajaan negeri Pahang gembira dengan kemajuan semasa projek ECRL itu, dan percaya apabila siap kelak, ia akan dapat membantu meningkatkan pelaburan, mendorong aktiviti komersial, menambah peluang pekerjaan dan menarik lebih banyak aktiviti pelancongan di negeri Pahang.*

Translation: The Pahang state government is pleased with the current progress of the ECRL project and believes that once completed, it will help boost investments, drive commercial activities, create more job opportunities, and attract more tourism activities to the state of Pahang.

Harian Metro (22 January 2021)

(Paragraph 18) *Penjimatan RM11.01 bilion bagi kos pembinaan Projek Laluan Rel Pantai Timur (ECRL) 3.0 berjaya dicapai hasil rundingan semula kontrak yang dimuktamadkan pada tahun 2019 dan 2022..... Kementerian Pengangkutan berkata, beberapa faktor termasuk pelaksanaan kejuruteraan nilai (VM) yang menyeluruh dan penjajaran semula landasan ECRL pada Seksyen C (Temerloh-Serendah-Pelabuhan Klang) telah menyumbang kepada pengurangan kos pembinaan keseluruhan.*

Translation: A savings of RM11.01 billion for the construction costs of the East Coast Rail Link (ECRL) 3.0 has been achieved as a result of contract renegotiations finalised in 2019 and 2022.....The Ministry of Transport stated that several factors contributed to the overall reduction in construction costs, including the comprehensive implementation of value engineering (VM) and the realignment of the ECRL track in Section C (Temerloh-Serendah-Port Klang).

Utusan Malaysia (23 December 2022)

(Paragraph 19) *Perdana Menteri Datuk Seri Najib Razak semalam menyertai mesyuarat meja bulat Forum Jalur dan Laluan Untuk Kerjasama Antarabangsa di sini.....Perbincangan meja bulat disertai oleh pemimpin negara dan kerajaan dari 28 buah negara yang terbabit dalam Inisiatif Jalur dan Laluan, sebuah gagasan yang bertujuan menyediakan infrastruktur mega untuk dagangan antarabangsa.....Malaysia turut komited terhadap inisiatif itu hingga mencetuskan beberapa projek infrastruktur seperti Laluan Rel Pantai Timur, pembesaran pelabuhan serta pembinaan bandar moden.*

Translation: Prime Minister Datuk Seri Najib Razak participated in the roundtable meeting of the Belt and Road Forum for International

Cooperation yesterday. The roundtable discussions included leaders from 28 countries involved in the Belt and Road Initiative, which aims to provide mega infrastructure for international trade. Malaysia remains committed to this initiative, leading to several infrastructure projects such as the East Coast Rail Link, port expansions and the development of modern cities.

Harian Metro (16 May 2017)

(Paragraph 20) *China bersedia memperkukuh kesalinghubungan perdagangan dua hala dengan Malaysia serta membolehkan kemasukan lebih banyak produk-produk negara ini untuk bersaing dalam pasarannya.....Duta China ke Malaysia, Bai Tian berkata, antara bidang yang boleh dibincangkan secara mendalam termasuk kewangan dan pertanian yang bernilai tinggi. “Kita juga boleh meninjau penyertaan dalam industri dan perniagaan baharu seperti e-dagang, kecerdasan buatan (AI) dan membangunkan pusat pertumbuhan baharu bagi kerjasama Malaysia-China.*

Translation: China is ready to strengthen bilateral trade connectivity with Malaysia and facilitate the entry of more Malaysian products to compete in its market. The Chinese Ambassador to Malaysia, Bai Tian, stated that areas for in-depth discussions could include high-value sectors like finance and agriculture. “We can also explore participation in new industries and businesses such as e-commerce, artificial intelligence (AI), and develop new growth centers for Malaysia-China cooperation.

Utusan Malaysia (29 July 2019)

(Paragraph 21) *Malaysia bersetuju meningkatkan pelbagai kerjasama dengan China mencakupi pelbagai aspek termasuk pelaburan, pendidikan dan sebagainya.....Perdana Menteri, Datuk Seri Anwar Ibrahim berkata, ini susulan kunjungan hormat selama sejam oleh Pengerusi Jawatankuasa Tetap Kongres Rakyat Kebangsaan (NPC) China ke-14, Zhao Leji ke Malaysia, semalam yang disertai beberapa menteri Kabinet.*

Translation: Malaysia has agreed to enhance various collaborations with China, covering multiple aspects such as investment, education, and more. Prime Minister Datuk Seri Anwar Ibrahim stated that this agreement follows a courtesy visit of one hour by Zhao Leji, the Chairman of the Standing Committee of the 14th National People’s Congress (NPC) of China, to Malaysia yesterday, which was attended by several Cabinet ministers.

Utusan Malaysia (21 May 2023)

(Paragraph 22) *Kerajaan China terus memberikan keutamaan untuk meningkatkan kerjasama dua hala dengan Malaysia terutama bagi menangani cabaran semasa yang dihadapi kedua-dua negara hari ini seperti inflasi global dan keselamatan makanan.*

Translation: The Chinese government continues to prioritise strengthening bilateral cooperation with Malaysia, particularly in addressing current challenges faced by both countries, such as global inflation and food security.

Harian Metro (12 July 2022)

The Impact of RCEP on Employment in China: A Social Accounting Matrix Approach

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Abstract

The Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement that will create the world's largest trading bloc and marks a major milestone for China in international trade. This study examines the impact of RCEP on job creation across sectors in China, with a focus on skill and gender disparities. We employ a Social Accounting Matrix for China with 153 sectors and the latest employment satellite accounts to simulate RCEP as an exogenous shock and calculate employment multipliers. The results indicate that RCEP could create approximately 4,618,390 jobs in China, comprising about 1,915,496 jobs generated through import expansion and 2,702,894 through export growth. The largest potential employment gain is in the agricultural products sector. Male employment gains are about 2,801,178 jobs, compared to 1,817,212 jobs for females. Similarly, about 1,970,186 new jobs are expected for skilled labour and 2,648,204 for unskilled labour. These findings contribute to understanding the potential consequences of RCEP for China's economy and labour market, and they offer insights for policymakers regarding sectoral opportunities and challenges.

Keywords: *Regional Comprehensive Economic Partnership, Employment, Gender, Social Accounting Matrix.*

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1. Introduction

The Regional Comprehensive Economic Partnership (RCEP) was initiated by the ten member states of the Association of Southeast Asian Nations (ASEAN) in 2012 with the goal of establishing a comprehensive, unified trade regime. After eight years of negotiations, RCEP was formally signed on 15 November 2020 by the ten ASEAN countries and five other Asia-Pacific countries (China, Japan, South Korea, Australia, and New Zealand). The agreement required ratification by at least six ASEAN countries and three non-ASEAN countries to enter into force. This threshold was met on 2 November 2021, and RCEP officially came into effect on 1 January 2022 for the initial ratifying countries. This landmark agreement – representing the world’s largest free trade area – is expected to deepen economic integration, reduce trade barriers, and create new opportunities for businesses across the Asia-Pacific region.

From 2000 to 2020, RCEP’s 15 member countries experienced remarkable economic growth: their combined GDP expanded from US\$7.84 trillion to US\$25.96 trillion, an average annual growth rate of 6.51 per cent, outpacing the global average of 4.95 per cent (Wu et al., 2024). RCEP members also attracted 37 per cent of global FDI inflows in 2020, far ahead of other trading blocs. The working-age population (15–64) of RCEP countries accounts for 31.6 per cent of the global total, significantly larger than that of the European Union (6.7 per cent) or North America (13.2 per cent). By the end of 2021, the 15 RCEP countries had a combined population of roughly 2.33 billion and a total GDP of nearly US\$26 trillion, with intra-regional trade of about US\$10.4 trillion – each approximately 30 per cent of the global totals. These figures underscore RCEP’s enormous economic scale and potential as a driver of regional and global growth. For a detailed breakdown of key economic indicators by country, see Table 1.

Table 1: Economic Indicators of RCEP Member Countries

	GDP (2021, word bank, current \$)	Population (2021, UN data, millions)	GDP per capita (2021, word bank, current \$)	Working-age population (2021, ILO, thousands)
China	17,734,062,645,371.40	1,444.22	12,556.33	950,436
Japan	4,937,421,880,461.55	126.05	39,285.16	74,090
Korea, Rep.	1,798,533,915,091.14	51.31	34,757.72	36,168
Australia	1,542,659,899,992.54	25.79	59,934.12	16,578
Indonesia	1,186,092,991,320.04	276.36	4,291.81	187,054
Thailand	505,981,655,622.31	69.95	7,233.38	48,249
Singapore	396,986,899,888.35	5.90	72,794.00	2,775
Philippines	394,086,419,343.06	111.05	3,548.82	68,916
Malaysia	372,701,358,820.26	32.78	11,371.09	22,893
Vietnam	362,637,524,070.97	98.17	3,694.01	65,694
New Zealand	249,991,512,236.53	4.86	48,801.68	3,315
Myanmar	65,067,808,984.68	54.81	1,187.23	34,178
Cambodia	26,961,061,119.80	16.95	1,590.95	10,902
Lao PDR	18,827,148,530.02	7.38	2,551.32	4,724
Brunei Darussalam	14,006,569,575.68	0.44	31,722.66	331

China, as the largest economy and most populous country in RCEP, is poised to be particularly impacted by RCEP’s implementation. On one hand, China’s active trade policies have historically contributed substantially to employment: for example, over the past decade, foreign trade (one of the “three driving forces” of the economy) directly or indirectly supported approximately 180 million jobs in China (Triggs & Urata, 2020). China became the world’s largest trading nation in goods in 2013 and the largest in combined goods and services trade by 2020 (Shaffer & Gao, 2020). China’s total trade in goods rose by 30 per cent in 2021, exceeding US\$6 trillion for the first time, and trade in goods and services contributed 20.9 per cent to China’s GDP growth that year. This aligns with the view of the World Trade Organization (2017) that trade can drive employment growth. Furthermore, China has actively expanded trade with emerging markets in Asia, Latin America, and Africa in recent years.

On the other hand, despite being a manufacturing powerhouse, China’s employment structure still skews toward unskilled labour, and women remain a vulnerable group in the labour market (Wang & Klugman, 2020).

A significant share of China's workforce is in lower-skilled jobs, and many industries remain at the lower end of global value chains (Xia *et al.*, 2023). The Chinese government has thus emphasised leveraging trade agreements like RCEP to upgrade the industrial labour structure and move the economy up the value chain. At the same time, the impact of trade on employment has been a longstanding interest of economists. Numerous approaches have been used to study trade-employment linkages, including factor content analysis, partial equilibrium models, SAM/input-output analysis, linear programming, CGE models (static and dynamic), and structuralist models with household data. For example, trade's impact on UK employment has been examined using a dynamic labour demand framework, and related evidence shows that trade can shift labour demand structures in developing countries (Greenaway *et al.*, 1999; Timmer *et al.*, 2015). More recent empirical findings suggest that trade openness is positively associated with overall employment, particularly for women (Akhtar *et al.*, 2023).

In this context, the present study aims to assess the potential impact of RCEP on employment in China, with particular attention to how job creation may vary across sectors and across different labour groups (by skill level and by gender). We seek to quantify the number of jobs that could be created (or lost) in various sectors as a result of RCEP's implementation, and to identify which industries and workforce segments stand to gain the most. By doing so, we intend to shed light on whether RCEP will help promote an upgrading of China's labour structure (e.g. towards higher-skilled jobs), and to inform policymakers about potential employment opportunities and challenges arising from this major trade agreement. Unlike many existing studies that use computable general equilibrium (CGE) models to evaluate trade agreements, our study adopts a Social Accounting Matrix (SAM) multiplier approach. This approach provides a relatively transparent and disaggregated analysis of short-run multiplier effects, capturing the inter-sectoral linkages and distributional outcomes (gender, skill) in a static framework. While the SAM-based method offers a snapshot of potential impacts (complementing dynamic CGE projections), it allows us to leverage detailed recent data and to focus on the internal economic structure of China. In the following sections, we describe the construction of the SAM and employment satellite accounts for China, explain how the RCEP shock is introduced into the model, and then present and discuss the simulation results.

2. Methodology

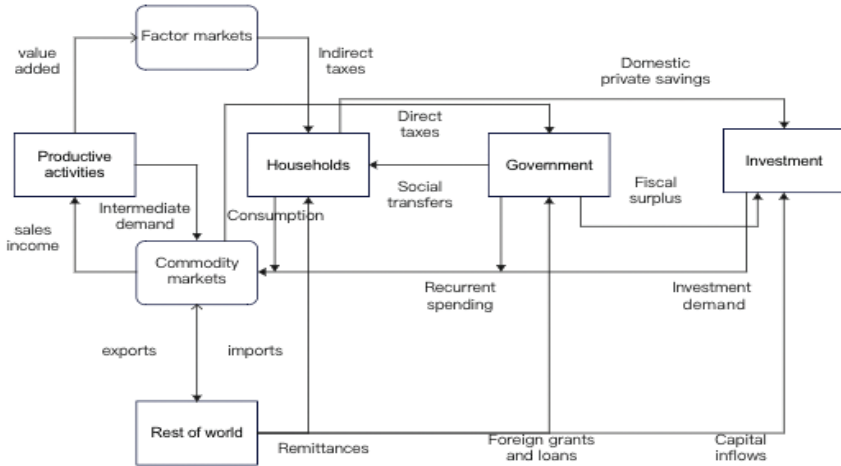
2.1 Social Accounting Matrix

A Social Accounting Matrix (SAM) is an economy-wide data framework presented in matrix form that captures all transactions between different agents in an economy, following double-entry accounting principles (El Meligi *et al.*, 2023). It integrates the input–output structure of production with national income accounts, providing a holistic view of the economic cycle where production generates income, income generates demand, and demand feeds back into production. The SAM offers a comprehensive snapshot of a country or region’s economic and social structure in a given year, recording transactions among producers, consumers (households), government, factors of production (labour, capital), and the rest of the world. All flows in the SAM are expressed in monetary terms, representing payments between accounts and thereby illuminating linkages between industries (through intermediate inputs), factors (e.g. wages to labour, returns to capital), and institutions (e.g. household consumption, government expenditure).

In this study, we constructed and utilised the latest SAM for China, disaggregated into 153 sectors. The SAM was compiled using China’s official input-output tables, national accounts, and balance of payments statistics, supplemented by government finance and household income/expenditure data to ensure consistency across the accounts. We followed standard SAM construction guidelines to reconcile data from multiple sources. The resulting SAM represents a square matrix where each row and column corresponds to an account (sectors, factors, households, etc.), and each cell entry represents a payment from the column account to the row account. For example, the entry in the “Labour” row and “Manufacturing sector” column would represent the wages paid by the manufacturing sector to labour. By design, each account’s total revenue (row sum) equals its total expenditure (column sum), reflecting the circular flow of income in the economy.

Figure 1 presents a simplified circular flow diagram of the economy, illustrating how the SAM captures interconnections between production, income, and expenditure. The SAM framework enables us to trace how an exogenous shock in one part of the economy (such as a change in exports or government spending) can ripple through to affect outputs, incomes, and ultimately employment in all sectors via multiplier effects.

Figure 1: Circular Flow Diagram of the Economy



Also, addressing issues related to employment, the world’s first SAM was developed in 1960 by the Cambridge Growth Project team led by Richard Stone and Alan Brown. That SAM provided the data foundation for the Cambridge Growth Model, which addressed economic growth and employment in the UK industrial structure. Subsequently, Pyatt and associates at the World Bank produced a SAM for Sri Lanka in 1973 (Pyatt *et al.*, 1977), formalising SAM methods for policy analysis. In the decades since, numerous scholars have refined SAM methodologies and applied SAM-based models to diverse contexts. Applications range from assessing tourism’s impact on GDP and jobs to evaluating the macroeconomic shock of COVID-19, as well as constructing national/regional SAMs for countries such as South Africa (van Seventer *et al.*, 2016), India (Pradhan *et al.*, 2014), Chile (Gallardo & Mardones, 2013), Pakistan (Debowicz *et al.*, 2012), Canada (Siddiqi & Salem, 2012), and Kenya (Mainar-Causapé *et al.*, 2018). These studies demonstrate the versatility of SAM in analysing local economic structure, employment, and even environmental issues.

$$y = A \cdot y + x = (I - A)^{-1} \cdot x = M_a \cdot x$$

In the above equation, y is the vector of endogenous accounts, A is the matrix of the average propensity to spend on endogenous accounts (also known as the technical matrix), x is the vector of exogenous shocks and I is the identity matrix. The identity matrix is a square matrix (with the

same number of rows and columns) with 1 in all its diagonal cells and 0 elsewhere. $(I - A)^{-1}$ or M_a represents the SAM multiplier matrix, also known as the Leontief inverse matrix.

To calculate the impact of an exogenous shock on employment in an economy, an employment multiplier needs to be calculated. The employment multiplier can indicate the amount of employment created or destroyed in an economy. Output data from SAM and employment statistics are used to calculate the employment-output ratio for each sector. This ratio shows the number of workers required to produce one unit of sectoral output in a given year. That is, how much labour is used per unit of output. It is obtained by dividing the number of workers in each sector by the value of output in each sector (activity).

To further calculate the impact of exogenous shocks on employment in an economy, we transform the output multiplier M_a of employment into an employment multiplier Wmp by applying the employment-output ratio e .

$$Emp = M_a \cdot e$$

Each row of elements in the employment multiplier matrix (Emp) reflects the employment effect of a one-unit increase in final demand for the output of the sector in which that element is located. The effect of a given exogenous shock on employment can be calculated by multiplying the employment multiplier matrix (Emp) with a vector representing shocks to final demand (δ) in different sectors of the economy.

$$Employment\ effect = Emp \cdot \delta$$

2.2 Policy Simulation: Introducing RCEP as an Exogenous Shock

The challenge is to incorporate the RCEP trade agreement into the SAM framework as an exogenous shock. We draw upon projections from a Global Dynamic CGE (GDYN) model reported in the “RCEP Regional Economic Impact Assessment Report” (issued 30 December 2021) to calibrate our shocks. According to that report, by 2035 RCEP is expected to increase China’s exports by 7.59 per cent and imports by 10.55 per cent cumulatively over the baseline, equivalent to additional trade volumes of roughly US\$315.4 billion in exports and US\$306.8 billion in imports. RCEP’s implementation will lower tariffs and other barriers, particularly boosting trade in key industries such as agriculture, light manufacturing, textiles,

automotive, machinery, electronics, and petrochemicals. These changes are anticipated to stimulate significant industrial output and employment growth along regional value chains, although heightened competition may also pressure certain sectors (e.g. petrochemicals, machinery, light industry).

In our SAM model, RCEP enters as a shock to final demand for both exports and imports. We treat the increase in exports as a positive exogenous injection into the export demand of various sectors, and the increase in imports as an exogenous increase in import supply (which effectively frees up domestic resources). Technically, in the SAM framework we implement the shock as an injection into the “Rest of World” account vis-à-vis the commodity accounts: an increase in payments from the rest of the world for Chinese export commodities, and an increase in payments from Chinese commodity accounts to the rest of the world for imports. The distribution of these trade shocks across sectors is informed by the aforementioned GDYN results and qualitative information about which industries RCEP will affect most. Specifically, we allocate the export increase primarily to sectors highlighted as gaining export opportunities (e.g. agriculture, textiles, electronics, etc.), and allocate the import increase to sectors expected to see higher import competition or imported inputs (e.g. agriculture, chemicals, machinery, etc.). This approach ensures that the magnitude of the shock in aggregate matches the CGE-projected trade boost, while its sectoral pattern reflects RCEP’s anticipated trade liberalisation effects.

It should be noted that the SAM multiplier approach provides a comparative-static analysis. We assume that the economy has slack or underemployment such that new demand translates into additional jobs (rather than solely wage increases), and we hold prices constant (fixed-price multipliers). Unlike a full CGE model, the SAM does not incorporate behavioural responses like substitution or capacity constraints; instead, it offers a first-order estimate of the employment impact given the current structure of the economy. This method complements CGE simulations by highlighting inter-industry linkage effects and distributional outcomes (by factor and by household group) in a straightforward manner. However, it also shares the typical limitations of multiplier analysis, assuming linear relationships and no changes in technology or returns to scale. We address these limitations later by discussing the uncertainties and assumptions underlying our results.

2.3 Employment Satellite Account

The employment satellite account is constructed because the conventional social accounting matrix presents labour in monetary terms, but for labour market policy-oriented models, we need to use the employment satellite account to calculate the employment multiplier. The employment multiplier indicates the impact of external shocks on the economy in terms of employment, i.e., the number of jobs created or destroyed.

The employment satellite account is conceptualised as a matrix containing employment data, i.e., the number of people employed in each sector. In this paper, the employment satellite account for China is based on data from the seventh population census of China in 2022. This is supplemented by the China Labour Statistics Yearbook 2012-2021 and the China Population and Employment Yearbook 2012-2021. We then classify occupations into skilled and unskilled labour force according to the 2021 PRC Classification of Occupations. The calculated employment ratios were further differentiated by gender (male or female) and skill level (skilled or unskilled). We found that out of the 656.31 million employed Chinese, and there are 121.29 million more males than females, which is in line with the fact that males in China only outnumber females by 3.35 million. Females make up 43 per cent of the skilled workforce and are concentrated in services such as education, health, social work and retail.

2.4 Job Creation Multiplier

The purpose of calculating the job creation multiplier is to simulate the effect of the level of injection (x) of exogenous shocks on the employment multiplier. As mentioned above, the RCEP will have a knock-on effect on China's imports and exports, which is reflected in the SAM as payments between the "rest of the world" account and the "commodity" account. The "commodity" account pays the value of imports to the "rest of the world" account and, in turn, the value of exports. The job creation multiplier J is obtained by combining the employment effects matrix E with the increase matrix, which is derived by injection into selected sectors of the cross-section of the "rest of the world" and "commodity" accounts.

$$J = x * E$$

3. Results

3.1 *The Structure of China's Economy from the SAM*

Before examining the RCEP shock, it is useful to consider the baseline economic structure as captured by the 2020 SAM and employment data. The SAM enables us to infer China's GDP, the composition of output, and the linkages between sectors. For instance, the total intermediate consumption (business-to-business inputs) in 2020 was RMB 1,682,605 million, representing the payments from activity accounts to commodity accounts for inputs into production. Gross value added (GDP at factor cost) — the payments from activities to factors of production — was RMB 5,295.65 million for labour and RMB 397.27 million for capital in the aggregated SAM accounts, summing to a GDP (factor cost) of RMB 5,692.92 million (these figures are in a simplified unit for illustration; the full SAM is balanced so that activity outputs equal the sum of intermediate inputs plus value added). Foreign trade in the SAM is represented by imports (commodity payments to the “Rest of World” account) and exports (receipts from the “Rest of World” account to commodity outputs). In 2020, China's imports were valued at RMB 147,988 million and exports at RMB 187,926 million, indicating a trade surplus of about RMB 39,938 million in that year. Overall, the SAM provides a consistent accounting of these flows, which we will perturb with the RCEP shock.

China's employment profile in 2020 shows that males are more dominant in employment than females, reflecting both demographic and sectoral patterns. Out of approximately 656.31 million people employed, about 388 million were male and 268 million were female, meaning 120 million more males than females in employment. Interestingly, this gap is much larger than the sex imbalance in total population (males outnumbered females by only ~3.35 million in the population), implying that female labour force participation was significantly lower than male. In terms of skill, we find roughly 291.4 million workers (44 per cent) were in skilled occupations and 364.9 million (56 per cent) in unskilled occupations in 2020. Women constituted about 43 per cent of the skilled workforce, with many employed in services such as education, health, social work, and retail, whereas men held about 57 per cent of skilled jobs, often concentrated in manufacturing and technical fields. Thus, on the eve of RCEP implementation, China's labour market was characterised by a large

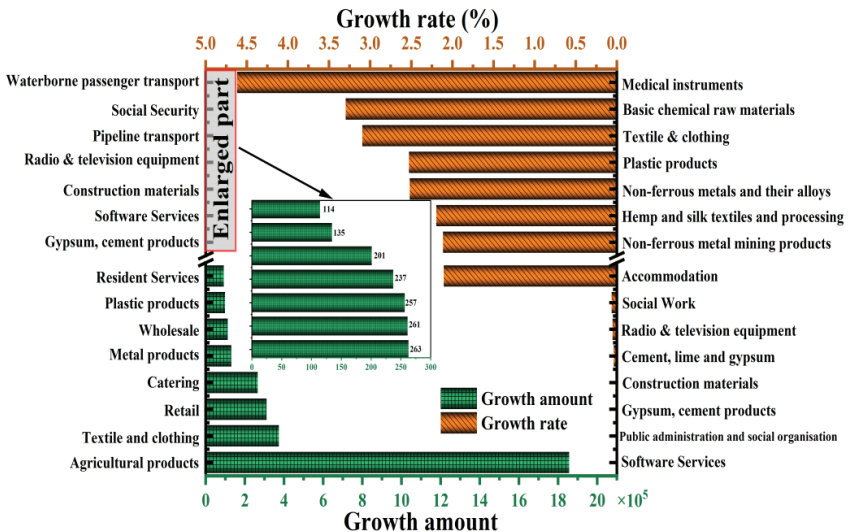
overall workforce with gender disparities in participation and an employment structure leaning slightly toward unskilled jobs.

3.2 Jobs Linked to Export Growth Versus Import Growth

The RCEP is expected to create 4,618,390 jobs in China through import and export trade. As shown in Figure 2, the largest potential employment opportunities are concentrated in the agricultural products sector, with 1,856,723 jobs. Next in order are textiles and clothing, retail, catering, metal products, wholesale, and plastic products, with potential job creation of 374,134; 310,575; 265,363; 130,615; 112,592 and 988,886 respectively.

In terms of growth rates, employment in the medical instrumentation sector had the highest growth rate, at 4.62 per cent. The next higher growth rates were in basic chemical raw materials, textiles and clothing, plastic products, non-ferrous metals and their alloys, hemp and silk textiles and processing, with growth rates of 3.30 per cent, 3.10 per cent, 2.53 per cent, 2.52 per cent and 2.20 per cent respectively.

Figure 2: The Growth Amount and Rate of Potential Sectoral Job Creation by the RCEP



3.3 Sectoral Distribution of Job Creation

The RCEP is expected to create 1,915,496 and 2,702,894 jobs in China through imports and exports respectively. In terms of imports, as shown in Figure 3, the sectors of agricultural products, textiles and clothing, retail, metal products, catering and plastic products have the highest potential job creation, with 532,701; 302,357; 149,365; 102,109; 67,816 and 65,624 respectively. As shown in Figure 4, textile and clothing, medical instrumentation, linen and silk textiles, plastic products, wool textiles, cotton and chemical fibre textiles, these sectors recorded the highest growth rates of 2.50 per cent, 1.99 per cent, 1.75 per cent, 1.68 per cent, 1.61 per cent and 1.25 per cent respectively.

Exports and imports have similarities in the sectors of potential job creation under the RCEP. Agricultural products, catering, retail, textiles and clothing, accommodation and wholesale, which are the sectors with the highest potential job growth due to the RCEP, are 132,421; 197,547; 161,209; 71,777; 6,538 and 56,356 respectively. Medical instrumentation, basic chemical raw materials, non-ferrous metals and their alloys, accommodation, non-ferrous mining products, and forestry products are the sectors with the highest rates of potential job creation due to RCEP, at 2.63 per cent, 2.07 per cent, 2.02 per cent, 1.82 per cent, 1.61 per cent, and 1.46 per cent respectively.

Figure 3: The Amount of Potential Job Creation in the Export and Import Sectors by RCEP

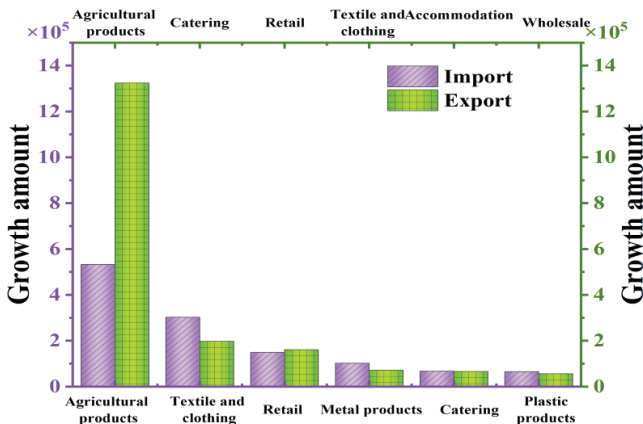
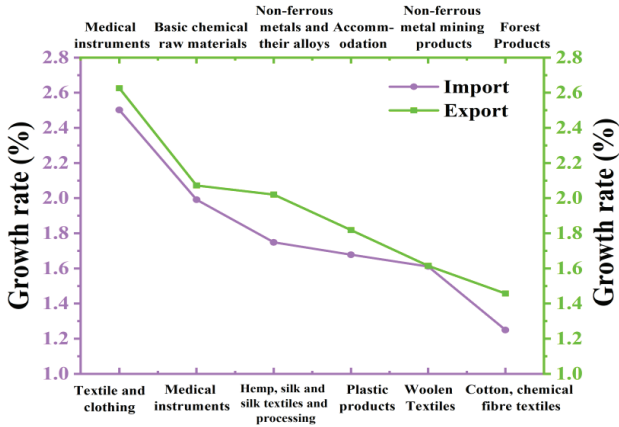


Figure 4: The Rate of Potential Job Creation in the Export and Import Sectors by the RCEP

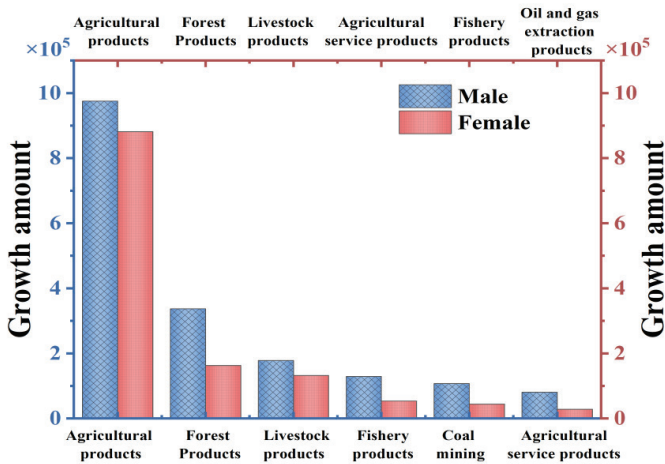


3.4 Gender Differences in Job Creation

Gender differences are still present and evident in the amount of potential job creation in the RCEP. The RCEP is expected to create 2,801,178 jobs for male in China. As shown in Figure 5, agricultural products, catering, retail, textiles and clothing, wholesale and accommodation, these sectors had the most potential job creation for male with 975,341; 33,728; 178,349; 129,378; 107,345 and 80,759 respectively.

The RCEP is expected to create 1,817,212 jobs for female in China. Although there are differences in numbers, the sectors affected are similar. Agricultural products, catering, retail, accommodation, textiles and clothing, and residential services are the sectors with the highest number of female jobs in terms of potential creation in the RCEP, with 881,382; 162,876; 132,226; 53,595; 44,508 and 28,413 respectively.

Figure 5: The Amount of Potential Sectoral Job Creation for Male and Female by the RCEP

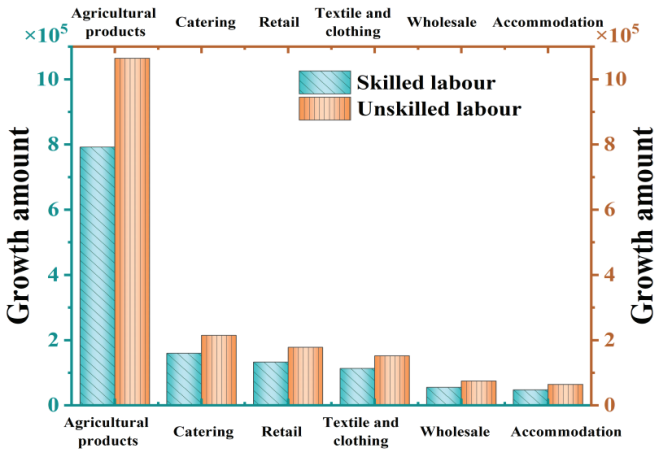


3.5 Skill Composition of Job Creation

The RCEP is expected to create 1,970,186 sectoral jobs for the skilled labour and 2,648,204 for the unskilled labour. The skills differential is most pronounced in the agricultural products sector, where there are an estimated 272,582 more unskilled labour jobs than skilled labour jobs.

In the vast majority of sectors, there are more males than females in skilled labour job creation. In the vast majority of sectors, there are more males than females in skilled labour job creation. However, as shown in Figure 6, female outnumber male in skilled job creation in the food sector (convenience foods, dairy products, spices and fermented products), the textile sector (cotton, chemical fibre textiles, woollen textiles, linen, silk textiles, knitting, manufactured textiles, textile clothing, leather, fur, feather and feather products and shoes) and the education sector (arts and crafts, education, sports and recreational goods).

Figure 6: The Amount of Potential Sectoral Job Creation for Skilled and Unskilled Labour by the RCEP



4. Conclusion and Discussion

This study has examined the potential impact of the Regional Comprehensive Economic Partnership (RCEP) on China’s economy in terms of job creation, with a focus on how these jobs are distributed across sectors, skill levels, and gender. Using a Social Accounting Matrix approach, we simulated the exogenous trade shock of RCEP and found that the agreement could lead to significant employment gains in China. Summarising the key findings: RCEP is expected to create a total of approximately 4,618,390 jobs in China. Of these, about 1,915,496 jobs are attributed to increased imports and 2,702,894 jobs to increased exports, highlighting that both import expansion and export expansion contribute to employment growth under RCEP.

The sectoral analysis revealed that the largest potential employment opportunities are concentrated in the agricultural products sector (around 1.86 million new jobs), making it the single biggest winner in absolute terms. Other major sectors benefiting include textiles and clothing, retail trade, catering (food services), metal products, wholesale trade, and plastic products, each with hundreds of thousands of jobs created. These sectors represent a mix of agriculture, light manufacturing, and services, indicating a broad-based impact of RCEP across the economy but skewed

toward labour-intensive and domestic demand-oriented sectors. In terms of sectoral growth rates, some smaller industries (e.g. medical instruments, certain textiles and materials) could experience the most rapid percentage increases in employment, suggesting opportunities for industry upgrading and diversification.

The study also analysed RCEP's impact on skill and gender disparities in employment. We found that RCEP is likely to create about 1,970,186 jobs for skilled labour and 2,648,204 jobs for unskilled labour in China. This implies that unskilled workers see a slightly larger boost, though skilled workers also gain substantially – a pattern consistent with China's current workforce composition. Moreover, the RCEP is expected to create roughly 2,801,178 (60.7 per cent) jobs for male workers and 1,817,212 (39.3 per cent) jobs for female workers, broadly mirroring the existing gender distribution in employment. While RCEP alone may not narrow gender gaps, it does generate significant employment for women, especially in sectors like services and light manufacturing where women have higher representation. Encouragingly, we identified a few sectors (e.g. education, certain processed foods and textiles) where female skilled employment could grow even more than male, showing that trade liberalisation can sometimes create niches of female comparative advantage.

The findings of this study carry several policy implications. Policymakers in China can use these results to prioritise investment and support for sectors with the highest job-creation potential. For instance, the agricultural sector – being the top job gainer – could be a focus for enhancing productivity and ensuring that the rural workforce is equipped to take on new opportunities (through training and mechanisation support). Similarly, the strong showing of retail and catering jobs suggests a need to manage the expansion of the service sector (perhaps through urban planning, training programs for service workers, and digital platforms to boost service productivity). The significant number of jobs in textiles and clothing, despite China's move towards high-tech industries, indicates that traditional manufacturing will still play an important role in employment under RCEP; thus, smooth transition policies and modernization of these industries remain relevant.

For the business community, our results highlight where increased demand may materialise. Export-oriented companies in manufacturing might anticipate growth and consider scaling up capacity. Import-facing

sectors, like distributors and retailers of foreign goods, should also prepare for expansion. On the workforce side, the government and enterprises may consider measures to ensure the supply of skilled labour in the growing sectors. While RCEP tends to create jobs in proportion to current skill levels, leveraging the agreement for climbing the value chain would require complementary investments in education and vocational training so that more of the workforce can move into higher-skilled positions over time.

It is important to stress that the impact of RCEP on China's economy is subject to various uncertainties and assumptions. Our analysis assumes a smooth implementation of RCEP and *ceteris paribus* conditions. In reality, outcomes could differ if, for example, technological changes dramatically improve productivity (reducing the number of jobs per output) or if other economic shocks intervene. Furthermore, the extent to which the projected jobs actually materialise will depend on supportive policies (trade facilitation, labour market policies) and the responses of businesses and workers. If Chinese firms respond to RCEP by upgrading technology instead of hiring more workers, the employment gains could be less than estimated, although productivity and wage gains might be higher. Conversely, if there are underutilised resources, the multiplier effects could be larger.

In conclusion, despite these caveats, this study provides a valuable contribution to understanding the potential impact of RCEP on China's economy and labour market. By using a SAM approach, we shed light on the interconnectedness of sectors and the distributional aspects (skill, gender) of trade-induced growth. The results underscore that large-scale trade agreements like RCEP can have far-reaching but nuanced effects on employment – creating opportunities across a range of industries while largely reinforcing existing labour force patterns. Policymakers would do well to harness the positive impacts by facilitating transitions for workers and supporting booming sectors, while also addressing any areas of concern (such as ensuring female workers have equal access to new jobs and that the workforce is prepared for higher-skilled roles in the future). As RCEP is implemented, ongoing research and empirical monitoring will be important to verify these projections and to adjust policies accordingly. Future studies might also explore regional variations within China – as certain provinces could benefit more than others – and examine the quality of jobs created (wages, working conditions) to fully capture RCEP's implications for inclusive development.

Disclosure statement: The authors report there are no competing interests to declare.

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Navigating Censorship: Latest Trends in Chinese Rock and Roll

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Abstract

The rapid development of Chinese rock and roll, or *yaogun*, signaled the country's transition from the ideological remnants of Mao's era to a relatively autonomous environment in the Reform period. Yet, in the early twenty-first century, the Chinese rock music scene has witnessed an era of internalised censorship. This article examines the intersection between censorship and resistance in the sphere of Chinese rock and roll. The analytical focus is on *yaogun* as an evolving genre in the face of state censorship and commercial pressures. By combing through Chinese social media posts, internet forums, interviews, song lyrics and other rock-related publications, this study highlights the scattered efforts by contemporary rock musicians to combat censorship and engage in self-expression and social criticism.

Keywords: *China, Censorship, Rock and roll, Social media, Yaogun.*

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1. Introduction

1.1 Research Background

In the 1980s, Cui Jian (崔健), the godfather of Chinese rock and roll, brought rock music onto China's cultural stage, and a community surrounding *yaogun* (摇滚) began to take shape. The term *yaogun* literally means shaking (*yao* 摇) and rolling (*gun* 滚), refers to the rock music that became immensely popular in Hong Kong, Taiwan and the Mainland during the early 1980s. Soon afterwards, street vendors sold the first batch of *dakou* (打口 cut-out) cassette tapes, giving youths a unique window into the stigmatised West in the same way as Beijing dancers learned about the "king of pop," Michael Jackson (1958-2009) and other hip-hop styles (Wilcox, 2022). Aside from *dakou* tapes, people from that era had no other way to listen to foreign music (Chuizi, 2015: 9). These tapes opened a cultural landscape beyond the socialist state's purview, and the development of Chinese rock and roll coincided with the country's gradual transition from the ideological remnants of Mao's era to a relatively autonomous environment in the Reform period. This article dissects the intricate interplay between censorship, commercialisation and artistic resistance in the sphere of Chinese rock and roll. By viewing *yaogun* as a separate genre from Western rock, this study highlights musicians' adaptation of the formal features of imported rock music into China's cultural domain. To make *yaogun* more appealing, musicians strove to uphold the rebellious, unconventional and primal nature of rock music (de Kloet, 2005: 236).

Conceptually, *yaogun* has been recognised for its challenge against officially approved popular music (*tongsu yinyue*) and the entertainment songs from Hong Kong and Taiwan (*gangtai yinyue*) (Huang, 2001: 186). The 1980s and 1990s witnessed the widespread circulation of *dakou* tapes of rock music on the black market, and the collaboration of rock musicians with record companies in Hong Kong, Taiwan and the West. In today's digital age, certain rock songs officially deemed as controversial have been censored, but listeners can access the banned music using Virtual Private Networks (VPNs). Thus, the rebellious spirit of *yaogun* is embedded in its alternative access and circulation for listeners.

Beginning with a methodological discussion of the scholarly literature on censorship and resistance in Chinese rock music, this article examines the scattered efforts by rockers to pursue new modes of self-expression,

and to shield themselves and their audiences from the onslaught of socialist propaganda since 2000. It shows that Chinese rock musicians have not only blended foreign musical styles with indigenous cultural elements, but also circumvented the intensifying censorship measures, nationalistic sentiment and cut-throat market practices.

2. Reflections on Scholarly Literature and Methodological Problems

Much has been written about the dynamic scene of Chinese rock music since the 1980s, examining the multiple forms of musical aesthetics, expressions and practices, including “underground,” “independent,” “do-it-yourself (DIY),” “experimental” and “avant-garde” (Charrieras & Mouillot, 2021: 2). Researchers have contextualised the emergence of this genre from historical, socio-political and gender perspectives, and the overall emphasis is on the diversity of *yaogun* genres in China. The popularisation of *yaogun* is closely tied to the appropriation and collision of Western rock genres that arose within specific temporal and spatial settings (de Kloet, 2010). As with rock music scenes elsewhere, *yaogun* is characterised by “a fever for aesthetic and technological experimentation, politically often by a contestation and a resistance to pre-established official structures and ideologies within music industries, and operationally, by a quest for multimodal survival” in the public and private, online and in-person venues (Charrieras & Mouillot, 2021: 2). While *gangtai* and *tongsu* music dominated popular culture by adhering to the conventional cultural norms and operating under institutional support, *yaogun* grew as an underground subculture. The *yaogun* community remained unregulated in the 1980s-1990s, and was allowed to “not heed the demands of the propaganda chief (write a song that represents the youth) or submit their work to a censor before recording” (Jones, 1992: 100). The state’s tolerance was, and still is, key to the growth of unique rock styles.

Since the early twenty-first century, Chinese rock musicians and festival organisers have had to deal with the problems of censorship and commercialisation. The constraints which did not affect *yaogun* during its formative years have resurfaced, and the autonomous space created by musicians is taken over by the state through marketisation. Studying audience reactions at live urban music concerts, Nathanel Amar discusses a new trend of “improvisatory and participatory practices” between musicians and listeners. Such spontaneous reactions nurture “alternative spaces of cultural and political expression,” frustrating local police officers assigned

to monitor the live performances (Amar, 2021: 190). In view of this trend, the censors have imposed more restrictions on physical and virtual concerts, prompting punks to seek their own performance venues (Amar, 2021: 192). The following analysis builds on the current scholarship to investigate how Chinese rock musicians are navigating evolving censorship measures. It seeks to provide an empirically grounded analysis of the range of rock music expressions and practices often discussed in the existing literature.

Methodologically, data access is the first challenge to overcome. To document instances of censorship in the *yaogun* community, Moren Mao initially planned to interview Chinese nationals and Chinese Americans to gain an insider's perspective. This proved immensely difficult for many reasons, with technological factors being the primary obstacle, as almost all Chinese social media sites require users to complete real-name verification before granting full online access. Users are required to upload a photo of their identification document and a photo of themselves holding that document. The purpose is to allow the censors and public security authorities to track each user's online footprints. Mao frequented two popular social media sites, Bilibili (哔哩哔哩), the Chinese equivalent of YouTube, and Douban (豆瓣), the Chinese equivalent of IMDb and Rate Your Music, but towards the end of the research, Mao was denied access to both websites from the United States unless she underwent the real-name verification process. It was too great a risk to disclose personal information to these online companies. Mao then used a verified Chinese friend's account, but she had to be mindful of the critical information that she searched on the websites. The difficulty of accessing Chinese online data from abroad exemplifies the severity of the internet censorship regime aimed at enforcing "the boundary within which any cyber activities can be restricted by norms and rules prescribed by the Chinese government" (Liu, 2012: 93). The Chinese state is determined to tame the internet by blocking (*fengsha* 封杀) controversial songs and performers. Apart from implementing a strict surveillance policy, the government has employed softer tactics to harmonise (*hexie* 和谐/河蟹) online opinions. The censors compile and circulate a list of words and idioms deemed to be problematic, instructing private online service providers to remove them from videos and forums. The only way to bypass such restrictions is to use substitute words and shorthand symbols. In 2022 alone, there was an alleged list of 35,467 censored terms related to China's top leader Xi Jinping (习近平), including English phrases, pinyin

initials, character substitutions and emoticons.¹ This reveals the state's fear of the internet frontier, as it blames social media platforms for sharing uncensored information and causing turbulence.

As bad as online surveillance is, so too is self-censorship. Moren Mao reached out to a Chinese rock musician performing in New York City's Flushing. Mao chatted with him over the phone regarding the rock bands they both liked. When Mao mentioned the politically sensitive nature of *yaogun* culture, he became irritated. Mao sensed the hostility and ended the interview. Other interviewees shied away from critical topics related to rock and roll. Much of their defensiveness stemmed from profound anxiety about state surveillance in the diaspora. Attitudinal constraint is more damaging than ideological compliance or mere censorship. Constant surveillance prompts informants to internalise the sense of being watched, driving them to police their own speech. They cling to debilitating norms and defensive practices that breed deep suspicion towards outsiders. When they do voice dissent, they rely on unconventional slang and esoteric references. Trapped by compliance with China's pervasive censorship apparatus, these individuals fail to realise personal autonomy or engage in civic activities. Despite these constraints, we employ content analysis to examine censored rock lyrics and musician interview transcripts.

3. Resistance and Non-Compliance Through Yaogun Music

The inherent nature of rock and roll provides a fertile breeding ground for critical political vocabulary. Once this lexicon emerges, a discourse community forms, leveraging linguistic and sonic tools to cultivate shared ideas and emotional solidarity. In the pursuit of artistic, non-violent activism, rhetoric provides a direct channel for articulating independent thought. *Yaogun* music and culture have flourished in urban China since the 1980s. Amid a cut-throat market economy during the era of "socialism with Chinese characteristics," early rockers boldly voiced their desires for greater freedom and societal progress, and "university students or privileged children of party cadres had the leisure to dabble in the rock lifestyle" (Huang, 2003: 193). Beyond a mere manifestation of youth subculture, *yaogun* carried deep political resonance, meaning that the first generation of rock stars was inextricably bound to a political lens. Despite his track "Nothing to My Name" (一无所有) becoming the unofficial anthem of the 1989 Tiananmen Square protests and his subsequent albums serving as sharp social critiques,

Cui Jian repeatedly denied any intention of conveying subversive messages. In 1994, punk singer He Yong (何勇) released his sole album, “Garbage Dump” (垃圾场). The title track was written during and undoubtedly inspired by the Tiananmen Square protests (Huang, 2003: 184). The album’s penultimate track, an instrumental piece titled “Ghost” (幽灵), adapted the traditional Chinese composition “Dance of the Yao People” by adding a spoken-word monologue and an outro that incorporated the wailing, screams and gunshots recorded during the June Fourth Massacre. Finally, the heavy metal band Tang Dynasty (唐朝) reinterpreted “The Internationale,” which student activists had used as a revolutionary rallying cry. However, neither He Yong nor the Tang Dynasty ever became formal dissidents; by operating just short of the state’s political red lines, these *yaogun* artists carefully navigated boundaries to define what is culturally authentic and truthful.

The political stance of *yaogun* takes is more akin to subtle resistance than outright activism. While propagating what the state deems the “wrong” ideology, musicians and fans successfully pursue alternative forms of defiance. Resistance within the *yaogun* community differs from revolutionary incitement. The mere act of accessing banned rock songs symbolises disobedience that pushes back against authoritarian constraints. Despite escalating official censorship in recent years, political and social commentary remains resilient within the genre. Even though Baidu (百度), the Chinese equivalent of Google, and major streaming platforms heavily restrict access to sensitive content, listeners regularly bypass the Great Firewall by installing VPNs to view blocked materials. Thus, digital technology nurtures sophisticated methods of evasion, ensuring that the state can never entirely purge undesirable content.

Another effective anti-censorship tactic is acquiring physical CDs. As one online blogger wrote, “buying a physical album has more meaning than saving the album playlist online. Albums are cut into singles, and singles are cut into thin air. Holding a physical copy gives you more confidence than holding a digital one” (milu9797, 2020). Although many original *yaogun* albums are long out of print, listeners circumvent state-enforced distribution roadblocks by purchasing second-hand copies or downloading pirated files. While neither method generates royalties for the musicians, this strategy enables audiences to safeguard forbidden media. In 2014, Wu Wei (吴维), the frontman of the Wuhan punk band, SMZB (生命之饼 The Bread of Life), recalled their distribution struggles:

“In 2002, SMZB publicly released its first album, titled “Ten Years Rebellion” (十年反抗), but the lyrics of all the songs were either deleted or altered. We released the second CD in 2008. We had just one request: that none of the lyrics in our songs be changed. Not long after our album hit the shelves, the police began checking every audio-video media shop. They found our album and asked the shop retailers, “What are you rebelling against?” Then they confiscated all the CDs” (Wang, 2014).

SMZB’s defiant ethos clashes with state censors over lyrics that directly critique Mao Zedong’s Cultural Revolution: “Ten years fun, ten years down, ten years chaos and rebellion.” Their work captures a profound generational disillusionment, as shown in lines such as: “Mom, I do not want to live like you, I do not want to die like Dad. I said: Mom, I do not want to waste my life. I do not want to wait forever. I do not want to live without dreams.” By adopting the biblical metaphor of Jesus Christ as “the bread of life” (生命之饼) for their moniker, SMZB crafts a sonic space that satisfies a deep-seated yearning for individuality and autonomy. This band unequivocally opposes injustice and prioritises moral and spiritual self-determination over the collective.

4. Upsetting the Status Quo

Creative artistic expression in China has long been subject to state supervision. Decades of economic reform have given young people fresh opportunities to pursue individual desires over national interests, a process characterised by anthropologist Yunxiang Yan (2009) as China’s embrace of individualisation. Within an arts sector that “stresses innovation and newness, which inevitably brings along controversial ‘Western’ notions of free experimentation and competition between small companies or individuals,” this attitudinal shift has challenged the government’s preference for the “group over the individual, authority over liberty and responsibilities over rights” (Huntington, 1990: 24). When the pursuit of individuality trumps the state’s discourse of harmonious co-existence, deviant cultural norms are condemned as hazardous. Although the state’s obsessive control has intensified censorship, top-down oppression inevitably leads to discontent and resistance. This friction culminated in 1989, when the defiant values of rock culture spilled over into a broader socio-political

arena. Listeners adopted rock music as a vehicle to express their grievances, “stressing the individual, the self, and rebelling against all sorts of authority” (Jones, 2002: 298). Yet China’s autocratic system leaves little room for alternative artistic expressions. Zhou Shidong (邹世冬), the keyboardist of the band Breathing (呼吸), has argued that feudalism must be challenged through the force of “spiritual liberalisation” in order to emancipate people from psychological “close-mindedness” (Jones, 2002: 297). While social and cultural autonomy has expanded the space for young people to seek psychological freedom, *yaogun* often evolves into a form of escapism when these newfound desires collide with harsh realities. Subsequently, censorship and rebellion feed into each other at rock music festivals. Even under strict official surveillance, these concerts become “small and conflicted heterotopias” in which “punk performances produce new kinds of social relations between the musicians and the audience that are both anti-authority and egalitarian” (Amar, 2021: 201). During the 2017 Shenzhen Midi Music Festival (迷笛音乐节), police forcefully intervened to arrest pogo dancers and stage divers, signaling an intolerance for the standard “expressions of joy usually associated with rock concerts” (Amar, 2020: 29). Authorities were particularly on edge during SMZB’s performance, prompting the band to intervene a few times and urge police to stop harassing the crowd (Amar, 2021: 199-200).

As rockers in the early 1990s grew familiar with the rock genre as a “form,” they began focusing more on its textual and musical “content.” Following the *dakou* era, the distinct sub-genres of *yaogun* paradoxically emerged from an initial lack of genre literacy among musicians. Li Yang (李洋), the frontman of Demerit (过失乐队), admitted that “nobody was there to teach us: this is metal, this is punk, this is grunge, this is garage, this is emo. We were just not clear on this in the beginning” (*Radiolab*, 2021). Demerit instead operated within a hybrid stylistic space, producing a sound reminiscent of “70s American punk and 80s British metal” (*Radiolab*, 2021). This cross-genre mixing and matching, while broadly accepted under the *yaogun* umbrella, was common throughout China. “Loud punk was tempered by traditional Chinese instruments; synthesiser dance music would spin into jazz improvisation—all sometimes during the same song” (Mihalca, 1992: 34). SMZB similarly exemplifies this fluid approach by incorporating Scottish bagpipes into their punk instrumentation. By subverting rigid genre boundaries, these musicians continually challenged conventional Western

expectations of how rock and roll should sound.

Rather than borrowing from Western frameworks, many rockers aligned their music with domestic Chinese values (Jones, 2002: 304). For instance, Tang Dynasty used historical imagery in its lyrics to express a “longing for a strong and influential China” (de Kloet, 2005: 237). Their 1992 debut album, “A Dream Return to Tang Dynasty” (梦回唐朝), evoked nostalgia for an imagined golden age to critique contemporary social ills. This conceptual framing—where “the ‘splendor’ of Tang times is only a dream, and the dreamer is left with only ‘grievances’ and ‘longing’” (Jones, 2002: 305)—took on a nativist tone. Tang Dynasty’s non-confrontational aesthetic satisfied official expectations of acceptable artistic behaviour. By tolerating the marketisation of certain rock music, the state effectively “depoliticised culture and thereby mitigated the stigma of rock music” (Groenewegen-Lau, 2014: 9). However, this uneasy compromise placed both musicians and authorities in a state of ongoing ideological contradiction. Censors rejected the rebellious ethos of rock as a subversive Western import, yet the state simultaneously co-opted nationalist bands to compete against the growing influence of Western and *gangtai* (Hong Kong and Taiwan) music. The *yaogun* community remains caught in a dilemma, torn between the pursuit of authentic creativity and the pressures of commercialisation and state co-optation.

5. Commercialisation of *Yaogun* Music

Since the 2000s, market forces and the state have transformed *yaogun* music into a form of commercial entertainment, with profitability becoming the primary concern for rock musicians, concert organisers and record companies (Groenewegen-Lau, 2014). In recent years, *yaogun* reality and entertainment shows such as *The Big Band* have gained massive popularity among younger viewers. Wu Hongfei (吴虹飞), the vocalist of the band Happy Avenue (幸福大街), has blamed political pressure for corrupting the ecology of rock music:

“I believe it’s not just the business environment. It’s also the oppression of freedom and culture, which creates a distorted collaboration between commerce and yaogun. This, as a result, also distorts our voices as musicians. Those who are floating on top might not be making real yaogun music, while the real yaogun

musicians are underground and unable to speak... So, I believe the precondition for yaogun is freedom. You must let the musicians sing nonsense, sing anything they want. Only then can you have a little bit of good stuff that emerges... (Fu, 2016).

Rock music is historically rooted in rebellion, but its subversive edge has been subdued by commercialisation. Musicians “floating on top” sing lyrics pre-approved by censors, while those “underground” retain their creative integrity but are too marginal to be impactful. Today, few contemporary bands produce explicitly political tracks because musicians find it more financially viable to make music than to make a statement.

6. Censorship in Action

Direct censorship within the Chinese rock scene manifests in the systematic banning of tracks on streaming platforms, search engine filtering and the erasure of social media posts. In this hostile digital environment, blacklisted musicians are prohibited from staging live performances or registering official social media accounts, forcing fans to access banned songs through convoluted, unofficial networks. The following cases illustrate the changing mechanisms of state censorship over the last two decades. The Pangu (盘古) band was permanently blacklisted by the authorities for its unambiguously violent lyrics and direct criticism of the state. Today, the band’s erasure is so complete that netizens must use shorthand and symbolic codes to search for any historical information about them online. Launched in the early 2000s, the *Oasis Music Website* (绿洲音乐网) was one of the earliest online hubs for domestic *yaogun* enthusiasts. In 2004, the forum experienced a severe wave of state-imposed censorship and subsequent self-censorship. Cao Shi (曹石), who ran the website, described the chilling effect of this state intervention:

“[The incident] began with a call from the police station, asking if I was managing the Oasis Music Website. I said yes. He [the police officer] said there was a problem with my website, that they had shut it down, and that I needed to come to the station. I was shocked and didn’t know what was going on. I went there, and they explained that the website contained sensitive topics. I said there shouldn’t be, because I had already done a lot of keyword

blocking, for instance all the “anti-Japanese” stuff. They then said it was because someone had shared Pangu’s lyrics. I didn’t expect that Pangu would become such a sensitive topic. But well, this was also right after Pangu had their incident.² I asked them what I should do now. They said to shut down the website; I refused because I had already hosted the website for so many years. They then said to pay a fine, but I told them I didn’t have any money either. In the end, they said to shut down the website for a month and do some self-reflection. So, Oasis Music Website was down for a month... When the website resumed operations, I found out who posted the Pangu lyrics. It was a middle school girl from Xi’an. I told her this to scare her. I told her that the police were out looking for her, and she should get her toothbrush and towels ready for a couple of years in jail. I just wanted to teach her a lesson. Afterwards, we put Pangu on the keyword-blocking list as well. Then I hired several people to monitor the website every day. If there was anything potentially sensitive, it would be deleted immediately. I realised that once a website gains traction, there will be many pairs of eyes watching you, waiting for something to happen. Back then, Oasis Music Website was shut down many times over. This is the way things are: it’s fine when you aren’t being watched, but they will always find faults when you are being watched” (Chuizi, 2015: 67).

Cao Shi’s experience reveals the decentralised mechanics of authoritarian control: instead of directly managing every infraction, the state outsources surveillance to platform moderators. Driven by fear of crossing fluid political red lines, website managers, record companies and event organisers exhibit signs of conformity. This internalised censorship heavily permeates the yaogun community. In the summer of 2019, the popular iQiyi variety show *The Big Band* (乐队的夏天) gathered thirty-one rock bands for a televised competition. While the programme provided a career boost for independent musicians and ushered radio-friendly rock into mass commercial spaces, it exposed the hybrid reality of a state-supervised, privately managed entertainment industry. This ecosystem creates overlapping webs of censors

and corporate investors eager to regulate public sentiment for maximum profit, thereby compromising the anti-authoritarian spirit of rock and roll. The airing of a rock-centric variety show appeared to signal a loosening of the state's ideological grip on *yaogun* culture, but censors still strictly dictated which lyrics were appropriate for broadcast. The following four tracked amendments demonstrate how original lyrics were sanitised to gain bureaucratic approval:³

- In “*Shengming Yinni Er Huore*” (生命因你而火热) by New Pants (新裤子乐队), the lyrics were changed from “the revolution that couldn’t continue” to “the poem that couldn’t continue”;
- In “*Bairi Menglan*” (白日梦蓝) by Hedgehog (刺猬乐队), the lyrics were altered from “society is a game of trauma” to “the world is a game of trauma”;
- In “Where Are You Going” by Mr. Sea Turtle (海龟先生), the lyric “Lord, where shall I go” was secularised to “where shall I go”; and
- In “Bob Beijing Nanhai” (北京男孩) by Summer Sunshine (夏日阳光), the line “I traveled all across China, and have yet to find the life I want” was localised to “I traveled all across the city, and still can’t find her pulse.”

Throughout the program, politically and socially sensitive phrases—monarch, lord, revolution, society, hooligan, drugs, rape, death, smoking, market economy, Jesus, utopia and sex—were replaced by “tactful” substitutes designed to align with the official discourse of unity and harmony (Amar, 2020: 27). Furthermore, media regulators and broadcast producers imposed strict aesthetic demands on the physical appearance of performers. Tattoos, piercings, cross-dressing and dyed hair were banned or digitally blurred, while male musicians with long hair were instructed to tie it into conventional buns. Although some of these restrictions stemmed from anticipatory self-censorship by production companies rather than direct bureaucratic decrees, the result remained an aggressively sanitised on-air presentation. In a censored article, blogger Li Linan (2020) characterised this phenomenon as a “cultural castration” enacted against the people’s will.

Nonetheless, commercialisation has been a double-edged sword for Chinese rock. While it provides indispensable financial sustainability and broadens subcultural visibility, it reinforces voluntary self-censorship.

Because domestic audiences retain rigid, counter-cultural expectations of what authentic *yaogun* must represent, compromising these values causes musicians to lose credibility. Balancing artistic authenticity with the irresistible allure of commercial fame, market capital and fandom remains an acute dilemma for rock musicians. A notorious example of this co-optation is the state's appropriation of the critical song, "Kill That Man from Shijiazhuang" (杀死那个石家庄人), originally written and performed by the Omnipotent Youth Society (万能青年旅店). The original track evokes the plight of the working poor in Shijiazhuang, conveying the suffering they endured during the Reform era. Through its bleak portrayal of post-socialist reality, the lyrics depict a world in which individuals lose hope and suffer in silence, leading to the haunting declaration of the chorus:

To live like this for thirty years
Until the building collapses
Darkness hidden deep in the clouds
Flooding the panorama in our hearts

Residents enter the workforce as early as sixteen to support their families. Daily life is monotonous, mirroring the repetitive and mechanical motions of factory labour.

Get off work at 6 p.m.
Change out of the pharmaceutical factory uniform
My wife is making congee
While I go and have a few beers
To live like this for thirty years...

By critiquing the inequalities experienced by the working poor, "Kill That Man from Shijiazhuang" challenges the official image of social harmony. The first verse centers on forgotten workers, the second reflects the emptiness of a materialist age, and the third alludes to the pressures generated by China's rigid and competitive education system. These strands converge in the refrain: "To live like this for thirty years, until the building collapses." The "building" serves as a layered metaphor. It signifies the family institution and the collective work unit, but it also extends inward to the individual psyche—a structure composed of introspection, expectation,

imagination and fragile hope. Yet, this edifice of lived experience ultimately collapses, indicating the breakdown of both social stability and inner meaning under the weight of systemic inequality.

In 2021, the Communist Youth League of Hebei Province released a new version of the song titled “That Man from Shijiazhuang Cannot be Killed” (杀不死的石家庄人), reframing the original work as a celebration of individual resilience in the industrial heartland. The revised lyrics are infused with state-sanctioned “positive energy” (*zhengnengliang*), aligning the song with patriotic messaging. Phrases such as “gathering our dreams and taking off,” “picking up the faith we lost” and “perseverance is written in your name,” are designed to uplift audiences and encourage perseverance in the face of hardship. However, these alterations backfired, with many listeners criticising the censors as tone-deaf and detached from the harsh realities the original song sought to depict. In response to negative social reception, “That Man from Shijiazhuang Cannot be Killed” was subsequently removed from streaming platforms. One listener remarked, “It’s a shame the music video on Bilibili was deleted. This is the best post-modern performance art that I have seen this year, a role model of modern comedy” (Langzi lanshan, 2021). Such reactions underscore how the original song had come to function as a form of memorialisation for the working poor, giving voice to experiences of structural precarity. Listeners pushed back when “That Man from Shijiazhuang Cannot be Killed” betrayed the original song’s critical integrity. In this context, Liang Long (梁龙), the frontman of the band Second Hand Rose (二手玫瑰), has argued, “Rock musicians shouldn’t stand with the avant-garde, rock should instead help the middle class, to express for them what they might need or believe in, rather than a new artistic standard” (Gao, 2006). More broadly, *yaogun* culture occupies a unique position: it can both criticise painful social hardships and gesture towards alternative forms of meaning and expression.

In more severe cases, music perceived as a direct threat to authorities has been subject to outright censorship. Li Zhi (李志), a folk singer from Nanjing, is known for politically charged works such as “Square” (广场), which incorporates recorded voices of Tiananmen activists to commemorate the dead, and “People Need No Freedom” (人民不需要自由), a provocative critique of those who disavow the value of freedom. His allusions to the June Fourth Massacre and his explicit rejection of dictatorship made him an obvious target. In April 2019, a central government directive led to

the removal of Li Zhi's music from all streaming platforms, alongside the suspension of his Weibo and WeChat accounts. He subsequently disappeared from China's virtual sphere with his current whereabouts remaining unknown (Amar, 2020: 31). In an earlier interview, when asked about his greatest fear, Li responded: "You're not even able to save yourself, you can't promote humanity's progress" (Mai, 2019). Li Zhi's silencing illustrates the extent to which artistic production is vulnerable to political control. In such cases, the withdrawal of platforms and visibility creates a condition of enforced absence, leaving both rock musicians and fans with a pervasive sense of helplessness.

7. Conclusion

Several important lessons can be discerned from the trajectory of Chinese rock and roll in recent decades. The first is conceptual. Literary scholar David Der-wei Wang (2020) examines the survival strategies of contemporary Chinese writers and classifies them into two broad categories: those who remain inactive under constraint and those who actively push back against censorship. Wang writes:

"However, one must learn to appreciate the ideological and rhetorical acrobatics in fiction writing at this time, as any misstep could lead to fatal consequences. Thus, as censorship and the demand for bowdlerisation escalated, so too did the enthusiasm for imagining and inscribing the Maoist sublime. This fervour gives rise to a unique aesthetic. Those who discerned the irrational quality of this new literature either willingly suspended disbelief, hoping that things would take a turn for the better, or mutely protested by engaging in a form of internal exile through ceasing to write. However, there were writers who engaged in quixotic combat at the expense of their careers and lives" (Wang 2020: 39).

Wang's analytical distinction between compliance under domination and resistance to domination is also useful for understanding the field of Chinese rock and roll. The landscape of *yaogun* is not monolithic, but instead encompasses a spectrum of strategies, aesthetic perspectives and political orientations. Some bands "willingly suspend disbelief" and adapt to censorship regimes to survive commercially. The Tang Dynasty band, for

example, appropriated traditional cultural symbols in ways that aligned with state ideological narratives, while other rock musicians have periodically altered lyrics to gain access to televised or state-approved platforms. At the other end of the spectrum are figures of internal exile. Cui Jian and He Yong exemplify this position. Cui, who has described himself as “an apolitical figure,” has consistently rejected institutional co-optation (Jones, 2002: 296). His refusal to modify the lyrics of “Nothing to My Name” for the 2014 CCTV Spring Festival Gala illustrates this stance (Ye, 2014). Similarly, He Yong ceased releasing new material after “Garbage Dump,” effectively withdrawing from the commercial music industry. Opposed to both accommodation and withdrawal are what might be termed “quixotic combatants,” including Pangu, SMZB and Li Zhi. Exiled members of Pangu continue to produce politically inflected music in Sweden, while SMZB persists in embedding subversive messages in their music. Li Zhi occupies this oppositional register through explicit cultural dissent and political critique.

The second lesson concerns the contingent role of relatively lenient censorship in the rise of Chinese rock during the 1980s and 1990s. This permissive environment enabled a proliferation of experimental bands and facilitated the emergence of *yaogun* as a vehicle for urban youth expression. Limited regulatory oversight paradoxically contributed to both the popularisation and commercialisation of the genre. By contrast, under Xi Jinping’s administration, censorship has intensified across cultural and digital spheres. In addition to formal state regulation, informal social pressures further constrain artistic expression, making it difficult for rock musicians and festival organisers to challenge dominant ideological norms.

The third lesson reveals the ongoing negotiation between authenticity, marketability and historical memory within contemporary rock culture. *Yaogun* should not be evaluated solely through Western aesthetic frameworks or linear narratives of musical “development.” Nor can Chinese rock simply replicate the trajectories of Western rock traditions. Rather, the key challenge facing contemporary musicians lies in balancing commercial viability with a commitment to authenticity and expressive truth. Authenticity is inseparable from lived experience. When contemporary rock fails to meet popular expectations of *yaogun*’s earlier rawness and political intensity, it is often interpreted as a loss of a “golden age.” This perception reflects a generational divide between middle-aged listeners who nostalgically recall

a comparatively open cultural moment in the 1980s and younger audiences seeking new forms of expression in the present. Navigating these competing temporalities and affective expectations remains central to the future of Chinese rock music. After the 2001 Midi Music Festival, Wu Tun (吴吞), the frontman of Tongue (舌头乐队), articulated this intergenerational ethos:

“The world belongs to our successors; we will one day become paving stones or obstacles. Until that day, you and everyone else must have thought about being trampled underfoot. Bones should not be buried in the ground; they should become a ladder, or tools, or ropes. But seeds must be buried in the soil so they will grow into a tree and become the torch that you need. Yaogun music is not important. You are important” (Wu, 2021).

The pioneers of *yaogun* thus paved the way for this genre to take root in China. What began as a subcultural, semi-underground experiment evolved into a socially resonant cultural practice that opened up space for individual expression in an authoritarian state. Its persistence demonstrates the possibility of cultural survival under constraint. Yet the continued vitality of *yaogun* depends on whether a new generation of rock musicians can rearticulate its relevance to their own historical moment and cultivate communities grounded in shared concerns.

Notes

- ¹ A partial list of censored words and idioms can be found here: “小红书审查百科：习近平敏感词库 [Little Red Book Censors Wiki: Controversial Terms about Xi Jinping]”, China Digital Space (中国数字空间). <https://chinadigitaltimes.net/space/小红书审查百科：习近平敏感词库>.
- ² When Pangu performed in Taiwan in 2004, the drummer shouted, “Independence for Taiwan”. China subsequently placed the band on a wanted list, and its members sought asylum in Sweden.
- ³ Douban user DreamReaver has posted a comprehensive list of lyrical changes for the first season of *The Big Band*: <https://movie.douban.com/review/10309335/>.

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**Special Issue:
Institutional Resilience and
Sub-regional Governance:
China and the CLMVT Nexus**

Research Articles

Introduction: Institutional Resilience and Sub-regional Governance across the China–CLMVT Nexus

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Abstract

This special issue examines sub-regional governance within the China–CLMVT nexus, conceptualizing “institutional resilience” as a dynamic process of calibration, legal adaptation, and strategic management under asymmetric power structures. Rather than passive recipients of great power influence, the CLMVT countries (Cambodia, Laos, Myanmar, Vietnam, and Thailand) actively exercise agency to balance economic dependence with political autonomy. Across six contributions, the papers explore how these mainland Southeast Asian states navigate competing external actors — primarily China and Japan — through mechanisms like Myanmar’s frontier state-building, Vietnam’s adaptive hedging with the Belt and Road Initiative, China-Thailand legal interoperability, Sino-Japanese aid coexistence, and ASEAN’s normative role. Ultimately, the collection demonstrates how framework hedging, regulatory transparency and aid dualism shape contemporary Asian governance, offering critical insights into sovereignty, survival, and regional order in a fragmented Indo-Pacific.

Keywords: *Institutional resilience; Sub-regional governance; China–CLMVT nexus; Adaptive hedging; Mainland Southeast Asia; Belt and Road Initiative (BRI)*

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1. Introduction

The sub-region of mainland Southeast Asia, commonly demarcated by the CLMVT countries (Cambodia, Laos, Myanmar, Vietnam, and Thailand), has emerged as one of the most critical geostrategic crossroads in the contemporary Indo-Pacific. Positioned at the violent intersection of major power competition, the sub-region simultaneously serves as a primary node for China's Belt and Road Initiative (BRI) and a contested arena for various competing regional outlooks. To envision the future of sub-regional governance, it is essential to explore how secondary and smaller states navigate asymmetric power structures and how they cultivate systemic adaptability without sacrificing sovereign autonomy. Despite the critical importance of sub-regional dynamics, there has been a noticeable lack of enlightening publications that explore how "institutional resilience" is structurally organized and micro-politically operationalized across international relations, comparative legal structures and historical state-building trajectories in this specific geographic nexus (Womack, 2026; Weatherbee, 2019). For this reason, the International Journal of China Studies (IJCS) has organized this special issue, calling upon international scholarship to address how the China-CLMVT nexus shapes and reshapes the parameters of sub-regional governance.

By echoing the significance of institutional resilience in an era of heightened geopolitical volatility, this special issue highlights the following four key features:

- **Strategic Adaptation and Framework Hedging:** Rather than adopting binary responses of pure bandwagoning or balancing, smaller states in the sub-region demonstrate institutional resilience by erecting parallel framework buffers. This mechanism allows them to absorb substantial economic resources while selectively resisting full incorporation into great power political narratives.
- **Legal Interoperability and Regulatory Transparency:** Resilience is structurally rooted in domestic regulatory environments. The formalization of market access through transparent legal instruments, such as "negative lists", constitutes a critical micro-level defense mechanism that stabilizes trade under conditions of geopolitical tension.
- **Institutional Coexistence and Aid Dualism:** The sub-region thrives on a multi-layered governance architecture where competing external

aid regimes — most notably from China and Japan — coexist. This structural dualism prevents monochromatic dependency and expands the strategic bargaining space for recipient states.

- **Historical Frontier Path-Dependency:** Current institutional vulnerabilities and adaptive capacities are deeply bound to historical processes of state-building and frontier fragmentation. Understanding contemporary sub-regional governance requires tracing how historical great power spillovers have long fractured or forged local borderland orders.

2. Understanding Institutional Resilience in Sub-regional Governance

In academic literature, resilience is frequently conceptualized as a psychological trait or a purely ecological capacity to bounce back from external shocks. In the realm of international relations and area studies, however, this special issue defines institutional resilience not as static resistance, but as a dynamic, structural process of institutional calibration, boundary management and the pragmatic cultivation of parallel governance tracks (Suh et al., 2004; Kuang, 2023).

Within the CLMVT space, institutional resilience is visible through the strategic agility of states that must continually reconcile asymmetric economic realities with the imperative of political autonomy. When confronting overwhelming external initiatives, resilient states do not simply collapse into the orbits of great powers. Instead, they construct counterweights, redefine legal terms of engagement, utilize historical relational ties and tap into competing aid networks (Goh, 2007). Institutional resilience is therefore both defensive and proactive; it is the art of structuring engagement so that a smaller state remains deeply linked to, but never fully subsumed by, a dominant neighbor.

3. Mapping the Sub-regional Institutional Architecture

The practice of institutional resilience does not occur in a structural vacuum. It operates within a dense, overlapping grid of multilateral networks, state-sponsored initiatives, and external aid regimes that collectively shape the contemporary Mekong sub-region. Under the overarching shadow of great power diplomacy, various institutional frameworks introduce competing

yet interlocking governance logics. China's Belt and Road Initiative (BRI) and the China-Myanmar Economic Corridor (CMEC), for instance, heavily emphasize high-speed infrastructure connectivity, economic corridors, and relational bilateralism designed to foster regional integration. In response, sub-regional states do not merely accept these initiatives passively; instead, they implement indigenous institutional counter-weights to manage potential asymmetries. Vietnam's long-standing "Two Corridors, One Belt" (TCOB) framework serves as a prime example of an autonomous institutional vehicle designed to align with external economic networks while simultaneously preserving national sovereign space.

Concurrently, the sub-regional institutional architecture is further diversified by the persistent presence of other major democratic actors, most notably Japan. Through its triennially renewed "Tokyo Strategy" within the Japan–Mekong cooperation framework, Tokyo promotes an alternative vision centered around high-quality infrastructure, environmental sustainability, and rules-based governance. This multi-layered aid architecture allows recipient states to hedge effectively between competing development paradigms. At the macro-regional level, these sub-regional dynamics are bounded by the normative aspirations of the Association of Southeast Asian Nations (ASEAN). The ASEAN Outlook on the Indo-Pacific (AOIP) functions as a collective, non-confrontational diplomatic instrument that seeks to maintain ASEAN Centrality by projecting an inclusive framework for multilateral dialogue, thereby attempting to neutralize zero-sum geopolitical realignments across the wider mainland and maritime Southeast Asia.

4. Tracing the Mixed Trajectories of Resilience: Contributions of the Special Issue

This special issue brings together six exceptional papers that utilize a sophisticated mix of methodologies — including historical process-tracing, comparative legal analysis, deep field interviews, and international relations theoretical frameworks — to dissect the multi-dimensional character of resilience in the China-CLMVT nexus. The contributions are organized into three thematic layers.

Layer 1: Historical Frontier State-building and Crisis Relationalism in Myanmar

The first two papers anchor the volume by examining the historical depth

and contemporary crises of state-building in Myanmar, a state whose geostrategic location makes it uniquely vulnerable to external spillovers.

Chung-Chi Chao, in his paper *The Dragon on the White Elephant: Two Chinas Fracture Burma's State-building in Cold War*, provides a meticulous historical analysis of how external spillovers shattered early Burmese state consolidation. Chao demonstrates how the Kuomintang (KMT) retreat into northern Burma and the subsequent Chinese Communist Party (CCP) support for the Burmese Communist Party (BCP) permanently weakened Yangon's frontier control. This historical intervention catalyzed the creation of a de facto buffer state and an early version of "Modern Zomia". Chao's work reminds us that institutional resilience is historically constrained; the failed state-building projects of the past directly delineate the structural vulnerabilities of the present.

Shifting to the contemporary crisis, Yu Szu-Tu analyzes the modern manifestation of bilateral resilience in *Maintain Stability, Make Compromise: Myanmar's Relations with China after the 2021 Coup D'état*. Utilizing the lens of geostrategy and "relationalism", Szu-Tu explores the puzzle of why China-Myanmar relations remained remarkably unbroken despite the severe domestic turmoil following the 2021 military coup. The study reveals a pragmatic, interest-oriented trade-off: while Beijing prioritized the security of its strategic assets and trade corridors, the military regime deepened its dependence on China for political survival. Szu-Tu highlights how a deep-seated cultural and diplomatic relationalism can function as a resilient mechanism to absorb political shocks and stabilize asymmetric ties during systemic crises.

Layer 2: Institutional Hedging and Comparative Legal Alignment

The next two papers move into the institutional mechanisms of economic governance, focusing on how Vietnam and Thailand deploy frameworks and laws to manage asymmetric interactions with China.

James W. Y. Wang offers a compelling conceptualization of structural autonomy in *Adaptive Hedging and Institutional Framework: Vietnam's Strategy toward China's Belt and Road Initiative through the Two Corridors, One Belt Framework, 2000–2025*. Wang tackles the critical question of why Hanoi has stubbornly maintained the institutional independence of its TCOB framework instead of allowing it to be fully integrated into China's BRI narrative. Through detailed process tracing, Wang conceptualizes this

behavior as “adaptive hedging”. By keeping TCOB linked but not subsumed, Vietnam successfully extracts immense material resources from China’s infrastructure grid while preserving an autonomous institutional buffer that protects its sovereign decision-making space.

At the micro-institutional level, Ming-Hsun Hsieh and Zhang Yu look at the regulatory bedrock of economic interactions in *China-Thailand Trade and Investment Relations: A Legal Perspective Analysis*. Hsieh and Zhang execute a rigorous comparative legal analysis of the foreign investment market access regimes in China and Thailand, focusing heavily on the evolution of “negative lists”. Their study details how both nations utilize legalized restrictions to safeguard national security while simultaneously enhancing transparency for foreign capital. They argue that the continuous refinement and harmonization of these legal structures form a resilient regulatory infrastructure that minimizes transaction risks and sustains bilateral economic cooperation even amid regional geopolitical fluctuations.

Layer 3: Multilateral Coexistence and Normative Regional Visions

The final two papers elevate the analytical scope to macro-regional architectures, analyzing how external assistance frameworks and regional organizations shape the broader governance ecosystem.

Hsin-Chi Lu explores the structural benefits of foreign aid dualism in *China and Japan in the CLMVT: Institutional Coexistence and Sub-regional Governance*. Lu systematically reconstructs the evolution of Japan’s “Tokyo Strategy” within the Japan-Mekong cooperation framework, positioning it alongside China’s expansive BRI. Rather than viewing this relationship as a zero-sum conflict that tears the sub-region apart, Lu demonstrates a complex pattern of “institutional coexistence”. The empirical reality shows that the parallel operation of Chinese and Japanese aid regimes provides CLMVT states with alternative pathways for development finance, significantly enhancing their collective bargaining leverage and reinforcing the multi-layered resilience of sub-regional governance.

Finally, Tony Tai-Ting Liu broadens the horizon to the entire Indo-Pacific theater in his paper, *ASEAN Outlook on the Indo-Pacific and China: Grand Vision or Disillusion?* Liu investigates the normative efficacy of the ASEAN Outlook on the Indo-Pacific (AOIP) as a collective regional response to great power competition. The paper scrutinizes whether the AOIP is a forward-looking defensive shield or an overly idealistic proposal

with structural limitations. By analyzing how the AOIP attempts to preserve “ASEAN Centrality” while interacting with China’s Global Development Initiative (GDI) and Global Security Initiative (GSI), Liu illustrates how regional institutional resilience operates at the macro-normative level, aiming to neutralize aggressive geopolitical alignments through inclusive, non-confrontational multilateral dialogue.

5. Conclusion and Future Research Agenda

In summary, the collection of papers in this special issue offers a comprehensive, multi-layered advancement in our understanding of contemporary Asian governance. By shifting the scholarly gaze away from grand hegemonic narratives and toward the specific mechanisms of institutional resilience, this volume demonstrates that the smaller and secondary states of the CLMVT sub-region are active architects of their own geostrategic destinies. Whether through Vietnam’s framework buffering, Myanmar’s crisis relationalism, Thailand’s legal adjustments, the strategic exploitation of Sino-Japanese aid dualism, or ASEAN’s normative outlooks, these actors consistently prove that asymmetry does not automatically mean subordination.

For future research, the insights gathered here suggest that scholars must continue to look past formal diplomatic rhetoric to investigate the micro-foundations of institutional adaptability. As the Indo-Pacific drifts into an era characterized by deeper fragmentation and systemic uncertainty, the lessons of institutional resilience embedded within the China-CLMVT nexus will remain highly relevant for understanding the survival, statecraft, and sovereignty of states worldwide.

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The Dragon on the White Elephant: Two “Chinas” Fracture Myanmar’s State-Building in the Cold War

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Abstract

Myanmar’s state-building was constrained by the interaction between pre-programmed crises and foreign intervention. The collapse of the promises of autonomy in the 1947 Constitution transformed communist and ethnic insurgencies into enduring challenges to state authority. The spillover of the Chinese Civil War further weakened Yangon’s ability to consolidate sovereignty, as the KMT retreated into northern Myanmar and the PRC supported the Burmese Communist Party (BCP). Following the 1962 coup, Ne Win’s centralization policies and the 1967 anti-Chinese riots intensified Beijing’s support for the BCP Northeastern Command, which evolved into a de facto buffer state, resembling a modern tributary system and a contemporary form of *Zomia* under Chinese influence. After 1989, the BCP collapsed following the withdrawal of CCP support, and the ceasefire system institutionalized fragmented sovereignty rather than national integration. Myanmar thus emerged as a product of failed state-building shaped by colonial legacies, Cold War geopolitics and competing visions of sovereignty.

Keywords: *State-building, Spillover of Chinese Civil War, Pre-programmed crisis, BCP Northeastern Command, Modern Zomia.*

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1. Introduction

The state is an intrinsic part of domestic society, which necessitates that state leaders contend with countervailing forces generated by various internal groups and organizations while governing. The state also functions as a component of the international system, and its leaders must respond to structural pressures imposed by that system. Since the colonial era, “the world social system” has institutionalized complex interstate relations (Migdal, 2001: 61-63). Within this world social system, neighboring states have frequently intervened in the domestic affairs of other countries to advance their own geopolitical interests. For a nascent state, the success of state-building depends heavily on how it navigates and responds to these external geopolitical pressures (Thongchai, 1994; Chong, 2020; Lintner, 2021).

In post-colonial countries, state-building is rarely undertaken within a pre-integrated community. As Christian Scherrer argues, the pre-programmed crises inherent in former colonies frequently obstruct their transition toward modern nation-states (Scherrer, 2003: 12). Such pre-programmed crises may serve as strategic assets for neighboring countries seeking to satisfy their own political or geopolitical interests. In this regard, external geopolitical pressure becomes a critical variable in determining whether a post-colonial country can successfully consolidate a cohesive state.

Myanmar’s state-building has been deeply shaped by the interaction between internal fragmentation and external intervention. The tensions between Burman nationalism, non-Burman ethnic aspirations for autonomy and communist revolutionary movements, generated overlapping crises shortly after independence (Butwell, 1969; Taylor, 2007; South, 2005). As civil war expanded, Myanmar emerged as what Migdal terms a “weak state,” unable to consolidate authority across its frontier regions (Migdal, 2001, 2022).

After 1949, the spillover of the Chinese Civil War transformed northern Myanmar into a geopolitical frontier contested by the KMT, the PRC, the Myanmar government and various ethnic armed organizations (EAOs). Both “Chinas” mobilized Myanmar’s armed groups to pursue their own strategic objectives. With the support of the Chinese Communist Party (CCP), the Burmese Communist Party (BCP) Northeastern Command was established in 1969 (Lintner, 1990; Smith, 1999; Han, 2021). Functioning simultaneously as a *de facto* buffer state, a modern tributary system, and a contemporary

form of *Zomia* under Chinese influence, the Command further fragmented Myanmar’s sovereignty.

From this perspective, and through related research, declassified reports, and my fieldwork along the Thai-Myanmar and Sino-Myanmar borders, this article examines how “China” has influenced and constrained Myanmar’s efforts to forge a cohesive nation-state. Firstly, it draws upon the influential works of Han Enze and Tom Chin Yee-huei to examine the spillover effects of the Chinese Civil War after 1949 and Yangon’s struggle against these external influences. Secondly, it explains how the CCP’s support for the BCP Northeastern Command created a structural impediment to Myanmar’s state-building. Finally, a brief conclusion is presented.

2. Chinese Civil War Spillover and Myanmar’s State-Building Crisis

Fan Hongwei notes that the Chinese Communist Party (CCP) began organizing among the Chinese diaspora in Myanmar as early as the 1920s (Fan, 2012). The BCP was established by Burman nationalist elites in 1939. In 1946, the radical Red-Flag BCP launched an armed movement opposing Aung San’s negotiations with Britain for independence, while the moderate White-Flag BCP later denounced the Nu-Attlee Treaty as evidence that Myanmar had become a British semi-colony and initiated an armed insurgency after independence (MOFA of ROC, 1948; Thompson, 1948; Tinker, 1959, 1986; CPB, 1963; Badgley, 1974).

At the same time, several non-Burman ethnic groups—including the Karen, Mon, Pa-O, and Arakanese—failed to obtain the states they expected under the 1947 Constitution. Tensions escalated further after Yangon authorities arrested and executed a prominent Karenni independence leader in 1949. Viewing the central government as steadily eroding their autonomy, these groups, by organizing their respective ethnic armed groups (EAOs), launched armed nationalist movements, pushing much of Myanmar into civil war (South, 2005; Leider, 2023; Yue, 2016).

The Chinese Civil War spilled over into Myanmar’s northern frontier. Both the CCP and the KMT exploited Myanmar’s internal conflicts and attempted to co-opt the EAOs to advance their own political agendas. During the final stages of the war, Myanmar feared that a CCP victory in China would strengthen the BCP insurgency and further destabilize the frontier (Fan, 2012; MOFA of ROC, 1948-1949).

2.1 KMT Retreat and Subsequent CCP Incursion into Northern Myanmar

Following the establishment of the PRC on 1st October 1949, leftist parties in Myanmar urged Yangon to recognize Beijing in order to preempt possible PRC support for the BCP. The situation escalated after Yunnan Governor Lu Han defected to the CCP on 9th December 1949, triggering the retreat of KMT troops into northern Myanmar (Taylor, 1973; Chin, 2015).

As a modern state depends on clearly demarcated borders to define and defend sovereignty, Myanmar's frontier with China remained a major security vulnerability. The northern section of the Sino–Myanmar border adjoining Kachin State and the southern section adjoining Shan State both remained undemarcated, while the ROC and the PRC each published maps claiming disputed frontier territories as part of China (Maung Aung Myoe, 2011: 41-42). Yangon was therefore eager to become the first non-socialist country to recognize the PRC, hoping to prevent the CCP from exploiting the unsettled frontier to occupy parts of Kachin State and Shan State under the pretext of pursuing the KMT, while also deterring cooperation between Beijing and the BCP (Fan, 2012; U Thant Myint, 2019).

Meanwhile, the ROC in Taiwan ordered General Li Mi to reorganize the KMT forces in northern Myanmar for future counteroffensives into Yunnan. The KMT established bases in Shan State and constructed an airfield at Mong Hsat to receive supplies from Taiwan (Wang, 1996: 87; Chin, 2015: 54-71). Within the emerging Cold War order, the ROC was regarded by the United States as an important anti-communist outpost. Yangon therefore appealed to Washington to pressure Taipei into withdrawing the KMT, arguing that operations against the KMT diverted resources from campaigns against the BCP and EAOs (Han, 2021: 77-78). Although the United States considered applying pressure on the ROC, historical circumstances afforded Myanmar no such opportunity.

In June 1950, as Yangon deployed troops to Tachileik in Shan State to confront the KMT, the Korean War erupted. To relieve military pressure on the Korean Peninsula, the CIA launched Operation Paper in December 1950, supplying KMT forces in northern Myanmar with arms for offensives into Yunnan in order to divert CCP military resources from Korea to China's southwestern frontier (Chin, 2015: 72-73, 91). With American assistance, Li Mi established the Yunnan Anti-Communist National Salvation Army and the Yunnanese People's Anti-Communist and Anti-Soviet Military and Political University in northern Myanmar to recruit anti-CCP elements from across

Southeast Asia (Chin, 2015). Yet, as Maung Maung notes, Li Mi himself preferred consolidating control over Kengtung in Shan State as a personal domain rather than serving as the leading anti-communist commander in northern Myanmar (Maung Maung, 1953: 11-16).

Yangon feared that the PRC might exploit anti-KMT operations to occupy undemarcated territories along the frontier, thereby gaining leverage in future boundary negotiations and threatening the sovereignty of Shan and Kachin States (Maung Aung Myoe, 2011: 14). The Myanmar government diverted military resources away from campaigns against the BCP and the EAOs to confront the KMT. However, the mountainous terrain of northern Myanmar enabled the KMT to evade decisive defeat and maintain fortified bases (Maung Maung, 1953: 13-15).

The influx of American aid and the expansion of Li Mi's military apparatus increasingly alarmed Beijing. The CCP eventually launched direct cross-border operations against KMT forces inside Myanmar. According to an ROC Military Intelligence Bureau report, CCP troops crossed west of the 1941 boundary line into the Ahwa Mountain sector of Myanmar to attack Li Mi's forces and subsequently failed to withdraw (MIB of ROC, 1964: 15). Although Zhu Zhaohua attributes this development to the delayed arrival of Myanmar government forces (Zhu, 2007: 268-274), the ROC intelligence report instead suggests that repeated CCP operations forced existing Myanmar garrisons to retreat (MIB of ROC, *ibid.*).

A 1953 CIA report indicates that the CCP was constructing roads linking Menglien to the Tayakou ferry area near the southern sector of the undemarcated 1941 Line, with specifications capable of accommodating heavy trucks. Given the deployment of exiled KMT forces in northern Myanmar and the CCP's growing concern over frontier security, these infrastructure projects may be interpreted as logistical preparations for future cross-border military operations against the remaining KMT forces in Myanmar (CIA, 11th December 1953).

The 1941 Line was never physically demarcated, and the PRC dismissed it as an imperialist boundary imposed during British encroachment upon Qing China, denying its legal validity (Zhu, 2007: 268-274). From a Weberian perspective, a modern state must monopolize legitimate violence within clearly defined territorial boundaries. Yet Myanmar, weakened by civil war, was unable to consolidate sovereign authority along its northern frontier. The CCP exploited this vacuum by stationing troops inside

Myanmar under the pretext of rejecting the legitimacy of the 1941 Line, thereby creating a *de facto* presence intended to strengthen Beijing's leverage in future border negotiations over territory and sovereignty.

The 1955 Huangguoyuan Incident revealed the strategic ambitions of Communist China with far greater clarity. Although Huangguoyuan lay west of the 1941 Line, the CCP regarded areas occupied by its forces as already under Chinese control, whereas Yangon insisted that Huangguoyuan formed part of Myanmar's sovereign territory (Cheng, 2014). The resulting armed confrontation was widely portrayed in the Myanmar press as evidence of "Chinese encroachment on Myanmar territory." Although Beijing later agreed to withdraw its forces in order to uphold the "Five Principles of Peaceful Coexistence" promoted at the Bandung Conference (Fan, 2010: 41), it simultaneously demanded that "Myanmar's military must not enter the areas from which China had withdrawn" (Zhu, 2007: 269). This conditional withdrawal lends support to Maung Aung Myoe's argument that China's approach toward neighboring states may reflect an imperial mentality (Maung Aung Myoe, 2011: 3).

The sovereignty of northern Myanmar was thus simultaneously eroded by the "Two Chinas." The KMT presence provided Beijing with a justification for cross-border military operations, while the undemarcated border prevented Yangon from effectively defining and enforcing the limits of its sovereignty. As a result, the spillover of the Chinese Civil War undermined Myanmar's state-building project.

2.2 KMT and CCP Entanglement in Myanmar's National Conflict

The conflict between the non-Burman ethnic nations and the Myanmar government constituted one of the two pre-programmed crises undermining Myanmar's state-building. This crisis deepened when domestic armed groups aligned with neighboring powers. In northern Myanmar, the KMT cooperated with the EAOs, while Beijing projected influence across the frontier by exploiting cross-border affinities among ethnic nations and cultivating local support networks capable of sustaining military operations against KMT forces.

In June 1950, the ROC military attaché in Thailand acted as an intermediary between the Kuomintang (KMT) remnants and the Mon National Defense Organization (MNDO). In the spring of 1951, Li Mi dispatched Ding Zuoshao, the representative responsible for negotiations

with the Rangoon authorities, to the headquarters of the Karen National Defense Organization (KNDO) to explore possibilities for cooperation. Li Mi’s collaboration with the Mon and the Karen was driven by the strategic objective of constructing a broader anti-communist alliance capable of supporting larger-scale counteroffensives against the CCP (Chin, 2015: 101). Sustaining such alliances also required the KMT to accommodate the EAOs’ nationalist causes.

In July 1952, Li Mi not only discussed the formation of a military alliance with the KNDO against the Myanmar army, but also supported the establishment of a *Kawthoolei* government in Taunggyi, Shan State. *Kawthoolei* is the Karen term for the homeland envisioned in the Karen struggle for self-determination. To strengthen ties with the MNDO and the KNDO, Li Mi devised a maritime operation to transport arms from Taiwan to southern Myanmar. The plan was intended not only to support the EAOs but also to integrate recruits from northern Myanmar into a broader anti-communist front. According to Taylor, the Kuomintang maintained “their collusion with the KNDO throughout the 1950s” (Taylor, 1973: 51).

The KNDO sought to utilize Kuomintang-supplied arms to support Ba Sein, a leader of the Burma Democratic Party, in overthrowing the U Nu government, on the condition that a post-coup administration would recognize the establishment of an independent Karen State. For Li Mi, although Ba Sein was expected to offer reciprocal support, there is no conclusive evidence that he formally committed himself to backing KMT operations. To facilitate this KMT–KNDO–Ba Sein collaboration, the KMT established a liaison office in Karenni State in January 1952. Later that year, Li Mi sought to capitalize on the resentment of certain Shan *Sawbwas* over the abolition of their hereditary privileges in Shan State by proposing a “Great Alliance of Sino–Burmese *Sawbwas*” in opposition to the Rangoon authorities (Taylor, 1973: 52; Gibson, 2011: 103; Chin, 2015: 101–103). In her investigative report, Catherine Lamour recounted an unverified yet significant story: Ding Zuoshao advised Li Mi to assist the Kachin, Karen and Mon in establishing a “Federal Republic of Salween.” This ambitious project aimed to forge a formidable anti-communist stronghold within Myanmar territory (Lamour, 1982: 68).

Regardless of Li Mi’s position on EAOs’ self-determination, his collaboration with the Mon and Karen amounted to a *de facto* intervention in Myanmar’s internal affairs. This strategic alignment materially strengthened

these ethnic groups in their resistance to the Myanmar state-building project.

Recruitment into the Kuomintang forces in northern Myanmar drew upon caravan traders, Chinese expatriates displaced to the Golden Triangle during the Second World War, local nationalities, and Tai militias led by *Sawbwas* in western Yunnan (Gibson, 2011: 65). Historically, both the Chinese and Burmese empires operated as tributary systems with fluid frontiers rather than clearly demarcated borders. The Shan/Tai kingdoms situated between them occupied overlapping peripheral zones within these tributary orders. Leach further notes that many Shan *muang* in northern Myanmar continued to regard the Chinese emperor as their primary sovereign as late as the mid-eighteenth century (Leach, 1999: 36, 268-269).

Post-independence Myanmar had not completed the process of state-building, and its state capacity remained insufficient to extend authority into the frontier regions. Although the PRC no longer faced civil war under CCP rule, its ability to consolidate a *Zhonghua Minzu* (Chinese) identity in the borderlands remained fragile. Under these conditions, the Tai militias recruited by *Sawbwas* in western Yunnan possibly included Shan populations in northern Myanmar whose political loyalties remained shaped by the legacy of the tributary system rather than by modern Chinese or Myanmar national identities.

A similar absence of fixed national identity characterized local communities involved in the mule caravan trade. These traders operated within a fluid transborder world structured by kinship, commercial networks and regional affiliations rather than rigid state boundaries. During my field reporting on the Kokang conflict along the Yunnan–Myanmar border in April 2015, I encountered elders belonging to local nationalities who once participated in mule caravan cross-border trade and who recalled having no clear identification with either the Chinese or Myanmar state in their youth.

Regardless of the backgrounds of those recruited by Li Mi, the very process of local recruitment obstructed Myanmar's state-building project. Whether launching counteroffensives into Yunnan under KMT command, resisting CCP incursions, or opposing *Tatmadaw* clearance operations, these frontier groups directly challenged the Myanmar state's efforts to project and consolidate sovereign authority in the borderlands.

According to Liu Yuan-lin's memoirs, the KMT initially portrayed its presence in northern Myanmar as a temporary refuge for the future "recovery of the mainland." Yangon was skeptical of such claims, but some *Tatmadaw*

units in northern Myanmar appeared to tolerate the Kuomintang presence as a form of temporary stationing (Wang, 1996). However, the KMT’s alliances with EAOs transformed this presence into a direct intervention in Myanmar’s internal affairs, intensifying Myanmar’s sovereign anxieties. Yangon brought the KMT issue before the United Nations. In 1953, the United Nations called upon the ROC in Taiwan to evacuate its exiled forces. Taipei evacuated only wounded soldiers, their families and local ethnic recruits, leaving the KMT presence largely intact (CIA, 7th April 1953).

Through continuous recruitment, the KMT forces expanded from several thousand troops to between 12,000 and 14,000 by late 1953, stretching from Kachin State to eastern Shan State (Taylor, 1973; Wang, 1996; Gibson, 2011). Given the BCP and EAO armed operations at the same time, Myanmar had to divert massive military resources toward the spillover of the Chinese Civil War. Kenton Clymer observes that by 1953, approximately 80 percent of Yangon’s forces were deployed against the KMT, which fundamentally disrupted the domestic military balance (quoted in Han, 2021: 78).

To counter the Kuomintang, Beijing also sought to reshape the social fabric and political identities of ethnic communities in northern Myanmar. According to CCP ideology, local ethnic societies along the frontier remained structured by feudal relations between elites and the masses. To prevent the KMT from exploiting these traditional hierarchies and local tensions for military and intelligence purposes, Beijing attempted to restructure frontier society by co-opting ethnic elites and cultivating patriotic consciousness among local populations (Anonymous, 2025). Beijing dispatched “Nationalities Work Teams” to the Sino–Myanmar frontier to conduct United Front operations (Yang, 2008; Han, 2021). This work extended beyond Yunnan into undemarcated areas inside Myanmar, where PRC forces detained suspected Kuomintang spies and reportedly issued “Chinese identity cards” to some Kachin residents in Hpimaw. Alarmed by growing PRC influence, Yangon convened a meeting in Lweje in February 1956 to strengthen Kachin loyalty to the Myanmar state (Maung Aung Myoe, 2011: 43).

Zhang Zizhai, then Secretary-General of the Yunnan Provincial People’s Committee, attended the meeting and later remarked that the Myanmar government was “seeking to offset China’s political influence through the conference” (quoted in Fan, 2010: 38). His statement reveals the CCP’s

attempt to compete with Yangon for political influence over the non-Burman ethnic nations along the frontier, reflecting a persistent perception among Chinese leadership that northern Myanmar historically belonged to China's tributary sphere of influence. In this context, the CCP's cross-border arrests and issuance of identity cards constituted a form of "police-tributary praxis" aimed at embedding the power and capacity of the Chinese state onto Myanmar's frontier territory. These operations not only redirected the loyalties of some frontier groups toward the PRC, thereby weakening the already undemarcated border, but also established an internal political rationale for future cross-border operations.

On 28th January 1960, Myanmar and the PRC began joint boundary demarcation and established a Joint Boundary Commission to manage the process. In order to avoid disruption from Kuomintang forces, Yangon and Beijing also concluded a memorandum in which Communist China agreed to assist Myanmar in clearing Li Mi's troops (Zhu, 2007: 271-272). Approximately one month after the signing of the Sino-Myanmar Boundary Treaty on 1st October 1960, the two sides launched joint military operations against KMT forces, forcing them to retreat into northern Thailand. Between 17th March and 30th April 1961, the ROC carried out Operation *Guolei* to withdraw KMT troops from northern Thailand to Taiwan. Yet the spillover effects of the Chinese Civil War did not disappear. After retreating into northern Thailand, KMT guerrillas adapted into new organizational and operational forms while continuing to maintain a low-visibility paramilitary and intelligence presence along the Yunnan-Myanmar borderlands.

Various memoirs and reports indicate that the ROC intelligence apparatus established an intelligence unit known as *Kuang Wu* in northern Thailand, operating under the designation of the 1920 Working Area for clandestine activities in the region. The ROC utilized Myanmar's borderlands adjoining northern Thailand as an armed-political space for intelligence gathering (Wang, 1996; Chin, 2015; Chen ed., 2025). The CCP also continued to collect intelligence in northern Myanmar through repeated incursions from Yunnan.

For Yangon, the challenge to state-building thus extended beyond the mere presence of foreign armed forces. More critically, the frontier had become a transborder intelligence-military zone in which foreign powers continued to shape local political alignments and penetrate borderland societies.

3. PRC-BCP Collusion and the Modern Zomia

3.1 BCP Grafted onto the PRC State to Survive

Myanmar adopted neutrality from the outset of independence (Maung Aung Myoe, 2011). This policy was partly rooted in the Nu–Attlee Treaty, through which Britain provided military assistance in return for the protection of British economic interests, thereby linking Myanmar to broader Western support during the Cold War. At the same time, Yangon feared that excessive alignment with the West would provoke intervention from Communist China. Fan Hongwei notes that after Myanmar signed an economic cooperation agreement with the United States, Beijing accused Rangoon of permitting imperialist activities under the guise of economic aid. In response, Myanmar’s ambassador to the PRC assured Beijing that Myanmar would never allow foreign imperialist intervention on its soil (Fan, 2012: 12-13).

This neutrality failed to prevent the PRC from supporting the BCP’s armed struggle. Despite extolling the Sino–Myanmar *Pauk-Phaw* brotherhood since the founding of the PRC, the CCP maintained clandestine ties with the BCP, and the PRC began to train Burmese communists, acting as their strategic mentor (Maung Aung Myoe, 2011: 18; Fan, 2012; Tinker, 1959; Lintner, 1990).

In April 1950, Naw Seng, a Kachin commander, escaped a government crackdown in Kachin State. Together with his followers, he crossed into Communist China through Mong Ko in Mu Se District, Shan State, where Beijing granted them unofficial asylum and later resettled the group in Guizhou Province (CIA, 1951a: 3; Lintner, 1990: 15; 2021: 58). This group later became known as the *Guizhou Laobing* (Guizhou Veterans). Lintner notes that in 1951, Liu Shaoqi urged the BCP leadership to adopt a moderate military strategy. The BCP subsequently initiated the Peace and Coalition Government (PCG), a united front with the AFPFL aimed at expelling KMT forces while simultaneously expanding the BCP’s own strength. This tactic mirrored that employed by the CCP during World War II, when it feigned cooperated with the KMT against Japan while expanding its own forces (Lintner, 1990: 17; 2021: 56).

In July 1951, sixty-three Burmese communists traveled to the PRC to receive military and intelligence training (Maung Aung Myoe, 2011: 18-19). I do not have conclusive evidence demonstrating that this group was trained specifically to implement the PCG upon its return. Nevertheless,

the training provided by Beijing indicates a significant transition in which relations between the BCP and Communist China evolved beyond the mere provision of asylum into a partnership characterized by substantive political and military support. According to the CIA, the BCP was regarded as the most dangerous insurgent group and was believed to possess the capacity to overthrow the Myanmar government within a year, facilitated by training provided by the PRC state (CIA, 1951b).

The BCP forces remaining in Myanmar attempted to implement the PCG by urging soldiers to return confiscated land to local landlords. According to Lintner, this policy angered many rural-based soldiers and triggered mass desertions, enabling Yangon to inflict a series of major defeats on the BCP after rejecting the PCG proposal (Lintner, 1990: 17; 2021: 56). Yangon remained concerned about collusion between the PRC and the BCP. Beijing continued to support Burmese communists through political and military training in Beijing, Kunming, Chongqing and Sichuan, where some cadres were incorporated into the PLA and later became known as the *Sichuan Laobing* (Sichuan Veterans). With PRC support, exiled Burmese communists also established the BCP (Overseas) as a liaison organization linking the CCP and the communist movement inside Myanmar (Yebaw *et al.*, 1969: 195-196; Maung Aung Myoe, 2011: 19-20; Lintner, 2021: 57). In January 1953, a guerrilla unit composed of Burmese communists trained in Yunnan, together with ethnic Chinese from Myanmar and PRC nationals, crossed into Myanmar (Anonymous, 1960: 16).

Before the BCP Northeastern Command was established with Chinese assistance, Beijing refrained from providing overt support to the communist forces remaining in Myanmar for three probably interrelated reasons. First, despite Yangon's concerns over the relationship between the CCP and the BCP, Myanmar actively sought to maintain cordial diplomatic relations with the PRC. During his 1954 visit to China, U Nu raised the issue of Burmese communists receiving training in the PRC, to which Mao Zedong responded that "revolution cannot be exported" under the principles of peaceful coexistence and non-interference (quoted in Maung Aung Myoe, 2011: 20). Myanmar's efforts to preserve good relations with Beijing persuaded the PRC to suspend plans to send the *Guizhou Laobing* and *Sichuan Laobing* back to Myanmar (Lintner, 1990: 19; Maung Aung Myoe, *ibid.*: 21, 35).

Second, Beijing prioritized eliminating the exiled KMT forces and wished to avoid turning Myanmar into an obstacle to anti-KMT operations.

Maintaining workable relations with Yangon was therefore strategically necessary.

Thirdly, the widening Sino–Soviet split encouraged Beijing to cultivate Myanmar diplomatically in order to prevent Soviet influence from expanding into the country. Mao Zedong regarded Khrushchev’s advocacy of the “parliamentary road” and “peaceful coexistence with the West” as a betrayal of Marxism–Leninism, while Moscow’s neutrality during the 1959 Sino–Indian border clashes further deepened tensions between Beijing and the Soviet Union (Shen, 2016; Radchenko, 2023). Concerned that excessive pressure on Yangon might push Myanmar closer to Moscow, Beijing initially avoided providing overt support to the BCP.

History rarely unfolds in a linear fashion. As the Soviet Union increasingly inserted itself into Sino–Myanmar relations and anti-Chinese riots erupted in Myanmar in 1967, the PRC intensified its support for the BCP and eventually assisted in the establishment of the BCP Northeastern Command.

Following his 1962 military coup, Ne Win introduced the “Burmese Way to Socialism” (Brown, 1994; Smith, 1999). According to a declassified ROC document, Ne Win invited several influential communist-linked armed figures into the cabinet in an attempt to sever the PRC’s support for the BCP insurgency. However, the BCP’s continued armed activities during ceasefire negotiations convinced Ne Win to eradicate the communists. Ne Win’s regime was divided between pro-PRC and pro-Soviet factions. While the pro-PRC camp advocated adopting Chinese governing methods, Ne Win leaned toward the Soviet model (MOFA of ROC, 1969–1970: 52, 62). In an open letter dated 6 September 1963, titled “The Origin and Development of the Differences Between the Leadership of the CPSU and Ourselves,” the CCP criticized the CPSU for mistakenly promoting “Soviet–American cooperation” as the means of resolving Cold War issues (Editorial of People’s Daily, 1963). Thereafter, the CPSU criticized the CCP for its “dogmatism,” while Beijing accused the Soviet leadership of descending into “revisionism” and “opportunism.” On 27th August 1964, the military regime issued a notification clarifying that the “Burmese Way to Socialism” was not communism but rather a unique path tailored to Myanmar’s national circumstances (MOFA of ROC, *ibid.*).

Fan Hongwei notes that Mao Zedong issued nine open letters criticizing the CPSU, while in 1965 the CPSU publicly praised Ne Win’s “Burmese

Way to Socialism.” Given that the Yangon authorities denied that their left-leaning policies constituted communism and sought to eliminate the BCP while publicly adopting a pro-Soviet stance in domestic governance, the CPSU’s commendation convinced the CCP that only those who steadfastly supported Beijing in the Sino–Soviet ideological rift were true revolutionaries committed to “Marxism” (Fan, 2012: 136–139, 144). The so-called true revolutionaries included the *Guizhou Laobing*, the *Sichuan Laobing*, and most importantly, the BCP forces that persisted in Myanmar to confront the Yangon authorities.

Within this context, Myanmar was no longer merely a neutral Third World state but a strategic frontier in the escalating Sino–Soviet split. As Ne Win distanced his regime from communism and intensified military campaigns against communist insurgents, the PRC increasingly treated support for the Burmese communists as a strategic means of preserving its influence in Myanmar. Communist China chose to openly export revolution by establishing a political-military foothold inside Myanmar. This foothold ultimately took institutional form in the establishment of the BCP Northeastern Command in 1969.

3.2 *BCP Northeastern Command: Buffer State, Modern Tributary and Modern Zomia*

Yangon’s suppression of Kachin traditions and territory encouraged the emergence of armed resistance. The imposition of government-appointed officials over the traditional *Duwa* system and the dissolution of the Kachin 101 Special Force were widely perceived as assaults on Kachin autonomy and identity (Sadan, 2013: 322–325; Cockett, 2016: 168–169). According to my Kachin sources, the 1960 Sino–Burmese Boundary Treaty, which transferred Hpimaw, Gawlum, Kangfang and territories associated with the Panhung and Panlao tribes to China, was widely regarded as a serious violation of Kachin autonomy and provoked widespread anger within Kachin society. Against this backdrop, the Kachin established the Kachin Independence Organization (KIO) in 1960 and its armed wing, the Kachin Independence Army (KIA), in 1961 to pursue armed self-determination.

In Shan State, the Yangon authorities stripped the Shan of their autonomy by progressively weakening *Sawbwa* authority. Radical Shan elites responded by forming the Shan State Independence Army (SSIA) in 1958 to fight for the preservation of the *Sawbwa* system. After the first armed clash

with the Myanmar government in 1959, tensions escalated rapidly. The moderate Sawbwa Sao Shwe Thaik advocated a loose federal arrangement granting genuine autonomy to Shan State, but following Ne Win’s 1962 coup, he and other moderates were arrested. This repression prompted other *Sawbwas* to establish the Shan State Army (SSA) in 1964 in pursuit of self-determination (Brown, 1994: 57-58). The Myanmar civil war consequently expanded deeper into the northern frontier.

The protracted civil war posed a profound challenge to the political legitimacy of the state and further weakened Yangon’s capacity for state-building. During this period, the PRC sought to mobilize Chinese communities in Myanmar through the Cultural Revolution, encouraging expressions of loyalty to Beijing. This mobilization contributed to the anti-Chinese riots of 26th June 1967, known as the “626 anti-Chinese Incident” (Fan, 2012; Steinberg and Fan, 2012). Beijing portrayed the incident as an anti-China conspiracy orchestrated jointly by the Myanmar government, US imperialism and Soviet revisionism. Beijing even labeled Ne Win the “Chiang Kai-shek of Burma,” driving bilateral relations to their lowest point (Maung Aung Myoe, 2011: 71-80). Given this situation, the PRC began officially providing support to the BCP, including military training and the construction of strategic roads linking Kunming to the Sino-Myanmar border.

In 1967, Beijing launched a ten-year assistance program that provided annual funding for the establishment and operation of the BCP Northeastern Command (Smith, 1999: 248). A group of KIA leaders traveled to Beijing in November of the same year. After receiving promises of arms from the PRC to fight the Myanmar government, these leaders aligned their KIA units with the communist camp. In 1968, Naw Seng’s Kachin forces, which had previously taken refuge in Guizhou, together with Pheung Kya-shin’s Kokang units, which had undergone training in Yunnan, re-entered Myanmar with PRC military support. They captured several towns along the Sino-Myanmar border in Shan and Kachin States. In October 1969, the BCP Northeastern Command was formally established (Lintner, 1990: 26; 2021: 66-70).

Around this period, Mahasang, the ruler of Ving Ngun State in the Wa Hills, collaborated with local Wa EAOs and KMT remnants in the opium trade. These KMT forces operated under the command of the Intelligence Bureau of Taiwan’s Ministry of National Defense. Fearing that the KMT

might rebuild its influence in northern Myanmar through the narcotics network after withdrawing to northern Thailand, the PRC accelerated its United Front work to co-opt local EAOs (Lintner, 2003: 252-261; Winn, 2024: 132). By 1970, the CCP had successfully incorporated Wa leaders Zhao Nilai and Bao Youxiang, as well as the Akha leader Lao Er Ji Pyao and his followers. The Pa-O Shanland Nationalities Liberation Front (SNLF) also joined the BCP Northeastern Command. Through the provision of arms and ammunition, the communist camp further attracted more KIA units and established cooperative relations with the SSA (Lintner, 2019: 316; 2021: 84-85; Winn, 2024: 107-109).

Beijing's open support for the BCP Northeastern Command was concentrated primarily between the 1967 anti-Chinese riots and 1971. Following the gradual normalization of Sino-Myanmar relations after the severe deterioration triggered by the 1967 anti-Chinese riots, Beijing adopted a less overt approach toward supporting the BCP after 1971 (Smith, 1999: 249). However, the PRC did not abandon its export of communist revolution to Myanmar. As C. B. Smith notes, the PRC separated foreign relations into state-to-state and party-to-party dimensions, with the CCP defining its relationship with the BCP strictly as party-to-party ties (Smith, 1984: 8). As a result, diplomatic relations with Myanmar did not prevent the CCP from continuing to provide resources to the BCP Northeastern Command and assisting in the development of its institutional structures.

In March 1971, the CCP established the People's Voice of Burma radio station in Yunnan to broadcast the BCP's military campaigns, to conduct united front propaganda, and to mobilize the Myanmar populace. The CCP further assisted in constructing hydroelectric power plants at the BCP headquarters in Pangkham, while providing medical care for wounded BCP soldiers in Yunnan (Lintner, 1990; Smith, 1984). The PRC's PLA frequently entered the Northeastern Command to provide training or participate directly in combat. According to the National Security Bureau of the ROC, on 12th November 1973, the mixed CCP-BCP troops instructed the BCP 8th Brigade to employ a series of tactical maneuvers, including ambushes, surprise attacks, sparrow warfare and landmine warfare; such methods were the conventional insurgent tactics utilized by the CCP (NSB of ROC, 1973: 159). In mid-May 1974, the CCP dispatched cadres into Myanmar to take charge of the military and political education of the BCP (NSB of ROC, 1974: 168).

Large numbers of Chinese volunteers crossed the border to join the BCP Northeastern Command, making Mandarin the principal language in BCP-controlled territory (Winn, 2024). Under CCP patronage, the BCP established brigade- and battalion-level combat units responsible for defending specific sectors of its controlled territory. Beijing supplied not only weapons, but also printing equipment, vehicles, fuel, food and other essential materials (Smith, 1984: 7-8; Lintner, 1990: 26; 2003: 268-285; 2021: 81-82; Sai Kham Mong, 2005: 12-14). In summary, the BCP Northeastern Command possessed its own systems of administration, education, taxation, policing and military, underpinned by fortified borders. Within the Command, all vehicles displayed license plates issued by the BCP headquarters. Consequently, the BCP Northeastern Command functioned as “a *de facto* buffer state” between Communist China and the government-held areas of Myanmar (Lintner, 2003: 282, 2019: 308).

The BCP Northeastern Command performed the four primary state functions identified by Giddens: allocation, demarcation, delimitation and administration (Giddens, 1985). Although it lacked legitimate sovereign jurisdiction and may therefore be regarded as a *de facto* buffer state, its relationship with the PRC more closely resembled a modern tributary system. Thongchai argues that pre-colonial tributary states maintained security through flexible and overlapping relationships with major powers rather than through fixed territorial boundaries (Thongchai, 1994). By contrast, the BCP Northeastern Command survived through structural dependence upon the PRC state, reproducing a modern form of tributary dependency under Beijing’s patronage.

The Command operated within Myanmar’s *de jure* sovereign territory while remaining beyond effective state control; it may also be understood as a form of modern *Zomia*. James C. Scott argues that the resistance of EAOs against the Myanmar State reflects the post-colonial condition of *Zomia*, a region historically characterized by the evasion of state rule (Scott, 2009: 179-182). The Wa guerrillas resisted external interference in their traditional institutions and way of life through armed struggle (Sai Kham Mong, 2005: 22-23; Ong, 2023: 70-75). Likewise, the early SSA and KIA movements pursued independence from Myanmar. For these EAOs, the Myanmar State represented a “sovereign other” claiming jurisdiction over their territories. Yet by the late 1960s, many *Zomia* groups that theoretically should have resisted incorporation into any state order were drawn into the

BCP Northeastern Command under the influence of another sovereign other: the Communist China.

Bolstered by PRC support, the BCP Northeastern Command sought, through armed struggle, to dismantle the governing authority of the Myanmar State and reshape the Myanmar political community. I possess no conclusive evidence that these EAOs abandoned their original political agendas after aligning with the BCP. Their relationship with the PRC instead suggests that they did not reject state authority per se, but rather contested the legitimacy of the Myanmar State itself. Nor did their acceptance of the PRC as a sovereign other necessarily imply a willingness to submit to Communist Chinese rule, particularly among those EAOs that joined the communist camp primarily to obtain arms and ammunition rather than ideological training.

Under these circumstances, the BCP Northeastern Command—a geopolitical entity spanning Shan and Kachin States—emerged as a form of modern *Zomia*. It simultaneously rejected the sovereign authority of the Myanmar State while remaining structurally dependent upon, and closely connected to, another state: the Communist China (Chao, 2020).

Regardless of whether the BCP Northeastern Command is defined as a *de facto* buffer state, a modern tributary, or a modern *Zomia*, this situation did not last long. After 1976, an internal power struggle erupted within the CCP between the far left and the reformists, during which the BCP leadership stood with the far-left faction. Once the reformists emerged victorious and consolidated control over the PRC, they initiated the “Reform and Opening-up” policy and ceased exporting communist revolution. Given the political change, Beijing began to reduce its support for the BCP. The reduction of PRC support for the BCP did not enable the Myanmar government to strengthen its governance over the northern frontier or to consolidate sovereignty for continued state-building. A CIA report notes that by late 1981 the BCP had established smuggling corridors in Karenni State along the Thai border. This development posed a dual threat to the Myanmar government by expanding the BCP’s transborder networks while simultaneously disrupting communications between Yangon and northern Myanmar (CIA, 1982: 3).

Nevertheless, the CCP eventually terminated all assistance to the BCP forces in 1984 (Lintner, 2003: 28; Steinberg & Fan, 2012: 138-139). According to Shi Lei, son of the former *Tusi* (*Sawbwa*) of Munai in Yunnan’s

Lancang County, the BCP once adopted a financial self-reliance policy after Chinese aid ceased. In the BCP headquarters, apart from the radio station built with Chinese assistance, most of the buildings were thatched huts, while irrigation systems deteriorated. Shi therefore argues that the termination of CCP financial support sounded the death knell for the BCP Northeastern Command (Shi, 2012: 180-181). During my fieldwork in Pangkham in 2015, interviewees also identified the withdrawal of Chinese support as a decisive factor in the BCP’s collapse. But other factors served as the final nails in the coffin for the BCP Northeastern Command. These included the escalating tensions between the BCP political leadership and its combat units, as well as the strategic opportunity that Yangon seized from the change in PRC foreign policy to reassert dominance over the process of state-building.

The BCP leadership was dominated by Burman elites, while its combat units consisted largely of non-Burman ethnic groups. As Burman leaders directed operations from relative safety, non-Burman soldiers bore the overwhelming human cost of the conflict. Lintner notes, for example, that the BCP leadership once ordered Wa troops to conduct human-wave assaults, producing devastating casualties among the Wa population (Lintner, 2021: 86). The Burman leadership remained committed to Maoism, whereas many non-Burman combat units became increasingly alienated from the ideology. Following China’s “Reform and Opening-up,” Beijing shifted towards prioritizing border stability and cross-border economic connectivity with Myanmar. After the failure of Myanmar’s 1988 pro-democracy movement and Ne Win’s resignation, the new military regime made use of this change in PRC policy by offering ceasefires, limited autonomy and arms retention to EAOs willing to abandon the BCP (Chen and Wang, 2003; South, 2008; Shi, 2012; Lintner, 1990, 2003, 2021). Alienated from Maoism and dissatisfied with BCP policies, the non-Burman armed units defected from the BCP and formed their own EAOs.

Following the collapse of the BCP Northeastern Command, former communist ethnic forces reorganized into new EAOs and were granted Special Regions by the Myanmar government. These included the Myanmar National Democratic Alliance Army (MNDAA) in Kokang (Shan State Special Region 1), the United Wa State Party/United Wa State Army (UWSP/UWSA) in the Wa areas (Shan State Special Region 2), the National Democratic Alliance Army–Eastern Shan State (NDAA-ESS, the Mong La

Army) in Mong La (Shan State Special Region 4), and the New Democratic Army–Kachin (NDA-K) in Kachin State (Kachin State Special Region 1).

For Yangon, the collapse of the BCP Northeastern Command appeared to restore the state's capacity for state-building in Myanmar. Yet the former BCP EAOs retained substantial autonomy within the Special Regions, while PRC influence over the frontier persisted. Myanmar's state-building process therefore remained constrained by the triangular relationship between the PRC, the northern EAOs and the Myanmar government.

4. Conclusion

Myanmar's state-building was shaped from the outset by two pre-programmed crises: the demands of non-Burman ethnic groups for autonomy and the revolutionary project pursued by the BCP, whose vision of independence diverged fundamentally from Burman nationalism. The spillover of the Chinese Civil War after 1949 fused these internal crises with Cold War geopolitics, transforming northern Myanmar into a frontier contested by the KMT, the PRC, the Myanmar government and multiple EAOs.

The retreat of KMT forces into northern Myanmar reshaped the frontier balance and provided the PRC with justification for repeated cross-border intervention. During the Cold War, alliances between the KMT and non-Burman EAOs increasingly fused ethnic self-determination struggles with global geopolitics, further weakening the legitimacy of the nascent Myanmar State. Beijing later combined rhetorical *Pauk-Phaw* diplomacy with the export of revolution through the BCP Northeastern Command, transforming northern Myanmar into a geopolitical entity structurally dependent upon China and functioning simultaneously as a *de facto* buffer state, a modern tributary system and a modern *Zomia*.

The collapse of the BCP Northeastern Command in 1989 did not restore national unity but instead institutionalized fragmented sovereignty through the establishment of Special Regions controlled by former BCP EAOs. Although Beijing abandoned revolutionary exportation, the PRC continued to sustain influence through economic dependency and security mediation. Myanmar's state-building thus remained constrained by the triangular relationship between the PRC, the northern EAOs and the Myanmar government, where formal unity concealed substantive fragmentation (Kahrl, Weyerhaeuser & Su, 2004; Lintner, 2021; Ong, 2023).

Myanmar’s experience exposes a profound paradox: as the borders of the modern nation-state became clearer, the internal divisions within those borders grew deeper. The interlocking layers of colonial legacy, securitized statecraft, and geopolitical penetration have formed a self-reinforcing structure of fragmentation. When unity is imposed through violence rather than established through consent, “shared statehood” remains a hollow incantation. “Myanmar” persists as a contested name, unaccepted by many of its “people,” because the project of state-building was never fully realized. This imagined community once sought to materialize a vision of unity, yet it remains, in many respects, an unfinished political imagination.

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Maintain Stability, Make Compromise: Myanmar's Relations with China After the 2021 Coup d'État

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Abstract

Departing from the perspectives of geostrategy and bilateral relations, and elaborating on Myanmar's geopolitical position within China's strategic context, this paper examines the reasons behind the tendency towards stabilization and compromise between the two countries following the 2021 coup d'état in Myanmar. Studies have found that from a geostrategic perspective, Myanmar's uniquely significant strategic position has led to China's reluctance to take a hardline stance when it comes to military coups in Myanmar. From the angle of bilateral relations, a strong sense of "relationalism" is observed in the exchanges between China and Myanmar. While China's primary expectation is for existing interests and tacit understanding to remain unaffected after the coup, the military regime has also chosen to deepen its ties with China in exchange for support as Myanmar's civil war continues to spiral out of control. Under this interest-oriented trade-off, China–Myanmar bilateral relations seem unshaken or undamaged after the 2021 coup.

Keywords: *China, Myanmar, Military Coup, Geostrategy, Bilateral Relations.*

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1. Preface

On 1st February 2021, Myanmar's military launched a coup a few hours before the nation's newly elected parliament was scheduled to meet. President Win Myint, State Counsellor Aung San Suu Kyi, government cabinet officers, and several senior National League for Democracy (NLD) members were detained, with the democratically re-elected NLD government deposed. The coup put a halt to Myanmar's 10 years of democratic experimentation seeking to achieve a civil-military balance of power and once again plunged the nation into chaos, with anti-junta groups rising to fight the military regime.

Within a day of the coup, the United States and many European countries released statements of strong condemnation and the need for immediate reviews of sanction laws, followed by appropriate action to defend democracy (*Rti*, 2021). In contrast to the economic sanctions imposed by Europe and the United States, during an informal online meeting on the political crisis in Myanmar, the ten foreign ministers of the Association of Southeast Asian Nations (ASEAN) reaffirmed ASEAN's principle of "non-interference in the internal affairs of one another." As Myanmar's largest trading partner, China has long protected Myanmar from international scrutiny at the United Nations Security Council. Only stating that it was "highly concerned," China showed reluctance in expressing condemnation of the situation in Myanmar and even avoided using the word for "coup." This led to some outside speculation that China was in support of or tacitly approving of the coup by the Myanmar military (Sun, 2024). However, the detailed reasons behind why China, as a close neighbor of Myanmar, has maintained amicable relations with Myanmar after the 2021 coup and its unwillingness to condemn Myanmar are matters that should be carefully examined and analyzed.

The most discussed aspect of China–Myanmar relations before the 2021 coup is economic cooperation (for example, the Belt and Road Initiative) and its associated risks, while this paper will explore how China responded to Myanmar's near "state failure" following the 2021 coup. This paper departs from the perspectives of geostrategy and bilateral relations, and proposes the following two research hypotheses: 1. Myanmar is an important strategic partner for China's expansion into the Southwest region, which makes China reluctant to take a hardline stance when it comes to military coups in Myanmar. 2. A strong sense of "relationalism" is observed

in China–Myanmar bilateral relations. Consequently, after the coup, rather than echoing the hardline stance of the United States and European nations, China's primary expectation is for existing interests and tacit understandings to remain unaffected. In other words, the core thinking behind China's policy toward Myanmar after the coup is not simply aligned with the “authoritarian alliance” hypothesis in international relations theory—supporting the Myanmar military based on ideological preferences for a similar regime—but instead places emphasis on “strategic hedging” and “pragmatic diplomacy,” prioritizing stability and the ability to fulfill cooperation.

To support the aforementioned hypotheses, this paper is divided into the following sections: Section 1 provides a preface with a brief introduction to the research question and the hypotheses; Section 2 focuses on the theoretical perspective and implications for the approach of bilateral relations; Section 3 examines the details of the coup in Myanmar and the current situation; Section 4 delves into the geopolitical role of Myanmar under China's strategic thinking; Section 5 involves the collection of relevant information to organize the details in China–Myanmar bilateral relations after the military coup of 2021, summarizing further the objectives that China and Myanmar wish to ensure through their bilateral relations; and lastly, Section 6 concludes by consolidating and presenting the paper's findings.

2. Approach of Bilateral Relations

Compared to the prolific studies on international relations focusing on multilateralism (such as research concentrations on balance of power, new institutionalism and constructivism, which are all based on the epistemology of multilateral relations), authoritative publications on bilateralism are far less significant, which is why the term has yet to be comprehensively defined.

Nevertheless, definitions for “bilateralism” have been provided by some scholars; for example, Liu and Pong (2007) have argued that bilateralism refers to how two countries coordinate their relations through interaction, negotiation, or they have even reached agreements or signed treaties, and there is an apparent exclusion of countries outside the two countries involved. On the other hand, according to Qiu and Gu (2007), bilateralism refers to a bilateral agreement between two actors with particular shared interests, and based on the principles of self-interest and flexibility, they proceed to determine each other's rights and obligations, intending to realize their own interests or to solve immediate dilemmas.

An induction and analysis of bilateralism proposed by scholars in Taiwan can be read in the paper, “Bilateral Approach to International Relations: Post WWII UK and Its Policies toward the US and the PRC,” co-authored by Huang and Shih (2015). For the induction portion, taking into consideration various academic proposals, the authors argue that bilateralism refers to the actors of two countries accepting a particular mode of engagement to realize their respective interests, with them establishing bilateral relations unique to those of other countries; this can be considered both a belief and an approach (Huang & Shih, 2015: 40). They further analyzed that bilateral relations may become a way to resolve deadlocks when multilateral relations are constrained or when bottlenecks arise, because bilateral relations are often less constrained by the principles or mechanisms of governance under multilateralism and can transcend the values and demands in multilateral relations (Huang & Shih, 2015: 41).

In other words, the actors involved in bilateral relations usually engage in discussions on mutual benefits and reciprocity based on a foundation of geography, ethnicity, religion, or ideology, and this is approached without considering differences in power between the two sides. Therefore, there is a strong sense of “relationalism” in bilateral relations, where consensual values are less emphasized than in multilateralism, and where both sides only cooperate according to their own needs, in which case, keeping commitments is integral to maintaining a stable relationship. Especially when a country undergoes a significant political change or even the rise of new leadership, whether the established tacit understanding behind the bilateral relations has been loosened or broken will be an essential factor that the state actors would wish to ensure. In other words, whether a single event (international or domestic) has affected or reinforced the original relations between the two sides is also important to consider when analyzing the two sides’ bilateral relations (Huang & Shih, 2015: 47).

Therefore, this paper argues that “relationalism” can explain why China is unwilling to adopt tough sanctions when facing the turmoil of the Myanmar coup. Instead, it treats its response to this major event as a form of relationship management, safeguarding its own interests by maintaining ties with all parties in Myanmar (the military government and ethnic armed groups), and cultivating social capital whereby “Myanmar cannot do without China, and China understands Myanmar,” rather than falling into a simplistic right-or-wrong debate that could easily lead to a rupture in bilateral relations.

This paper examines the development and changes in China and Myanmar's bilateral relations after the coup in 2021 and analyzes how China assesses and chooses between "safeguarding bilateral relations" and "condemning the Myanmar military junta" to see whether the tangible benefits of the bilateral relations outweigh the benefits of attacking Min Aung Hlaing's regime. After weighing and calculating the relative benefits, China has opted to condone and proceed with a model of stabilization for engaging with Myanmar. The following is a brief overview of the events leading up to the 2021 coup in Myanmar and the current situation.

3. 2021 Myanmar Coup and Current Situation

On 8th November 2020, Aung San Suu Kyi and her party, the National League for Democracy (NLD), once again defeated other opposition parties in Myanmar's parliamentary election by winning an overwhelming number of seats, which once again gave the NLD a parliamentary majority and successfully extended the party's advantage of having ruling majority since the 2015 general election. Compared to the 2015 election, the NLD had won more seats in 2020, taking 83 per cent of the electable seats. The Union Solidarity and Development Party (USDP), which represents the military regime, attempted to win back people's support before the election by demonstrating its strength in "economic" and "national security" issues, but the result was far from satisfactory. The USDP's election results were worse than those of 2015, which showed that the people of Myanmar have remained skeptical of the military, and the decade-long ongoing conflict between the military and the NLD was then on the verge of eruption.

As the newly elected members of parliament prepared to take office on 1st February 2021, the Myanmar military repeated the coup launched by General Ne Win in 1962 and overthrew the civilian government. Claiming that the 2020 election was a fraud that divided the country, the military junta then detained senior government officials, including President Win Myint, State Counselor Aung San Suu Kyi, and other key NLD officials. Citing the 2008 constitution, which granted powers to the military, the junta took over the government and proclaimed a year-long state of emergency. Around 400 newly elected members of parliament were placed under house arrest, and governors in 14 provinces across the country were arrested, with opposition groups suppressed by the armed forces. During this time, power was seized by Commander-in-Chief of the Myanmar Defence Services Min Aung

Hlaing, and Myint Swe, a military representative, became acting president. This disregard for democracy and forcible seizure of power led some in Myanmar, as well as some European countries and the United States, to issue statements within a day of the incident, calling what happened a “military coup” (Szu-Tu, 2021: 38).

Compared to Thailand and its “coup addiction” (it has had 21 military coups since 1932), there have only been three coups thus far in Myanmar’s history: The first coup took place in 1962 and was initiated by military strongman Ne Win, who overthrew the elected civilian government of U Nu, thereby putting Myanmar under military rule for over half a century. The second time was in 1990, when the NLD won by a landslide in the parliamentary election, winning more than 80 per cent of the seats; the military-backed National Unity Party (NUP) had only won about 2 per cent. However, refusing to recognize the election results, the junta did not hand over power and insisted that drafting a new constitution was needed before power could be transferred. The junta also insisted that the parliament would not convene until the new constitution was promulgated. The third coup was the one that unfolded in 2021.

Resistance against the 2021 coup is still ongoing, and the number of casualties continues to rise under the military crackdown. According to the Assistance Association for Political Prisoners (AAPP), as of March 2025, 6,400 people have died as a result of the junta’s brutal crackdown, and 28,812 people have been arrested for taking part in protests (Assistance Association for Political Prisoners, 2025). All these signs have led the world at large to adopt a pessimistic outlook on Myanmar’s political development, with the military’s seizure of power in 2021 not only imposing a catastrophic blow to the country’s path of reform and opening up, which had shown signs of stabilization since 2010, but also making it difficult for the country’s democratic development to return to the right track in a short period. Anti-military groups, including the National Unity Government (NUG), the People’s Defense Force (PDF), and other civil society organizations, are still in opposition to the military junta.

Amongst them, the NUG was established on 16th April 2021 according to the Federal Democracy Charter issued by the Committee Representing Pyidaungsu Hluttaw (CRPH) on 31st March of the same year, with the committee members made up of NLD members of parliament who were elected in 2020 but were unable to take office due to the coup, as well

as some ethnic group leaders. Subsequently, on 5th May 2021, the NUG formally recognized the PDF as its armed wing, whose mission is to end the attacks and atrocities committed by the Myanmar military junta against the people. It became a precursor to the future Federal Union Army (FUA). The PDF has commands in Mandalay, Bago, Sagaing, Chin State, and Kayah State, and it has also established independent alliances with some ethnic armed groups (Karen National Liberation Army, Kachin Independence Army, Myanmar National Democratic Alliance Army, Chin National Army, and Karenni Army). By 2023, the two sides began to carry out joint operations, and they formed a military encirclement in central Myanmar in 2024, extending control over major transportation hubs connecting to the borders of China, Thailand, India, and Bangladesh (Lin, 2024: 152).

Based on the above, the aftermath of the February 2021 coup has escalated Myanmar's previous "low-intensity regional civil war" to the scale of "high-intensity nationwide civil war" (Lin, 2024: 126). However, none has yet been able to break the standoff, and the resistance forces' advantage is limited only to specific regions, while still being unable to disrupt the core areas controlled by the junta. However, as the civil war escalates, the PDF has also started to work more closely with ethnic armed groups, while the junta is facing difficulties with soldier recruitment and low morale, thus resorting to expanding its armaments, such as purchasing bombers from China and Russia and rocket launchers from China. In 2022 alone, the junta's purchases of military equipment increased by 360 per cent (Abuza, 2023). Indisputably, China and Russia have continued to provide military, diplomatic, and political support to the junta in Myanmar, and China also has influence and control over some ethnic armed groups (especially the various groups in the Shan State that belong to different factions). By helping to relieve military pressure on the Min Aung Hlaing regime, China can use it as a bargaining chip for negotiating exchanges to benefit its own interests.

It is observed that since the beginning of the coup, different stances have been taken by the international community, which can be generally categorized into those with "strong condemnation" or those that have expressed "no condemnation": First, the US has taken a stance of "strong condemnation" and has stated it would necessitate reviews of sanction laws, followed by appropriate action to defend democracy. British and European Union leaders have also defined the incident as a military coup at the outset and strongly condemned the Myanmar military junta's illegal detention of

the country's leading figures. On the other hand, China represents the "no condemnation" side, and the statement released by China after the coup simply expressed its hope that all parties in Myanmar can adequately handle their differences within the framework of their constitution and laws and seek to maintain political and social stability. Other ASEAN countries such as Thailand, Cambodia, and the Philippines also considered the coup an internal affair of Myanmar and have no intention of intervene.

In 2011, Thein Sein, who came from a military background, became Myanmar's president and unexpectedly took various measures to implement reforms and open the nation. This led many organizations and experts to believe that Myanmar was gradually moving towards opening up. Then US President Barack Obama even visited Myanmar in 2012 to express his support for the country's democratic reforms. In 2016 (after the NLD assumed power in Myanmar), Obama announced the lifting of US sanctions on Myanmar. However, before 2011, the West, led by the United States, had virtually no exchanges with Myanmar, and Myanmar's most important diplomatic partner has always been China. The next section of this paper focuses on the geopolitical role of Myanmar under China's strategic thinking, which is followed by an analysis of the development of China and Myanmar's bilateral relations after the coup in 2021.

4. Myanmar's Geopolitical Role Under China's Strategic Thinking

In terms of regional location, scholar Ahkar Soe has asserted that Myanmar can act as a "land bridge" due to its strategic location at the hub of the tri-junction connecting Southeast Asia, South Asia, and East Asia, which allows it to facilitate regional economic and industrial connectivity (Soe, 2019: 128; Lin, 2020: 134). Geographically, Myanmar is the only ASEAN country that is connected to the two major economies of China and India, and it also neighbors Thailand, Laos, and other countries in the Southeast Asian sub-region, so it can be seen as a key transportation route, regionally and even globally. Moreover, Myanmar can connect to the critical Greater Mekong and Bay of Bengal sub-regional economic blocks, which can overlap and form a multi-level sub-regional economic circle in Southeast, South, and East Asia. Additionally, the country is home to abundant energy and mineral resources, ample arable land, and a young labor force, making it capable of becoming an emerging production center and consumer market in Southeast Asia (Lin, 2020: 129).

Myanmar's importance as a "new crossroads of Asia" is also reflected in the competition between China and India for the country's transportation infrastructure, energy pipelines, and deep-water port development projects (Szu-Tu, 2021: 20). As Thant Myint-U, a prominent scholar of Myanmar, has argued, whichever of the two countries takes control of Myanmar will have a new and unprecedented niche to capitalize on its "two-ocean" advantage and become a world superpower (Thant Myint-U, 2012). For China, Myanmar is an important neighbor to the southwest; the two share a border of more than 2,100 kilometers, about one-tenth of China's land border. As Myanmar is of significant economic and strategic importance to China's southwestward outreach and development and can extend China's geopolitical influence on both land and sea, China has, therefore, always regarded Myanmar as a key partner in its regional development.

In the case of the Belt and Road Initiative, for example, although Myanmar was not on China's official route for the initiative, China still invited then State Counselor Aung San Suu Kyi to participate in the Belt and Road Forum for International Cooperation on 14th and 15th May 2017, suggesting Myanmar's critical role in the initiative. The reason is that through Myanmar, China can bypass the uncertainties of the South China Sea and the Strait of Malacca and reach the Indian Ocean from Yunnan Province. Under the same concept, China has also been actively seeking to obtain operating rights to the Kyaukphyu Port in Rakhine State in western Myanmar, which can serve as the starting point of the China–Myanmar oil and gas pipelines to Yunnan (Liang, 2017).

Subsequently, on 19th November 2017, China's Foreign Minister Wang Yi visited Myanmar and proposed to build the China–Myanmar Economic Corridor (CMEC), a 1,700-kilometer inverted Y-shaped corridor that will start in Kunming, the capital of China's Yunnan Province in the north, extending south to Mandalay, the second-largest city in central Myanmar, and then diverting further southward to Myanmar's economic center, Yangon, with the other side extending westward to Kyaukphyu in Rakhine State. The project will also include several significant developments, including the Kyaukphyu Deep-Sea Port, the Kunming–Kyaukphyu Railway, the Muse-Mandalay Railway, the New Yangon City development project, economic cooperation zones in Kachin State and Shan State, and the restarting of the Myitsone Dam project. Undeniably, the most crucial value of this economic corridor is that it will allow China to open up the 1,470

kilometer route from Kunming to Kyaukphyu to reach the Indian Ocean from the southwest, bypassing the US and Japan's encirclement in the South China Sea, and it would also eliminate the need for freight transport to pass through the long and unpredictable Strait of Malacca (Liang, 2019).

On 9th September 2018, Myanmar and China signed a memorandum of understanding to establish the economic corridor, with construction beginning in early 2019. However, some of the development projects proposed by the Chinese side were put on hold due to a lack of consent from the Myanmar side. During Chinese President Xi Jinping's visit to Myanmar in early 2020, he met with Aung San Suu Kyi and specifically urged both sides to place higher priority on the role that the Kyaukphyu Port would have in driving the China–Myanmar Economic Corridor and to accelerate border economic cooperation and the construction of the New Yangon City, as the economic corridor could lead to a state of stabilization for the northern, eastern and western ends of the corridor (Lin & Miu, 2020).

Based on the aforementioned, China attaches great importance to the geographic role of Myanmar. From China's perspective, implementing the China–Myanmar Economic Corridor will give the country the strategic advantage of expanding economic and trade access to the Bay of Bengal and the Indian Ocean and then alter China's development paradigm from southwest China to the western Indochina Peninsula. Therefore, despite the military junta's seizure of power in 2021 through launching a coup, Beijing only cautiously expressed its "serious concern" immediately after the coup had taken place, and from China's point of view, ensuring that the subsequent military government (regardless of the kind of measures it had taken) would still cooperate with China's geostrategic plans in Myanmar, or even extend more goodwill in China's interests would be far more beneficial to China than echoing the international community's grave criticism of the military junta's approach.

5. Changes in China–Myanmar Bilateral Relations Development

In 2016, Aung San Suu Kyi began governing Myanmar in ways that ruled above the president, and she visited China in her first year in office, hoping to work with Beijing to find a solution to the civil war in northern Myanmar. She also later supported the Belt and Road Initiative in hopes of gaining China's support of Myanmar's national reconciliation and even reached an agreement on the objective described as "China–Myanmar community with

shared future” with Xi Jinping in early 2020; however, China’s strategy with Myanmar has always been to engage with both sides and maintain similar relationships with the NLD and junta leaders, suggesting that it has never forgone close ties with the military (Ho, 2021).

When Min Aung Hlaing visited China in April 2019, Chinese President Xi Jinping and Vice Chairman of the Central Military Commission of the People’s Republic of China met him in person, where the two sides exchanged views on military and security issues such as strategic cooperation and the situation in northern Myanmar and also discussed the development of the Belt and Road Initiative and border trade between China and Myanmar. Subsequently, in July 2020, Chinese Ambassador to Myanmar, Chen Hai, also exchanged views with Min Aung Hlaing in Naypyidaw on implementing the China–Myanmar Economic Corridor, with positive support expressed by the military. When China’s Minister of Foreign Affairs Wang Yi visited Myanmar in mid-January 2021, he met not only with Win Myint and Aung San Suu Kyi, but also with Min Aung Hlaing. Based on the above discussion, it is clear that China attaches great importance to Min Aung Hlaing and is aware of the fact that the Commander-in-Chief of Defence Services holds power and influence that extend above the military, which means that Min Aung Hlaing’s support would be crucial for any major development project to take place in Myanmar. This also explains why China has opted not to condemn the 2021 military coup, and similarly, when the international community rejected Myanmar over the Rohingya crisis in 2017, China also did not follow the responses made by the international community and continued to invest in Myanmar.

Nevertheless, it must be noted that the emphasis which China places on its dealings with the military junta of Myanmar is not sufficient to prove that it has supported or even secretly assisted the military in staging the coup. The unrest in Myanmar is not something that China wishes to see happen, and for Beijing, perhaps the best way to maintain political stability is to keep the two sides of the “civilian government” and the “junta” in a state of conflict, while preserving harmony amid differences (Chiang, 2021: 15). What China really cares about is securing its interests; hence, it must maintain amicable relations with all “possible” future leadership in Myanmar (whether democratically elected or under the military junta). As mentioned by Sun Yun, Senior Fellow and Co-Director of the East Asia Program and Director of the China Program at the Stimson Center in Washington, D.C.,

before the effort of reform and opening up in Myanmar in 2010, China had sacrificed a great deal to provide international support and protection to the military junta of Myanmar, and if it continues to engage with the military, it will inevitably be under tremendous international political and diplomatic pressure; in other words, the post-coup situation is not an easy feat for China to maneuver (CNA, 2021).

Since the coup broke out in Myanmar in 2021, more than twenty ethnic armed organizations have taken a stance against the junta. Among them, those who have taken “full” military actions to fight against the coup and to collaborate with the NUG include the Kachin Independence Army, the Karen National Union, and others. The Arakha Army, the Ta’ang National Liberation Army, and the Three Brotherhood Alliance led by the Myanmar National Democratic Alliance Army (also called the Kokang army) have opted to take “limited” military action in response (with no intention to send their forces to other areas of conflict) (Lin, 2024: 156-157). In 2023, the Three Brotherhood Alliance launched Operation 1027 to attack military installations in northern Shan State. They swiftly took control of two major trade routes to China and several military posts, including the Northeastern Regional Military Command in Lashio, causing significant losses to the Tatmadaw, the national armed forces of Myanmar, while also boosting the morale of other armed groups. This resulted in the most serious military crisis faced by Myanmar’s junta in 30 years.

However, China’s influence over the situation in Myanmar has increased exponentially as the junta becomes mired in civil war. In April 2024, Min Aung Hlaing offered to revive the long-stalled Myitsone Dam project in Kachin State, which shows the military’s attempt to make economic concessions in exchange for China’s support in its military operations, whether it be in the form of arms supplies or the suppression of ethnic armed groups. Subsequently, in July and August 2024, Beijing urged the Three Brotherhood Alliance to cooperate with China’s proposal of suspending military operations to maintain peace and stability in northern Myanmar, and should they reject the proposal, they would face more deterrent and punitive measures. Amongst the alliance, the Ta’ang National Liberation Army and the Myanmar National Democratic Alliance Army agreed to a temporary ceasefire, while the Arakan Army refused to cooperate.

In September 2024, Myanmar Home Affairs Minister Yar Pyae was invited by Beijing to attend the Global Public Security Forum, and a

memorandum of understanding between China and Myanmar was signed on the establishment of a center for cooperation between the two countries' police forces, and China would provide Myanmar with police equipment and supplies worth about US\$700,000 (VOA, 2024). In October of the same year, China outright shut down all border crossings along the northern Myanmar border, causing engine oil prices and goods prices to soar in the territory controlled by the armed groups (Cheng, 2024).

These abovementioned actions suggest that China has considerable influence over Myanmar's armed groups in the north (especially in Shan State) and that it does not wish to see the civil war escalate or spread to other areas, or even lead to the downfall of the junta. It has even invited senior Myanmar military officials to participate in conferences, with the intention of easing international pressure. Min Aung Hlaing also officially visited China in November 2024, making it his first trip to China since he seized power in 2021. However, according to Zachary Abuza, a professor at the National War College in Washington, China has also reached out to former leadership figures, such as Thein Sein, suggesting that it may be concerned with Min Aung Hlaing's leadership, and it has also expressed support for the junta to carry out election plans, which would serve as a process of "democratic transition" to help the war-torn country return to the path of reform that began in 2010. Abuza explains that "the devil you know is better than the devil you don't" is how China considers the situation. However, the opposition forces in Myanmar have publicly challenged the junta's election plans, criticizing its lack of freedom and fairness because many of the opposition parties have been banned from standing for election (Ying, 2024; DW, 2024).

In other words, China's active push for Myanmar's military government to hold elections reflects its belief that Myanmar's political situation will thereby move toward a "stable" model favorable to Chinese strategic investments and border security, and may even create a slightly more flexible space for Myanmar's political diplomacy. Meanwhile, Min Aung Hlaing also seeks to use the election to "whitewash" the military regime and provide a one-sided explanation to the international community. On April 3, 2026, members of Myanmar's Union Parliament, who had just been elected in January, formed the presidential electoral college and voted on three presidential candidates. As expected, military leader Min Aung Hlaing was elected the new president by a large margin and will take on

the responsibility of forming a new government. Senior General Min Aung Hlaing's inauguration as president marks Myanmar's entry into the most mature and hardest-to-shake form of authoritarianism: the legalization and institutionalization of authoritarian rule. It also clearly confirms that Myanmar's 2025 election was merely a tool for the military government to obtain a veneer of legitimacy, not the starting point of democratic transition, with China serving as a major accomplice in this political tragedy.

Based on the above, it is observed that after the 2021 coup, to realize their respective interests, China and Myanmar have adopted a mode of interaction based on "stabilization and compromise." First, China did not cut down on its close ties with the higher levels of the junta when the NLD government came to power in 2015, and by playing both sides, China sought to maintain an advantageous position over Myanmar in the event of a significant political change. Hence, China does not wish for the civil war to spiral out of control and give Western powers reasons to intervene. In the face of the repeated successful attacks launched by ethnic armed groups, China also opts to help the military junta by intervening and mediating ceasefires between the two sides. Thus far, China's influence in Myanmar has been significantly enhanced by its proactive approach. Furthermore, the Myanmar junta had not always been compliant with Beijing in the past, but the reality of the brutal civil war has made it necessary for the junta to make concessions on the country's primary economic interests and geostrategy in exchange for China's support in the civil war and international relations, which appears to be essential for the junta to maintain its hold on power.

6. Conclusion

On 1st February 2021, the Myanmar military claimed there was fraud during the November 2020 general election and declared the results invalid. Going against public opinion, this seizure of power by the military junta indisputably constitutes another military coup d'état, following its refusal to recognize the results of the 1990 election. Many of the NLD's key members, such as Aung San Suu Kyi and Win Myint, and protesters were arrested by the military, subsequently plunging Myanmar society into a turbulent situation of resistance, civil war and polarization.

However, the international community is divided on how to engage with Myanmar after the military coup. China and some ASEAN countries have avoided using the terms "coup" and "condemnation," unlike European

nations and the US, which have responded with grave criticism and economic sanctions. From a geostrategic perspective, although the military junta has seized power without legitimacy and legality, Myanmar is an important neighboring nation to China's southwest and a key partner in its regional development. From China's point of view, it would be wiser to ensure that the military junta continues to cooperate with China's long-term geostrategic plans in Myanmar rather than to echo the international community's strong criticisms of the military.

Regarding the approach of bilateral relations, this study finds that a strong sense of "relationalism" is observed in the exchanges between China and Myanmar, with both sides cooperating to serve their respective interests. Rather than sympathizing with the people of Myanmar, who are caught amid military atrocities, what China expects is for its interest-based relationship and tacit cooperation with Myanmar to remain unaltered after the coup. After assessing the situation and calculating the gains and losses of its long-term relationship with Myanmar, the "practical benefits" of maintaining a mutually beneficial relationship outweigh the need to respond to the international community's hardline stance; therefore, China has opted for a mode of stabilization for its engagement with Myanmar. Myanmar's military junta, on the other hand, has chosen to forge closer ties with China in exchange for support in dealing with the increasingly spiraling out-of-control civil war. Under this kind of interest-driven trade-off, the bilateral relations between China and Myanmar have remained intact and undamaged after the 2021 coup.

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Adaptive Hedging and Institutional Framework: Vietnam’s Strategy toward China’s Belt and Road Initiative through the Two Corridors, One Belt Framework, 2000–2025

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Abstract

This article examines Vietnam’s adaptive hedging strategy toward China’s Belt and Road Initiative (BRI) through an analysis of the “Two Corridors, One Belt” (TCOB) framework from 2000 to 2025. The central question is why Vietnam has insisted on preserving TCOB’s institutional independence from the BRI even as it participates substantively in Chinese-led infrastructure cooperation — and how Hanoi has deployed TCOB as a vehicle for hedging between economic cooperation, sovereignty protection, and strategic autonomy. The article argues that Vietnam’s response to the BRI is neither acceptance nor rejection, but a form of adaptive hedging in which TCOB functions as an institutional buffer: by maintaining a relationship with the BRI that is *linked but not subsumed*, Vietnam absorbs Chinese infrastructure resources while resisting full incorporation into Beijing’s political narrative and strategic framework. Drawing on process tracing and qualitative case analysis, the article periodizes Vietnam’s strategy into four phases: *binding engagement* (2000–2011), characterized by active acceptance of Chinese infrastructure financing within the TCOB framework; *economic pragmatism* (2011–2017), in which Vietnam sustained economic cooperation with China while cautiously distancing itself from BRI labeling following the 2014 HD-981 crisis; *dominance-denial and risk-aversion* (2017–2020), during which Vietnam simultaneously constrained Chinese political influence through multilateral balancing and reduced economic

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dependence through CPTPP and EVFTA; and *economic diversification with pragmatic cooperation* (2020–present), marked by selective acceptance of BRI-linked projects alongside continued multi-directional partnership building. The article contributes to the hedging literature by showing that institutional frameworks can become instruments of policy autonomy. In the Vietnamese case, hedging is not only a matter of diplomatic positioning or economic diversification, but also a process of managing the institutional terms under which cooperation with China takes place. Vietnam's experience offers comparative lessons for middle powers navigating asymmetric relationships with dominant regional powers.

Keywords: *Vietnam–China relations, Belt and Road Initiative, Two Corridors One Belt, Adaptive hedging, Institutional framework hedging*

1. Introduction

Since China launched the Belt and Road Initiative (BRI) in 2013, scholarly debate on how Beijing employs infrastructure financing, regional connectivity, and economic statecraft to expand its influence over neighboring states has become central to the fields of China studies, Southeast Asian studies, and international political economy. For many developing countries, the BRI is not simply an economic opportunity for capital inflows and infrastructure development; it also entails consequential political ramifications, including policy dependence, institutional embeddedness, and the erosion of sovereign autonomy. How small and medium-sized states navigate the tension between developmental imperatives and strategic autonomy in the face of China's rise and its infrastructure-centered regional order has accordingly emerged as a defining question in contemporary regional politics (Baviera, 2016; Chang, 2019; Freedman and Murphy, 2018; Ha, 2019; Kipgen, 2018; Tarling and Chen, 2017; Weiss, 2019).

Since 2003, China has systematically deepened its influence in Southeast Asia through overlapping institutional arrangements: the Framework Agreement on Comprehensive Economic Cooperation with ASEAN (2002), CAFTA entry into force (2010), establishment of the AIIB (2016), signing of RCEP (2020), and conclusion of CAFTA 3.0 negotiations (2024). Through these mechanisms, Beijing has progressively constructed what amounts to a parallel regional order organized around Chinese economic dominance

(Chen, 2019; Diokno, Hsiao and Yang, 2019; Heng and Chheang, 2019; Malik, 2019). Nevertheless, ASEAN member states have responded to Chinese influence in markedly divergent ways, shaped by their respective threat perceptions, sovereignty concerns, domestic political configurations, and strategic orientations (Yang *et al.*, 2025).

Among Southeast Asian states, Vietnam constitutes a particularly instructive case for analysis. Geographically proximate to China, deeply integrated into bilateral economic networks, and sharing a nominally socialist political system, Vietnam nonetheless stands apart as one of the few Southeast Asian states that maintains profound historical grievances, unresolved territorial disputes, and persistent security apprehensions regarding China. These structural conditions have precluded both outright accommodation and open confrontation, instead generating a highly adaptive policy mix that navigates between cooperation and resistance. Crucially, unlike states that have more readily incorporated their infrastructure plans into the BRI narrative, Vietnam has consistently maintained the “Two Corridors, One Belt” (TCOB) framework as a cooperation platform with its own institutional logic and policy autonomy. Vietnam’s response to China is therefore best understood not as a binary choice over BRI participation, but as a sustained effort to manage the bilateral relationship through the deliberate separation and selective linkage of institutional frameworks.

Against this backdrop, this article addresses two interrelated research questions. First, why has Vietnam insisted on preserving TCOB's institutional independence from the BRI even as it continues to participate substantively in Chinese-led infrastructure cooperation and regional connectivity initiatives? Second, how has Vietnam deployed the TCOB framework to hedge between economic cooperation with China, the defense of territorial sovereignty, and the preservation of strategic autonomy? The article's concern is not merely whether Vietnam accepts Chinese investment, but how Hanoi retains initiative in the domains of institutional naming, framework linkage, and the pace of cooperation — using these instruments to mitigate the political risks inherent in asymmetric economic dependence.

This article argues that Vietnam’s response to the BRI is neither straightforward acceptance nor outright rejection, but rather a form of adaptive hedging centered on TCOB as its primary institutional vehicle. For Vietnam, TCOB is not simply a pre-BRI regional connectivity initiative; it is an institutional framework over which Hanoi retains comparatively

greater interpretive authority and operational discretion. By maintaining a relationship between TCOB and BRI that is best characterized as linked but not subsumed — that is, alignable in practical terms yet institutionally distinct — Vietnam has been able to absorb Chinese resources in transportation, logistics, and infrastructure while resisting full incorporation into China's political narrative and strategic positioning. In other words, what Vietnam pursues is not decoupling from China, but the prevention of China's conversion of economic linkages into institutional dominance and political subordination.

To substantiate this argument, the article periodizes Vietnam's response to China's connectivity initiatives from 2000 to 2025 into four analytically distinct phases: *binding engagement* (2000–2011), *economic pragmatism* (2011–2017), *dominance-denial and risk-aversion* (2017–2020), and *economic diversification with pragmatic cooperation* (2020–present). These phases do not reflect a linear policy trajectory but rather the outcomes of Vietnam's continuous recalibration of its hedging posture under varying international pressures, domestic political constraints, and developmental imperatives. Throughout, TCOB's significance lies precisely in its function as an institutional instrument that enables Vietnam to recalibrate the boundaries of Sino-Vietnamese cooperation at each juncture.

Theoretically, this article advances the hedging literature in two respects. First, while existing scholarship has predominantly conceptualized hedging through the lens of security alignment, diplomatic positioning, and economic diversification, the Vietnamese case demonstrates that institutional frameworks themselves can constitute a modality of hedging. Secondary states hedge not only through decisions about *with whom* to cooperate, but also through deliberate choices about *within which institutional framework* to cooperate — what this article terms *institutional framework hedging*. Second, the Vietnamese case reveals that hedging is not confined to the security-diplomatic domain but is deeply embedded in political-economic practice, encompassing infrastructure financing, supply chain integration, institutional naming, and the management of cooperative narratives. In this sense, TCOB functions not merely as an economic cooperation platform but as an institutional buffer through which Vietnam sustains policy autonomy under conditions of structural power asymmetry.

Methodologically, the article employs a qualitative single-case study design combined with process tracing to analyze how Vietnam has

responded to Chinese regional economic initiatives and infrastructure cooperation across successive periods. The periodization is guided by four criteria: shifts in the political-security dynamics of the Sino-Vietnamese relationship; changes in Vietnam's policy stance toward Chinese infrastructure cooperation; the pace of external economic diversification; and the Vietnamese government's official characterizations of the TCOB–BRI relationship. The 2011 escalation of South China Sea tensions, the 2014 HD-981 oil rig crisis, and the COVID-19 pandemic and its economic aftermath represent the principal turning points demarcating the four phases. Empirical materials draw on official Sino-Vietnamese documents and leadership statements, international organization datasets, existing scholarly literature, and relevant policy reports and news sources.

Vietnam's choice of hedging over alignment with Beijing is not accidental. As the only Southeast Asian state to have engaged in direct warfare with China in the modern era, Vietnam's deep nationalist historical consciousness and entrenched wariness of Chinese power place significant constraints on Hanoi's diplomatic options (Vu et al., 2023). At the same time, the Vietnamese Communist Party's post-Doi Moi dependence on economic performance as a basis for regime legitimacy renders full confrontation with China politically costly. This structural tension is the fundamental reason Vietnam has pursued a complex hedging strategy rather than a straightforward alignment choice. A state that has accumulated this depth of experience in managing relations with China offers insights that may hold broader comparative value for other regional states navigating asymmetric relationships with rising powers.

The remainder of the article proceeds as follows. Section 2 develops the theoretical foundations of hedging from a political economy perspective. Section 3 analyzes TCOB as Vietnam's primary institutional framework for responding to the BRI. Sections 3.1 through 3.4 then trace the four phases of Vietnam's adaptive hedging strategy, examining how Hanoi has continuously recalibrated its approach to Sino-Vietnamese cooperation amid China's rise and deepening regional economic integration. Section 4 concludes with theoretical reflections and broader implications for the study of secondary-state statecraft.

2. The Political Economy Foundations of Hedging

In the post-Cold War era, ASEAN member states confronting great power

competition for regional leadership (Calder, 2008; Dent, 2008; Hamanaka, 2008; Katzenstein, 2007) underwent a series of significant adjustments in their foreign policy orientations. These transformations diverge substantially from what traditional international relations theory would predict. Rather than adopting straightforward balancing or complete bandwagoning strategies toward a rising China, ASEAN states have exhibited more deliberately calibrated and internally contradictory self-positioning, manifested principally along two axes: “power-acceptance” and “power-rejection”. The former refers to selective partnership and collaboration with great powers, including in security affairs; the latter involves selective resistance to and contestation of great power relationships. The tensions and contradictions arising from ASEAN states’ engagement with great powers constitute one of the most important theoretical and explanatory challenges in the study of Southeast Asian international relations.

Existing research on hedging in international relations identifies two structural transformations in Southeast Asia as primary drivers of hedging as a dominant strategic posture. The first is the phenomenon of Sino-American power transition. This proposition holds that as U.S. regional leadership recedes amid China’s rise, the probability of conflict depends on the rising power’s understanding of and response to its relationship with the incumbent hegemon. At issue is whether China can supplant the United States in Southeast Asia and whether China will assume a revisionist posture — factors widely regarded as the most consequential determinants of regional conflict (Ashizawa, 2003; Calder, 2009; Dieter, 2009; Duffield, 2003; Shambaugh, 1999; Stackpole, 2002). Scholarly consensus on these questions remains elusive. What is nonetheless evident during this transitional period is that China’s rise and America’s continued regional presence are simultaneous and unresolved facts. Under such uncertainty, strategic ambiguity becomes a rational response (Jackson, 2014: 338).

The second structural condition is multipolarity. Proponents of multipolar system theory argue that traditional power transition theory assumes a single-hegemon international order, whereas regional politics over the past two decades has been characterized by the simultaneous presence of three or more major powers. In the Asian region alone, China, the United States, Japan, and India constitute co-existing regional powers, making multipolarity the baseline condition rather than an exception. In a multipolar system, at both global and regional levels, alliance relationships

are transient, power balances shift continuously, and international institutions exercise limited restraining effects on conflict (Mearsheimer, 1995a, 1995b). Under these conditions, when states cannot reliably ascertain one another's intentions, hedging becomes a highly rational response. In regional political environments where mutual trust is structurally difficult to establish, states face compelling incentives to avoid binding commitments or formal alliance relationships with any single great power (Lake, 2009).

Together, power transition theory and multipolar system theory provide the structural foundations for understanding why Southeast Asian states have gravitated toward hedging as their dominant strategic posture. Facing an uncertain Sino-American competitive future, Southeast Asian states rationally pursue hedging to maximize their own interests — a position that has become mainstream in the literature (Jackson, 2014). Extending this argument further, scholars have observed that the multipolarity-induced complex network of inter-state relationships in East Asia generates a highly volatile relational structure, reinforcing incentives for hedging postures (Liao and Dang, 2019). A distinctive feature of this network complexity is that even when East Asian states share common interests, domestic political dynamics may obstruct cooperation at the international level — as illustrated by the difficulty Japan and South Korea face in deepening security collaboration due to historical disputes, and by the frequency with which domestic political changes in Southeast Asian states produce realignments in their external policies.

Over the past two decades, Southeast Asian scholars' theorization of local political phenomena has progressively enriched the hedging literature by incorporating elements such as secondary power status, ASEAN Centrality, and geopolitical positioning that fall beyond the reach of universal IR frameworks (Zhao and Qi, 2016). Building on this body of work, Kuik's (2016) foundational research establishes that most Southeast Asian states, confronted with China's regional influence, do not adopt pure balancing or bandwagoning strategies. Instead, they form a power rejection/acceptance spectrum between two strategic options: "returns-maximizing" and "risk-contingency". These options reflect three defining characteristics of Southeast Asian hedging strategies (Kuik, 2016: 5): a consistent refusal to take sides among competing great powers; a reliance on relative rather than absolute positional adjustments; and a firm insistence on maintaining fallback options. These seemingly contradictory

commitments explain why most Southeast Asian states have not aligned visibly with the United States in the manner of the Philippines under Benigno Aquino III or Japan under Shinzo Abe, and why Southeast Asian states' simultaneous cultivation of relations with China and with the United States and Japan should be understood as deliberate strategic behavior rather than inconsistency. This analytical framework becomes increasingly complex when applied to economic decision-making — a complexity that has generated misreadings even among committed realists. Mearsheimer, for instance, once criticized Asian states for investing in China at the expense of their own security interests, characterizing such behavior as self-defeating. Such mischaracterizations are difficult to avoid without a firm grasp of the political-economic complexity underlying Southeast Asian foreign policy decisions.

Within this article's analytical framework, the four cells of Figure 1 require conceptual clarification, particularly with respect to the two terms that carry the most theoretical weight in the Vietnamese case. *Dominance-denial* refers to a secondary state's efforts, at the political-security level, to constrain a dominant power's capacity to convert economic influence into political control and strategic preponderance. This is accomplished through multilateral mechanisms, diplomatic balancing, security partnerships, and the imposition of institutional conditions on cooperation — not through open confrontation, but through indirect balancing and institutional constraint that deny the dominant power a position of supremacy. *Risk-aversion*, by contrast, operates at the economic development level: it denotes a secondary state's proactive diversification of investment sources, trading partners, supply chains, and financing channels to reduce dependence on a single dominant power, thereby preserving policy flexibility and economic autonomy. The former is thus primarily a response to the risk of political subordination; the latter is primarily a response to the risk of economic dependence. In practice, these two orientations frequently co-occur and together constitute the dual political-economic operation of hedging strategy. It bears emphasis that Figure 1 is not a static typology but an analytical framework for understanding how secondary states adjust their strategic postures as political-security pressures and economic development imperatives evolve. The four-phase analysis of Vietnam presented in subsequent sections maps directly onto this framework.

Figure 1: The Political Economy Framework of Hedging Strategies

		Political Security	
		Indirect Balancing	Limited Bandwagoning
Economic Development	Deliberative Incorporation	Economic Pragmatism	Binding Engagement
	Risk-aversion	Dominance Denial	Economic Diversification

Source: Compiled by the author.

The political-economic framework outlined above generates several insights into the room for maneuver available to Southeast Asian states in navigating great power politics. Hedging necessarily constitutes a “middle course” — one that avoids taking sides between balancing and bandwagoning while deploying multi-layered approaches to signal constrained intentions to great powers. To preserve this middle position, secondary powers must demonstrate sufficient autonomy through carefully calibrated positional choices. In formal exchanges, Southeast Asian states can benefit from institutional agreements with great powers to achieve returns-maximizing; in contingency situations, they may attenuate dependence on great power relationships through formal or informal channels. To sustain long-term hedging benefits, secondary states must simultaneously pursue both strategies — extracting gains from engagement while building the capacity to exit or rebalance. Risk diversification requires the maintenance of fallback options in great power relations so that political flexibility is preserved even as systemic uncertainty persists (Kuik, 2016).

Following the principles above, in the political-economic domain, Southeast Asian secondary powers may, under conditions of power-acceptance, choose *limited bandwagoning* — that is, selectively deepening ties with the dominant power to capture strategic gains — or, under conditions of power-rejection, choose *indirect balancing* — cultivating countervailing partnerships to constrain that power’s regional influence. Both limited bandwagoning and indirect balancing enable middle powers to generate strategic ambiguity in accordance with their political-security interests. Under either political-security orientation, Southeast Asian middle powers simultaneously navigate economic development choices, broadly

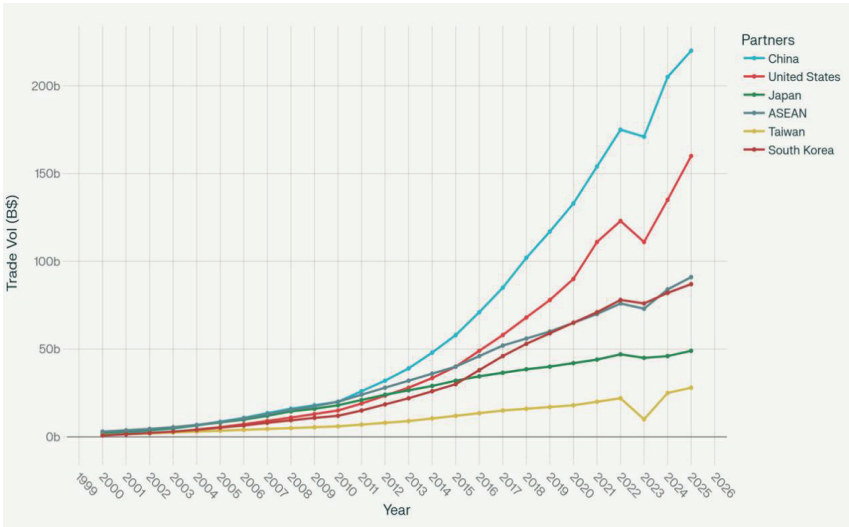
tending either toward *deliberative incorporation* — deepening integration into the dominant power’s economic orbit — or *risk-aversion* — diversifying economic linkages to reduce structural dependence. The intersection of these political and economic axes produces four distinct hedging postures, as illustrated in Figure 1, which provide a framework for analyzing ASEAN member states’ responses to the BRI as a political-economic initiative (Bharti and Kumari, 2024; Gong, 2019; Trinh, 2022), and for tracing the evolution of Sino-Vietnamese relations within this context.

In sum, hedging strategies rooted in security imperatives represent the rational choices of secondary powers navigating power transition in multipolar regional systems. Binding engagement, economic pragmatism, dominance-denial, and economic diversification emerge as distinct political-economic postures shaped by varying configurations of political-security pressure and developmental imperative. The following sections apply this framework to Vietnam’s evolving relationship with the BRI.

3. Two Corridors, One Belt: The BRI with Vietnamese Characteristics

The Belt and Road Initiative, now more than a decade old, presents a striking paradox in the Vietnamese case. Over the past ten years, Vietnam has ostensibly participated in virtually every BRI-related arrangement: it has been a signatory to the initiative, a regular participant in Belt and Road Forums, and a founding member of the AIIB. Yet in reality, compared to states occupying pivotal positions in regional transportation networks — such as Malaysia and the Philippines — BRI-linked projects on Vietnamese soil remain remarkably limited. This divergence between surface-level engagement and substantive reluctance is all the more noteworthy given the rapid growth of Sino-Vietnamese economic and trade relations and the substantial accumulation of Chinese enterprise investment in Vietnam over the past two decades. The explanation lies in the fact that for Vietnam, the BRI has never been reducible to infrastructure financing or enhanced connectivity. Vietnam’s complex historical relationship with China, its current political-economic development agenda, and the domestic political risks associated with deepening Chinese economic presence all make it impossible to understand Hanoi’s “reluctant engagement” without first grasping how the Vietnamese government comprehends the political ramifications that accompany the initiative.

Figure 2: Vietnam Trade by Partner (2000–2025)



Data Source: World Bank, World Integrated Trade Solution (WITS), based on UN Comtrade data. Figures are compiled by the author for Vietnam's trade with selected partners, 2000–2025. Note: Data for 2025 are preliminary or partial-year figures, depending on availability at the time of data collection.

Three structural conditions, taken together, explain this posture. First, Vietnam remains the Southeast Asian state that has experienced the most extensive military conflict with China. Historical confrontations over the Paracel and Spratly Islands, culminating in the 1979 border war, have embedded deep nationalist wariness of Chinese power into Vietnamese political culture (Goscha, 2022; Hayton, 2010; McAlister and Mus, 1970). Even as Vietnam subsequently shelved territorial disputes with China in the interest of economic development, bilateral sovereignty contradictions retain significant potential to trigger renewed conflict.

Second, the Vietnamese Communist Party's ruling legitimacy rests increasingly on economic performance following Doi Moi, making sustained growth a political necessity (Le Hong Hiep, 2012; Thayer, 2010a). At the same time, China's expanding economic presence in Vietnamese cities, special economic zones, and the Central Highlands continuously evokes the historical memory of Chinese colonialism and bilateral conflict. Managing anti-China sentiment therefore requires the VCP to pursue simultaneous strategies: diversifying economic sources while preserving cooperative

relations with Beijing — a combination that has become the enduring keynote of Sino-Vietnamese bilateral relations (Dung and Ho, 2025; Vu, 2014).

Third, since the Seventh National Congress in 1991, the VCP formally committed to a multi-directional foreign policy, signaling Vietnam’s aspiration to “befriend all countries” and employ hedging as a counterweight to Chinese influence (Quan Xuan Dinh, 2000; Vuving, 2010). Vietnam subsequently pursued a systematic expansion of major-power relationships — normalizing relations with the United States (1995), acceding to ASEAN membership (1995), and establishing strategic partnerships with Russia (2001), Japan (2006), and India (2007) — constituting important channels through which Hanoi could counterbalance China’s growing regional influence (Tran and Sato, 2018).

Taken together, these three structural conditions illuminate the political logic underpinning the VCP’s approach to Chinese infrastructure engagement. The party’s ruling legitimacy rests increasingly on sustained economic growth and rising living standards. Infrastructure improvements and trade facilitation directly serve the development objectives of Vietnam’s priority economic zones — particularly in the transportation and logistics sectors of the northern regions bordering Guangxi and Yunnan. At the same time, to prevent economic dependence on China from eroding the VCP’s political legitimacy, Hanoi must ensure its own independence and autonomy while maintaining the outward rhetoric of “comrades plus brothers” solidarity with the Chinese Communist Party. It was against this backdrop that in May 2004 — a full decade before China launched the BRI — then-Prime Minister Phan Van Khai proposed the TCOB connectivity initiative during a state visit to China, marking Vietnam’s proactive posture toward regional economic cooperation within the Doi Moi policy framework. From the outset, therefore, the TCOB framework reflected Vietnam’s sovereign agency. Unlike China’s subsequently proposed Belt and Road Initiative — which was conceived and framed entirely from Beijing’s strategic vantage point — TCOB was a Vietnamese-initiated proposal. This foundational difference laid the groundwork for Vietnam’s subsequent and persistent policy stance: insisting on TCOB’s institutional independence and resisting its full absorption into the BRI framework.

3.1 Two Corridors, One Belt as a Vietnam–China Connectivity Framework: Binding Engagement, 2000–2011

From the theoretical standpoint of Figure 1, the period from 2000 to 2011 represents the phase most closely approximating *binding engagement* in Vietnam's connectivity policy toward China. During this period, Vietnam had not yet shifted markedly toward indirect balancing in the political-security domain, while at the economic development level it prioritized infrastructure improvement, trade expansion, and regional connectivity — thereby gravitating toward deepening cooperation as a means of securing Chinese development resources. In other words, Vietnam's posture during this phase was not straightforward bandwagoning, but rather a development-driven exchange in which cooperation was traded for economic returns while security apprehensions were temporarily subordinated.

The period from 2000 to 2011 witnessed the active advancement of the TCOB framework under Chinese support, characterized by Vietnam's comparatively open attitude toward Chinese investment and loans alongside rapid growth in bilateral economic cooperation. In November 2002, China and ASEAN signed the Framework Agreement on Comprehensive Economic Cooperation, establishing the institutional foundations for regional economic integration. That same year, China formally acceded to the WTO, further enhancing its attractiveness as an investment source. Against this backdrop, Chinese direct investment in Vietnam began to increase significantly, with both project numbers and capital scale exhibiting upward trends; average investment per project grew from US\$1.5 million in 2001 to approximately US\$2.5 million. In May 2004, during a state visit to China, then-Prime Minister Phan Van Khai first proposed the TCOB connectivity initiative, marking Vietnam's proactive posture toward regional economic cooperation within the Doi Moi policy framework. As a connectivity framework, TCOB comprised three components designed to integrate southern China with northern Vietnam. The first corridor linked Kunming (Yunnan Province) via Lao Cai to Hanoi, Hai Phong, and Quang Ninh. The second connected Nanning (Guangxi Province) through Lang Son to the same Vietnamese destinations. The third component, the Beibu Bay Economic Belt, aimed to promote economic cooperation among the provinces surrounding the Gulf of Tonkin. Together, these initiatives sought to improve connectivity between Yunnan and Guangxi and twelve cities and provinces in northern Vietnam, facilitating trade, investment, and tourism flows (Trinh, 2022).

The period from 2004 to 2011 saw substantial TCOB implementation, primarily funded through Chinese concessional loans. Road and railway connections along both the Kunming–Lao Cai and Nanning–Lang Son corridors were upgraded, facilitating bilateral trade growth from US\$37 million in 1991 to over US\$20 billion in 2010. In March 2005, the TCOB Expert Committee held its inaugural meeting in Hanoi, providing an institutionalized platform for cooperation in transportation, energy, and communications. High-level joint statements in 2006 — from both the Nong Duc Manh visit to Beijing and the Hu Jintao visit to Hanoi — explicitly committed both parties to accelerating TCOB construction.

Energy cooperation emerged as another pillar of TCOB implementation. Vietnam's rapidly growing economy required substantial increases in power generation capacity, and Chinese enterprises and financing assisted in the construction of several coal-fired power plants. The Vinh Tan 1 Thermal Power Plant in Binh Thuan Province, which commenced construction in 2007, became one of China's largest investments in Vietnam — though it was later retroactively incorporated into China's BRI narrative after 2013.

The most visible TCOB project initiated during this period was Hanoi's Cat Linh–Ha Dong metro line. Signed in 2008 with an original budget of US\$552 million and financed by preferential loans from the China Export-Import Bank, the project represented a significant technology transfer undertaking intended to showcase the benefits of Sino-Vietnamese infrastructure cooperation and serve as a model for future projects. Its subsequent delays and cost overruns would, however, come to symbolize the challenges inherent in Chinese-funded Vietnamese infrastructure development.

More broadly, Chinese investment multiplied several-fold during this period, with over 90 percent structured through EPC contracts focused on power generation, mining, and petroleum sectors. Vietnam's cement, thermal power, bauxite, and coal industries became almost entirely dependent on Chinese enterprise participation (Morris-Jung and Min, 2017: 234). Chinese investments concentrated in border provinces — Lao Cai, Lang Son, Quang Ninh, Cao Bang, Ha Giang — and Central Highlands provinces. Between 2007 and 2009, bauxite mining in the Central Highlands triggered domestic backlash: General Vo Nguyen Giap wrote to Prime Minister Nguyen Tan Dung warning of severe national security risks from Chinese SOE involvement (Ciorciari and Weiss, 2016).

The 2010 establishment of the ASEAN–China Free Trade Area further accelerated economic integration. By 2011, Vietnam appeared firmly committed to deepening Sino-Vietnamese economic cooperation, though concerns about dependency and strategic vulnerability lingered beneath the surface. This period also revealed early warning signs regarding the quality and reliability of Chinese-funded projects: construction standards sometimes fell short, technology transfers proved less comprehensive than anticipated, and disputes arose over project management and contractor performance. These issues had not yet become severe, but they planted seeds of doubt about the long-term sustainability of heavy reliance on Chinese infrastructure financing. According to the World Bank's WITS database, bilateral Vietnam–China trade grew from approximately US\$1.5 billion in 2000 to approximately US\$20 billion in 2010 — more than thirteenfold growth over the decade. Overall, Vietnam adopted a binding engagement policy orientation during this phase, actively leveraging the opportunities presented by China's economic rise to advance domestic development.

3.2 Economic Pragmatism amid Territorial Disputes and the Emergence of the BRI: 2011–2017

From the theoretical framework of Figure 1, the period from 2011 to 2017 represents a pivotal transition from *binding engagement* toward *economic pragmatism*. The escalation of South China Sea disputes after 2011 marked a turning point in Vietnamese security approach to China-led connectivity. At the same time, Vietnam remained unwilling and unable to decouple from China at the economic level, sustaining substantial trade and investment cooperation. This dynamic precisely reflects the logic captured in Figure 1: under conditions of elevated political risk but persistent developmental imperatives, a secondary state may adopt what is best characterized as *economic pragmatism* — heightened political vigilance combined with sustained economic engagement.

After 2011, bilateral Sino-Vietnamese relations underwent a fundamental transformation driven by escalating South China Sea disputes. In 2011, Chinese vessels severed the cables of the Vietnamese oil exploration vessel Binh Minh 02 operating within Vietnam's EEZ. In 2014, the CNOOC deployed the HD-981 drilling rig near the Paracel Islands — merely 120 nautical miles from Vietnam's coast — provoking anti-China protests across Vietnam, resulting in fatalities and extensive damage to foreign-invested

factories. Strategic trust between the two countries fell to its lowest point since the 1991 normalization of relations (Bui, 2017; Morris-Jung and Min, 2017; Vu, 2014). Vietnam began preparing legal proceedings under UNCLOS and actively sought diplomatic support from global partners, while intensifying its engagement with the United States and other major powers.

The HD-981 incident created significant decision-making difficulties for the VCP. Vietnam's hedging strategy became more multilayered, placing greater emphasis on indirect balancing: maintaining the dual "party-to-party" and "state-to-state" relationship structure while restricting Chinese direct investment in sensitive sectors. In the security domain, Vietnam substantially increased defense expenditure, procuring six Kilo-class submarines and advanced fighter aircraft from Russia at a cost of US\$2 billion, and commenced military exchanges with the United States. President Obama's 2016 visit lifted the arms embargo, inaugurating U.S.–Vietnam military cooperation (Cotillon, 2017; Gerstl, 2022; Le Hong Hiep, 2020).

In contrast to this gradual political shift toward indirect balancing, Vietnam confronted the economic reality of China as its largest trading partner and critical supply chain source by adopting a pragmatic "economics before politics" posture, eschewing comprehensive economic confrontation. Bilateral trade did not decline appreciably despite the escalation of Sino-Vietnamese security friction after 2011; on the contrary, it continued to rise — demonstrating that Vietnam maintained pragmatic economic cooperation with China even as political vigilance increased, consistent with the article's definition of economic pragmatism.

The most noteworthy development during this period was Vietnam's cautious positioning on the relationship between TCOB and the BRI. When Xi Jinping formally announced the Belt and Road Initiative in 2013, China began repackaging numerous existing cooperative projects with Vietnam — including those under the TCOB framework — as components of the BRI. The Vietnamese government maintained a high degree of vigilance in response. To reduce Vietnam's vulnerability to Chinese economic pressure, Hanoi began diversifying foreign direct investment sources, seeking alternative technology suppliers, and strengthening economic linkages with Japan, South Korea, the European Union, and the United States. The completion of Trans-Pacific Partnership (TPP) negotiations in 2015 represented a strategic effort to embed Vietnam more deeply within a U.S.-led economic architecture (Vu, Soong and Nguyen, 2023).

Consequently, even after Vietnam became a founding member of the AIIB in June 2015, its posture at the inaugural Belt and Road Forum for International Cooperation in Beijing in May 2017 remained conspicuously low-key: Vietnam dispatched a government delegation but did not send its highest leadership to attend. The only Chinese-funded project that could concretely represent the BRI during this period was the Cat Linh–Hà Dong metro line — originally scheduled for completion in 2016 but plagued by repeated delays, cost overruns, and quality control problems. By 2017, project costs had ballooned to US\$868 million — a 57 percent increase over the original budget — with completion postponed to 2021. These problems reinforced Vietnamese skepticism regarding the quality and reliability of Chinese construction projects and the terms of Chinese financing. Vietnamese officials and scholars began publicly expressing concerns about the implications of Chinese infrastructure loans, citing cases such as Sri Lanka's Hambantota Port — where debt repayment difficulties compelled the government to grant China a 99-year lease on a strategically significant location — as cautionary examples of “debt trap diplomacy.” Despite these concerns, Vietnam recognized that completely rejecting Chinese infrastructure cooperation was neither practical nor strategically prudent, and that maintaining a degree of economic engagement accorded with its broader hedging strategy.

3.3 *Dominance-Denial and Risk-Aversion: The BRI Challenge and Vietnamese Response, 2017–2020*

From the theoretical standpoint of Figure 1, the period from 2017 to 2020 marks a further deepening of Vietnam's adaptive hedging, most visibly exhibiting the dual logic of *dominance-denial* and *risk-aversion*. At the political-security level, Vietnam continued to maintain necessary interaction with China while deepening cooperation with the United States, Japan, India, and other partners to constrain China's capacity to translate economic influence into regional preponderance — precisely what this article terms dominance-denial. At the economic level, Vietnam pursued a more explicit risk-aversion strategy through CPTPP, EVFTA, and the diversification of infrastructure financing. Compared to the preceding phase of economic pragmatism, Vietnam during this period was no longer merely “sustaining economic ties amid conflict”; it had begun more actively working to prevent China's influence from becoming institutionalized and entrenched over the long term.

On the dominance-denial front, Vietnam continued constraining Chinese behavior through bilateral and multilateral mechanisms. In November 2017, after two years of arduous negotiations, Vietnam and China signed a Memorandum of Understanding on “promoting the connection between the Two Corridors, One Belt framework and the Belt and Road Initiative”. The title wording was carefully crafted — emphasizing “connection” rather than “integration” — signaling that Vietnam regarded TCOB as institutionally independent from the BRI. Vietnam insisted that cooperation be based on “consensus, equality, voluntariness, transparency, openness, mutual respect and mutual benefit, and in compliance with the UN Charter and international law” — the last phrase functioning as an indirect statement on South China Sea disputes, given Hanoi’s consistent position that maritime disputes should be resolved according to UNCLOS.

In the economic domain, Vietnam adopted a more cautious risk-aversion strategy to guard against excessive dependence on China, with diversification of financing sources and trading partners at its core. Regarding infrastructure financing, Vietnam demonstrated a clear preference for Japanese or European contractors despite China’s 30–40 percent cost advantage. The contrast between Hanoi and Ho Chi Minh City’s metro lines is instructive: the Chinese-constructed Cat Linh–Ha Dong line in Hanoi suffered serious delays and cost overruns during a decade-long construction period before commencing operations in 2021, while Ho Chi Minh City’s Japanese-financed metro line — though more costly — was perceived by the Vietnamese public as more reliable and of higher quality. Regarding trade, although China had become Vietnam’s largest trading partner by 2017, Vietnam actively promoted trade diversification. In 2017, Vietnam participated in negotiations for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which, following U.S. withdrawal, was completed under Japanese leadership and entered into force in late 2018. Vietnam also signed the EU–Vietnam Free Trade Agreement (EVFTA), which officially entered into force in August 2020. These agreements provided Vietnamese enterprises with access to developed-country markets, helping reduce dependence on the Chinese market (Vu, Soong and Nguyen, 2020).

In the security domain, Vietnam continued deepening its U.S. strategic partnership: the USS Carl Vinson visited Da Nang in March 2018 — the first U.S. carrier visit since the Vietnam War — and both sides signed a coast

guard cooperation memorandum in 2019. Vietnam also deepened defense ties with Japan, India, and Australia. Domestically, Vietnam continued promoting its “Three No’s” policy — no military alliances, no siding with one country against another, no foreign military bases — which Vietnamese scholars note is mutually reinforcing with the hedging strategy, jointly managing South China Sea tensions. Vietnam’s acceptance of new BRI projects during 2017–2020 was correspondingly minimal.

3.4 Post-2020: Economic Diversification and Pragmatic Cooperation amid COVID-19

Post-2020, Vietnam did not abandon the dominance-denial and risk-aversion orientations developed in the preceding phase. Rather, under rising post-pandemic infrastructure demand and financing pressure, Vietnam entered a phase best characterized as economic diversification combined with pragmatic cooperation — selectively absorbing Chinese infrastructure resources while continuing to advance diversified linkages with the United States, Japan, and Europe.

The COVID-19 pandemic that emerged in late 2019 brought new challenges and opportunities to Vietnam’s China policy. While the pandemic severely impacted the global economy, Vietnam — owing to effective containment measures — became one of the few economies to achieve positive growth in 2020. The pandemic nonetheless exposed Vietnam’s deep dependence on external markets and supply chains: with over 50 percent of Vietnamese exports flowing to the United States, China, the European Union, and the United Kingdom, this concentration rendered the economy highly vulnerable to external shocks. During the post-pandemic recovery period, Vietnam accordingly adopted an economic diversification strategy while making pragmatic political adjustments to attract investment from multiple parties, including China. Vietnam’s economic linkages with China continued to deepen after 2020 — indicating that the post-pandemic period was characterized not by decoupling from the Chinese economic network, but by selective engagement with China conducted alongside broader diversification efforts.

At the political level, Vietnam’s posture toward the BRI became more pragmatic after the pandemic, although not less cautious. High-level exchanges between Vietnamese and Chinese leaders from 2023 onward signaled Hanoi’s willingness to explore deeper infrastructure cooperation

with Beijing, especially in railway connectivity. These exchanges did not indicate a full Vietnamese embrace of the BRI. Rather, they reflected a recognition that regional infrastructure networks were being reshaped by China-backed projects and that Vietnam could not afford to remain outside these emerging connectivity patterns.

Railway connectivity became the most important area in which this pragmatic adjustment took concrete form. Rather than treating all China-backed infrastructure as politically unacceptable, Vietnam began to distinguish between projects that could serve its own development agenda and those that might deepen strategic dependence. This distinction allowed Hanoi to cooperate more openly with China in selected infrastructure sectors while continuing to manage the institutional framing, financing conditions, and strategic implications of such cooperation.

The Lào Cai–Hanoi–Hai Phong railway illustrates this post-2020 pragmatic adjustment most clearly. Approved by Vietnam’s National Assembly in 2025 with a projected investment of approximately US\$8.3 billion, the railway is designed to connect the Vietnam–China border crossing at Lào Cai–Hekou with Hanoi, Hai Phong, and northern Vietnam’s logistics and manufacturing zones. The project is economically important because it strengthens cross-border transport capacity and supports Vietnam’s integration into regional supply chains. It is politically important because it is one of the first major infrastructure projects to be framed simultaneously through Vietnam’s TCOB framework and China’s BRI agenda.

This does not mean, however, that Vietnam has accepted full incorporation into the BRI. Hanoi continues to frame the project through TCOB, national infrastructure planning, feasibility studies, and diversified financing arrangements. Recent discussions on additional railway connections between southern China and northern Vietnam should be understood in the same light. They indicate Vietnam’s greater willingness to cooperate with China on selected infrastructure projects after the pandemic, but they do not amount to strategic realignment. Rather, they show how Vietnam has adjusted its hedging strategy by combining pragmatic cooperation with continued institutional caution (Vu, Soong and Nguyen, 2025).

Crucially, even as Vietnam accepts BRI-linked projects, it continues to insist on TCOB’s institutional independence and policy agency. Vietnam’s reaffirmation of strategic connectivity within the TCOB framework reflects

Hanoi's effort to balance the practical acceptance of Chinese projects with the preservation of policy autonomy. In institutional terms, this embodies the principle that Vietnam seeks to keep TCOB linked to, but not subsumed under, the BRI.

Table 1: Infrastructure Projects: Vietnam vs. China Classification in Comparison

Time-line	Project Name	Scale/ Amount (USD)	Vietnam's Position	China's BRI Classification	Vietnam's Response
2004	Kunming–Lào Cai–Hà Nội–Hà Phòng–Quảng Ninh Economic Corridor	Regional Econ. Corridor Planning	Pre-BRI cooperation project; co-funded by China	Listed as BRI project (2017)	Emphasizing TCOB's independence; Vietnam does not officially acknowledge as a BRI project
2004	Nanning–Lạng Sơn–Hà Nội–Hà Phòng–Quảng Ninh Economic Corridor	Regional Econ. Corridor Planning	Pre-BRI cooperation project; co-funded by China	Listed as BRI project (2017)	Emphasizing TCOB's independence; Vietnam does not officially acknowledge as a BRI project
2004	Beibu Bay (Tonkin Gulf) Belt	Cross-Border Bay Area Econ. Cooperation Zone	Pre-BRI cooperation project; co-funded by China	Frames within BRI context	Vietnam tacitly accepts BRI listing but mainly label as TCOB
2011-2021	Cat Linh-Ha Dong Metro Line (Hanoi Line 2A)	\$891 Million (\$669 million from China Exim Bank loan)	Part of TCOB framework, financed by China Eximbank preferential loans	Quietly classified as BRI by both sides	Only project officially counted under TCOB; Vietnam avoids public BRI labeling, but tacitly accepts classification
2017	TCOB-BRI Connection MoU	N/A	Signed during Xi Jinping's visit to Hanoi (November 2017)	Framework for integrating TCOB with BRI	Critical Vietnam Position: MoU emphasizes "promoting connection between" the two frameworks, implying TCOB remains separate from BRI; Vietnam maintains control over TCOB plan
2018	Vinh Tan 1 Thermal Power Plant Phase I BOT	\$1.87 Billion (Investment by China Southern Power Grid)	Pre-BRI cooperation project; co-funded by China	Listed as BRI project (2017)	Vietnam treats as standard China-funded infrastructure and does not officially acknowledge as a BRI project

2023	Hai Duong 2×600MW Coal-fired Power Project	\$1.87 Billion (Investment by China Energy Engineering Group)	Pre-BRI cooperation project; co- funded by China	Listed as BRI project (2017)	Vietnam tacitly accepts classification
2025- 2030	Lao Cai- Hanoi-Hai Phong Railway (Standard Gauge)	\$8.3 Billion (Partially financed by Chinese loans)	Under consideration with multiple funding options, part of TCOB framework discussion	Listed as TCOB-BRI connection project	VN National Assembly Parliament approved in Feb 2025; the first major TCOB-BRI project; Vietnam emphasizes TCOB framework
Pro- posed	Lang Son- Hanoi Railway	Estimated Billions of U.S. Dollars	Under consideration with multiple funding options, part of TCOB framework discussion	Listed as BRI connection project	Remains in feasibility study phase, takes a cautious approach
Pro- posed	Mong Cai-Ha Long-Hai Phong Railway	Estimated Billions of U.S. Dollars	Under consideration with multiple funding options, part of TCOB framework discussion	Listed as BRI connection project	Remains in feasibility study phase
Pro- posed in 2025	Fangchenggang (China)-Hanoi Railway	China Commits to Fund Feasibility Study	Under consideration with multiple funding options, part of TCOB framework discussion	Listed as BRI project	Reached consensus during Xi Jinping's visit in Apr 2025
Pro- posed in 2025	Shenzhen- Haiphong Railway	China Commits to Fund Feasibility Study	Under consideration with multiple funding options, part of TCOB framework discussion	Listed as BRI project	Reached consensus during Xi Jinping's visit in Apr 2025

Source: Compiled by the author based on Vietnamese and Chinese official documents, bilateral joint statements, project reports, policy materials, and secondary sources, including academic studies and reliable media reports.

Note: "Vietnam classification" refers to whether a project is framed by Vietnamese sources as part of TCOB, bilateral infrastructure cooperation, or national infrastructure planning. "China classification" refers to whether a project is presented by Chinese sources as part of the BRI, TCOB-BRI connectivity, or broader China-Vietnam cooperation.

4. Conclusion

Vietnam's management of the Two Corridors, One Belt framework over the past two decades, and its engagement with China's Belt and Road Initiative, demonstrate sophisticated strategic thinking and adaptive policymaking. Vietnamese leaders have continuously recalibrated their strategies in response to shifting circumstances, balancing economic opportunities against security risks while preserving flexibility in the face of uncertainty. Put plainly, Vietnam's TCOB is not merely an economic cooperation initiative but a strategically consequential instrument of national policy — simultaneously a response to China's BRI and a tool for maintaining sovereignty, autonomy, and developmental momentum. Tracing TCOB's trajectory from 2000 to 2025 reveals the core philosophy animating Vietnamese diplomacy: cooperate with China, but refuse to be defined by it. In the geopolitical competitive landscape of the contemporary era, Vietnam's strategy of selective integration — or what is frequently invoked within the Vietnamese Communist Party as the principle of “Cooperation and Struggle” (*Hop tac va Dau tranh*) — reflects Hanoi's consistent prioritization of national development, regime stability, and sovereignty preservation as non-negotiable foundations of foreign policy.

At the theoretical level, the Vietnamese case offers at least two correctives to the existing hedging literature. First, while Kuik (2016) and related scholarship have established that secondary states typically manage great power competition through non-alignment, the preservation of fallback options, and multi-layered hedging, Vietnam's TCOB case demonstrates that hedging can also be enacted through the naming, maintenance, and institutional demarcation of cooperative frameworks. For Vietnam, insisting on TCOB as a framework institutionally distinct from the BRI is not merely a semantic or symbolic maneuver. It is, rather, an important instrument through which Hanoi preserves policy initiative, negotiating space, and domestic political legitimacy by maintaining clear institutional boundaries. In this sense, the Vietnamese case substantiates and extends the concept of *institutional framework hedging* introduced in this article: secondary states hedge not only through decisions about *with whom* to cooperate, but through deliberate choices about *within which institutional framework* to do so.

Second, the Vietnamese case demonstrates that hedging should be understood as a dynamic process with dual political-economic dimensions, rather than as a fixed strategic choice made at a single point in time. The

postures Vietnam has adopted toward China across successive periods — binding engagement, economic pragmatism, dominance-denial, risk-aversion, and selective re-engagement — are not mutually exclusive alternatives but policy elements that are recombined under different configurations of pressure and opportunity. In other words, the core of adaptive hedging lies not in maintaining a fixed intermediate position between balancing and bandwagoning, but in the continuous adjustment and recomposition of the ratios among cooperation, resistance, and diversification. This dynamic, recombinatory quality is what distinguishes adaptive hedging from the static hedging typologies that have dominated the existing literature.

Several broader lessons for secondary powers emerge from Vietnam's experience. First, infrastructure connectivity with China may be an unavoidable developmental choice for continental Southeast Asian states, but it requires careful management to prevent political coercion. Vietnam's insistence on maintaining TCOB as a framework institutionally separate from the BRI — however it may appear from the outside — reflects a profound understanding of how institutional labels shape power dynamics and constrain policy space. The lesson for other secondary powers is that the institutional terms of cooperation matter as much as the material terms: a secondary state that concedes the institutional framing of a cooperative relationship surrenders leverage that is difficult to recover.

Second, economic pragmatism does not require economic subservience. Vietnam has demonstrated that maintaining substantial economic engagement with China while resisting political pressure and pursuing an independent foreign policy is achievable even under structural asymmetry — by leveraging international institutions, cultivating relationships with multiple major powers, and sustaining domestic institutional capacity. Vietnam's relative success stands in instructive contrast to states that have allowed Chinese financing to become deeply structuring forces in their political economies.

Third, hedging strategies must be dynamic and multidimensional. From binding engagement (2000–2011) through economic pragmatism (2011–2017), dominance-denial and risk-aversion (2017–2020), to post-pandemic diversification and pragmatic cooperation, Vietnam has continuously recalibrated the ratios among cooperation, resistance, and diversification. The VCP's insistence on employing the TCOB framework rather than fully integrating into the BRI reflects its commitment to sovereignty, autonomy,

and strategic flexibility — providing operational space in political narratives and public perception while sustaining necessary economic connections with China.

Looking forward, Vietnam's China policy will in all likelihood continue to exhibit this duality of cooperation and vigilance. On one hand, deepening economic interdependence and geographic proximity determine that Vietnam cannot and will not decouple from China; on the other, historical memory, territorial disputes, and acute sovereignty sensitivity mean that Vietnam must remain vigilant toward the expansion of Chinese influence. Under this structural tension, the TCOB framework — as a Vietnam-led regional cooperation mechanism — will continue to play both symbolic and substantive roles, providing Hanoi with policy instruments for preserving autonomy and negotiating leverage in its interactions with Beijing.

Ultimately, Vietnam's strategic choices between TCOB and the BRI embody the wisdom of small-state diplomacy: under the premise of acknowledging realistic power asymmetries, maximizing the preservation of national interests and strategic autonomy through carefully designed institutional arrangements, diversified partnership networks, and flexible policy adjustment. This experience holds important significance not only for Vietnam but also offers a template of broader comparative value for other middle powers confronting analogous geopolitical challenges — states that must find ways to be *linked but not subsumed* in their relationships with dominant regional powers.

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China-Thailand Trade and Investment Relations: A Legal Perspective Analysis

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Abstract

This article comparatively analyzes the legal frameworks governing market access for foreign investments in China and Thailand, providing an in-depth exploration of the bilateral trade and investment relationship. As a pivotal aspect of trade and investment interactions, the legal mechanisms for foreign investment access significantly influence the depth and breadth of economic cooperation between the two nations. While the broader title addresses overall trade and investment relations, the study specifically focuses on legal differences and harmonization in the field of foreign investment access to effectively support bilateral economic collaboration. Both countries employ negative lists for foreign investment market access aimed at safeguarding national security and economic interests, thereby enhancing transparency and convenience for foreign investors (Jiranyakul, 2013). China has continuously improved its foreign investment environment by progressively shortening its negative list and relaxing restrictions, particularly in high-tech sectors and emerging industries. Thailand, on the other hand, operates a dual-track system wherein the Foreign Business Act outlines a negative list regime parallel to promotional investment incentives. Through a comparative study of these two countries' foreign investment access systems, the paper highlights differences in policy orientation, sectoral limitations, encouraged

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sectors for foreign investment, management of negative lists, and the degree of openness in the services industry. Furthermore, the paper proposes recommendations for optimizing future foreign investment access policies in both nations, including alignment with regional economic development plans, identification of new investment opportunities, and fostering regional cooperation and coordination. These suggestions aim to provide guidance for foreign investors in making informed decisions in China and Thailand, thereby promoting thriving bilateral trade and investment.

Keywords: *China Trade and Investment, Thailand Trade and Investment, Investment Access, Negative List*

1. Introduction

The current international order is undergoing profound transformation, with the rebalancing of geopolitical and economic structures positioning the Indo-Pacific region as the most strategically dynamic zone globally. Interactions between mainland China and Southeast Asian nations, particularly within the CLMVT (Cambodia, Laos, Myanmar, Vietnam, Thailand) subregion, reveal a new landscape where law and geopolitics intertwine. This subregion serves as both the convergence point of the Belt and Road Initiative and the Indo-Pacific Strategy and the frontier for institutional alignment and legal coordination between China and ASEAN.

Against this backdrop, the trade and investment relationship between China and Thailand not only epitomizes bilateral cooperation but also reflects mutual learning and institutional competition within the regional legal order. Their interaction on foreign investment access regimes influences both nations' economic development trajectories while subtly reshaping the legal governance structure of the CLMVT subregion. This article conducts a comparative analysis of foreign investment access regimes in China and Thailand. It examines how the two nations respond to geopolitical challenges within the Indo-Pacific framework through institutional coordination. It aims to provide theoretical underpinnings and practical insights for rule-of-law cooperation in the CLMVT subregion.

China-Thailand trade and investment relations span multiple dimensions, including goods trade, services trade, and investment access. Investment access directly concerns capital flows, market openness, and investor

rights protection, serving as the legal cornerstone of bilateral economic ties. Consequently, this article focuses on comparing legal systems in the investment access domain. Research on foreign investment access legal systems primarily covers aspects such as access conditions, access sectors, and access procedures. Both China and Thailand implement negative list systems for foreign investment market access. This approach safeguards national security and economic interests while enhancing transparency and convenience for foreign investment. This article is based on the differences in the access systems of China and Thailand and the needs of bilateral economic cooperation. It also addresses the existing gap in comparative research. On this basis, it conducts an in-depth analysis and comparative study of the similarities and differences in the fields of foreign investment access. It aims to reveal the synergistic path of access regulation under different legal systems and stages of economic development, thereby promoting the development of China-Thailand trade. To enhance analytical clarity, this study is guided by the following core research question: how do differences in foreign investment access regimes between China and Thailand shape bilateral investment patterns and legal coordination within the CLMVT subregion?

Methodologically, this study adopts a comparative legal analysis focusing on China and Thailand as representative jurisdictions within the CLMVT subregion. This article advances the argument that divergences in regulatory models—particularly between China’s progressively liberalized negative list system and Thailand’s more control-oriented Foreign Business Act framework—do not merely reflect different stages of economic development, but also structurally influence market access costs, sectoral allocation of foreign capital, and the degree of institutional compatibility between the two jurisdictions. This analytical approach is consistent with scholarship emphasizing the shift from approval-based foreign investment regulation toward the model of pre-establishment national treatment plus a negative list (Wen, 2018). In terms of academic contribution, this study moves beyond descriptive comparison by linking domestic investment access regimes with regional legal interoperability, thereby contributing to the literature on international investment law and regional legal integration, especially in the context of emerging Indo-Pacific governance dynamics. The analysis is based on statutory texts, policy instruments, and relevant academic literature, and is conducted along three dimensions: market openness, sectoral restrictions, and regulatory mechanisms.

Conceptually, this study is situated at the intersection of investment liberalization, regulatory competition, and legal harmonization. It adopts a functional comparative approach to examine how different legal instruments governing foreign investment access operate in practice. In this context, the “negative list” refers to a regulatory model under which all sectors are presumed open to foreign investment unless explicitly restricted or prohibited; “market access” denotes the legal conditions and procedural requirements governing entry into a host state’s economy; and “legal interoperability” describes the extent to which different domestic legal systems can interact, align, or be mutually accommodated within a regional governance framework.

2. China’s Legal Framework for Foreign Investment Access

China’s foreign investment access regime, refined through years of adjustments and reforms, reflects the nation’s profound strategic planning for economic restructuring, technological advancement, and openness to the outside world, with the goal of fostering trade and investment relations. As China’s market gradually opens, foreign investment has become a vital force in the nation’s economic growth. China primarily regulates its foreign trade access relationships by improving foreign investment laws and adopting a negative list management approach.

National Treatment Principle. The national treatment principle requires foreign investors to enjoy equal treatment with domestic investors prior to market access, meaning foreign-invested enterprises enjoy the same legal rights and treatment as domestic enterprises in most sectors. Originally applied in international trade, this principle has been progressively incorporated into Bilateral Investment Protection Agreements (BIPAs) amid economic globalization. It is important to note, however, that national treatment compares the treatment a host country “grants to foreign investors” with the treatment it “grants to its own nationals.” This essentially pertains to a country’s internal circumstances, meaning there is no universally mandated “minimum standard of national treatment” that all countries must follow (Li, 2019). The essence of national treatment lies in the host country extending preferential treatment to foreign entities based on its inherent territorial advantage. Consequently, granting national treatment is not an obligation incumbent upon the host country but rather a discretionary choice made according to its national circumstances.

Negative List System. A negative list, also termed a negative catalog, exclusion list, or list of restrictions/prohibitions, establishes that industries not specified on the list are fully open to foreign investment. Industries listed on the negative list may face restrictions or entry prohibitions. The negative list follows the principle of “what is not prohibited is permitted” (Gong, 2013). However, projects involving national security must undergo security review procedures. This mechanism reflects China’s broader reform from approval-oriented foreign investment administration toward pre-establishment national treatment combined with a negative list (Wen, 2018), which was formally legalized and institutionalized by the Foreign Investment Law of 2019 (Kong & Ding, 2019; Yan, 1997). Zhang Hongxian (2015) views it as a blacklist for foreign capital entry. Safeguarding rights under investment liberalization. The negative list is regularly updated through administrative regulations, demonstrating the dynamic nature of China’s foreign investment management. Since the 2018 edition was first published as a standalone “negative list” explicitly outlining special restrictive measures for foreign investment access, China’s Foreign Investment Access Negative List has undergone four revisions (see Table 1). The number of special restrictive measures has decreased from 48 to 29, aligning with the expanding demands of opening up. As an investment management tool, the negative list plays a crucial role in promoting investment liberalization, enhancing investment efficiency, increasing legal transparency and stability, and attracting foreign investment.

Table 1: Revision History of China’s Special Administrative Measures for Foreign Investment Access (Negative List)

Version Name (Abbreviation)	Article Number	Changes
2018 Edition List	48 entries	The nationwide edition was released independently in the form of a negative list. Revises the negative list for foreign investment access in the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision). Significantly relaxes market access, reducing the list from 63 to 48 items and introducing opening-up measures across 22 sectors.

2019 Edition List	40 entries	<p>(1) Promoting greater opening-up in the service sector. In the transportation sector, the requirement for Chinese majority ownership in domestic shipping agencies is eliminated. In the infrastructure sector, the requirement for Chinese majority ownership in gas and heating pipeline networks in cities with populations over 500,000 is eliminated. In the cultural sector, the requirement for Chinese majority ownership in cinemas and performance brokerage agencies is eliminated. In the value-added telecommunications sector, restrictions on foreign investment in three services—domestic multiparty communications, storage and forwarding, and call centers—are eliminated.</p> <hr/> <p>(2) Relaxing market access in agriculture, mining, and manufacturing. In agriculture, remove the prohibition on foreign investment in the development of wild animal and plant resources. In mining, remove the requirement that oil and natural gas exploration and development be conducted only through joint ventures or cooperative ventures, and remove the prohibition on foreign investment in the exploration and mining of molybdenum, tin, antimony, and fluorite. In manufacturing, remove the prohibition on foreign investment in the production of rice paper and ink sticks.</p> <hr/> <p>(3) Continue leveraging pilot free trade zones as “testing grounds” for opening up. Opening measures piloted in the 2018 edition of the negative list for foreign investment in pilot free trade zones—such as performance agencies and oil and gas exploration and development—will be rolled out nationwide. Building on these nationwide measures, the 2019 edition of the negative list removes restrictions on foreign investment in sectors like aquatic product fishing and publication printing, continuing to pioneer and expand opening up.</p>
2020 Edition List	33 items	<p>(1) Accelerate opening in key service sectors. In finance, remove foreign equity ratio restrictions for securities firms, securities investment fund management companies, futures companies, and life insurance companies. In infrastructure, abolish the requirement for Chinese majority ownership in the construction and operation of water supply and drainage networks in cities with populations exceeding 500,000. In transportation, lift the ban on foreign investment in air traffic control while adjusting regulations for civil airports.</p>

		<p>(2) Relaxing access in manufacturing and agriculture. In manufacturing, foreign equity restrictions on commercial vehicle manufacturing will be lifted, and prohibitions on foreign investment in radioactive mineral smelting, processing, and nuclear fuel production will be abolished. In agriculture, the requirement for Chinese majority ownership in wheat variety breeding and seed production will be relaxed to a minimum Chinese equity share of 34 per cent.</p> <p>(3) Continuing Pilot Opening-Up in Pilot Free Trade Zones. Building upon national opening-up measures, pilot free trade zones will continue to pioneer new initiatives. In the pharmaceutical sector, the prohibition on foreign investment in Chinese herbal medicine preparations has been lifted. In education, wholly foreign-owned vocational education institutions offering formal academic programs are now permitted.</p>
2021 Edition of the List	31 Measures	<p>(1) Further deepen opening in manufacturing. In automobile manufacturing, remove foreign equity restrictions on passenger vehicle production and the limit that a single foreign investor may establish no more than two joint ventures producing the same type of vehicle domestically. In broadcasting equipment manufacturing, remove restrictions on foreign investment in satellite television broadcasting ground reception facilities and key component production, managing them under the principle of equal treatment for domestic and foreign investors. This revision achieves zero entries for manufacturing in the pilot free trade zones' negative list.</p> <p>(2) Pilot Free Trade Zones to Explore Relaxing Access to Services. In the market research sector, except for radio and television audience surveys, which require Chinese majority ownership, foreign investment restrictions are lifted. In the social survey sector, foreign investment in social surveys is permitted but requires Chinese equity of no less than 67 per cent, and the legal representative must hold Chinese nationality.</p> <p>(3) Enhancing the precision of the foreign investment access negative list. The following provision shall be added to the explanatory notes of the negative list: "Domestic enterprises engaged in business activities within sectors prohibited under the foreign investment access negative list shall obtain approval from the relevant national competent authorities before issuing shares and listing overseas. Foreign investors shall not participate in the management of such enterprises, and their shareholding ratios shall be subject to the relevant regulations governing overseas investors' domestic securities investments." The China Securities Regulatory Commission and relevant competent authorities shall implement targeted management over domestic enterprises engaged in prohibited sectors seeking overseas listings and financing in accordance with regulations.</p>

(4) Optimizing the management of the negative list for foreign investment access. In accordance with the Implementing Regulations of the Foreign Investment Law, add the following to the explanatory notes of the negative list: “Foreign-invested enterprises investing within China shall comply with the relevant provisions of the negative list for foreign investment access.” To ensure coordination between the negative list for foreign investment access and the market access negative list, add the following to the explanatory notes: “Domestic and foreign investors shall uniformly apply the relevant provisions of the Market Access Negative List.”

2024 Edition of the List	Article 29	Two entries have been removed: “Printing of publications must be majority-owned by Chinese investors” and “Prohibition on investment in the application of processing techniques such as steaming, roasting, broiling, and calcination for Chinese herbal decoction pieces, as well as the production of proprietary Chinese patent medicines with confidential formulas.” This achieves a “zero-restriction” status for foreign investment access measures in the manufacturing sector.
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Source: Compiled by the authors based on the Special Administrative Measures (Negative List) for Foreign Investment Access (2018–2024 Editions) jointly issued by the National Development and Reform Commission and the Ministry of Commerce of the People’s Republic of China

Note: Prior to and following the release of the national negative list, various free trade zones have also issued regional versions of the negative list on multiple occasions.

Currently, China implements negative lists at two levels: the national version and the Free Trade Pilot Zone (FTA) version (Zhang, 2005). The FTA version is generally more foreign investment-friendly and liberal than the national version. The national negative list, issued by the State Council, applies to foreign investment nationwide across multiple sectors, including energy, finance, agriculture, and manufacturing. Sectors listed in the negative list are categorized into restricted and prohibited areas. Restricted sectors allow conditional access to foreign investment, typically with limitations on equity ownership, management rights, and other aspects. Prohibited sectors, as the name implies, are closed to foreign investment. The FTZ negative list further relaxes access requirements for certain industries beyond the national version, thereby promoting greater liberalization and facilitation of investment and trade activities within the FTZ.

Industry Opening and Restrictions in Foreign Trade and Investment. China’s foreign investment access policies cover a broad spectrum, with significant variations in openness across different sectors. Overall, while

encouraging high-tech, environmental protection, sustainable development, and service industries, China maintains certain constraints on sectors critical to national security and the lifeline of the national economy.

Encouraged and Supported Sectors. China has further refined its opening-up in market access areas, gradually reducing restrictions, particularly in high-tech, emerging industries, and green industries. As China advances the upgrading and transformation of its manufacturing sector, access restrictions for foreign investment in advanced manufacturing fields such as new energy vehicles, aerospace equipment, robotics, and smart devices are progressively easing. Supported by China's high-quality business environment, skilled workforce, and comprehensive industrial and supply chains, automakers have successively invested in electric vehicle production facilities in China. All restrictions on foreign investment in the automotive sector have been lifted. Additionally, China places great emphasis on developing high-tech industries and encourages foreign investment in this sector. Foreign companies can not only enjoy policy incentives in multiple high-tech fields—including artificial intelligence, the Internet of Things, 5G technology, biopharmaceuticals, and green energy—but also engage in technological research, development, and innovation through partnerships with Chinese enterprises. In the Traditional Chinese Medicine (TCM) sector, the 2024 edition of the Negative List removed foreign investment restrictions on the processing of TCM herbal slices and the production of proprietary TCM formulations with confidential prescriptions for the first time, ending a nearly 30-year ban.

Restricted and Prohibited Sectors. Despite China's progressively open foreign investment policies, certain sectors involving national security and public interests remain subject to stringent constraints. To safeguard national security, China enforces rigorous scrutiny and restrictions on foreign investment in defense, military, and public security sectors. For instance, foreign capital is barred from sensitive industries such as defense manufacturing and weapons production. In sectors vital to national security and economic lifelines—such as telecommunications, energy, and infrastructure—foreign equity ratios are strictly controlled. However, according to the Ministry of Industry and Information Technology's notice on piloting expanded openness for value-added telecommunications services, foreign equity restrictions have been lifted for such services (e.g., IDC, CDN) in pilot regions (Beijing, Shanghai, Hainan and Shenzhen), while

other regions maintain a 50 per cent cap on foreign equity. This regulation aims to ensure domestic enterprises maintain a dominant position in strategic communications infrastructure while allowing space for foreign participation. Culture represents a nation's soft power, and the cultural and media sectors are areas of high priority for the Chinese government, with relatively strict controls on foreign investment access. Foreign investors are prohibited from operating television and radio program production, publishing, or distribution businesses as wholly foreign-owned enterprises. Access restrictions also apply to sectors including news publishing and online audio-visual services. Furthermore, foreign investment is barred in internet news information services, online publishing services, online audio-visual program services, internet cultural operations (excluding music), internet public information release services (except for services already opened under China's WTO commitments), publications, and radio broadcasting. China also imposes certain restrictions on foreign investment in agriculture and natural resource development. In the mineral resources sector, China maintains strict restrictions on foreign investment in certain strategic mineral resources. For certain specific agricultural sectors, such as grain production and seed research and development, foreign investment also faces access restrictions. Particularly in the breeding and seed production of staple crops like wheat and corn, Chinese control is still required. These restrictions primarily aim to ensure China's food security, public opinion control, and sustainable utilization of strategic resources, reflecting ongoing efforts to safeguard agricultural strategic security. Foreign companies intending to develop new crop varieties in China must comply with relevant requirements when conducting related business operations. This reflects China's efforts to balance agricultural openness with the protection of strategic resources, providing opportunities for foreign participation while establishing certain entry barriers to ensure national leadership in critical sectors.

China facilitates foreign investment access through special zones, such as pilot free trade zones, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Hainan Free Trade Port. Within these zones, foreign investors enjoy more relaxed access conditions and preferential policies—including more open negative lists, higher foreign equity ownership caps, and tax incentives—thus promoting the establishment and operation of foreign enterprises.

Overall, China continues to broaden its foreign investment access.

Notably, greater openness is being achieved in high-tech industries, manufacturing, and services. The negative list management system provides clearer guidance for foreign investment. Looking ahead, China is expected to further relax restrictions on foreign investment access, continuously advancing high-level opening-up to attract more foreign capital. The 2024 edition of the Negative List continues China's recent trend of expanding openness, reflecting its determination to uphold the fundamental state policy of opening up while achieving breakthroughs in key sectors. Greater openness has been implemented in manufacturing, services, healthcare, and other fields. Notably, the complete removal of foreign investment access restrictions in manufacturing marks a new chapter in China's foreign investment openness. This revision focuses on high-end manufacturing, green technology, and other sectors, reflecting China's policy orientation toward promoting high-quality economic development. The differentiated arrangements between the national list and the pilot free trade zones list demonstrate China's cautious approach and strategy of piloting first in the process of opening up its foreign trade. These regulatory features primarily provide a foundation for the subsequent comparative analysis with Thailand.

3. Thailand's Legal Framework for Foreign Investment Access

In contrast to China's negative list approach, Thailand adopts a classification-based regulatory framework under the Foreign Business Act, which divides restricted sectors into distinct categories subject to varying levels of approval (Bootae, 2019; Jin, 2019; Wan, 2015). Thailand stands as a pivotal economic powerhouse in Southeast Asia. Examining its legal framework for foreign investment access offers insights into how Thailand leverages its legal structure to attract foreign capital, boost foreign trade, and drive industrial upgrading. Analysis of this system provides valuable lessons for other nations seeking to balance foreign investment attraction with the protection of national interests. Thailand's legal system governing foreign investment access serves as a crucial tool for its economic and trade development while safeguarding national sovereignty (Jin, 2019; Thanyakhan, 2008). Through the Foreign Business Act and other relevant legislation, the Thai government meticulously defines the sectors accessible to foreign investors, along with sector-specific restrictions and conditions for market access. This system primarily aims to attract foreign investment for economic growth while safeguarding national economic security. By examining the Foreign Business

Act and related policies—including classifications of foreign investment sectors, industry-specific liberalization and restrictions, and preferential policies for designated zones—this analysis provides guidance for foreign investors in Thailand.

Classification of Foreign Investment Access Sectors in Thailand.

Thailand's legal framework for foreign investment access is primarily governed by the Foreign Business Act. This Act categorizes industries into three main groups based on the potential impact of foreign investment on the economy and national security, with each category subject to varying degrees of access restrictions. Category I industries are completely off-limits to foreign investment. These sectors typically involve national security, cultural heritage preservation, and the protection of indigenous resources. The Thai government considers these sectors foundational to national strategy and social stability, requiring control by Thai nationals or Thai companies. Foreign investment is strictly prohibited in these industries, with no form of equity participation permitted. Specific industries include newspapers, radio stations, and television stations; rice cultivation, dryland farming, and orchard cultivation; animal husbandry; forestry and timber processing; fishing within Thailand's territorial waters and exclusive economic zone; processing of Thai medicinal herbs; business operations and auctions involving Thai antiques or artifacts of historical value; production or casting of Buddhist statues and alms bowls; and land trading (Deng, 2020). Strict restrictions on foreign investment in these sectors aim to protect Thailand's natural resources, cultural heritage, and national security from foreign capital control or interference.

The second category permits limited foreign investment. Category II industries involve Thailand's economic stability, national security, or natural resource utilization. Foreign investors entering these sectors require approval from the Minister of Commerce based on Cabinet decisions. They typically mandate at least 40 per cent Thai ownership (which may be relaxed to no less than 25 per cent under special circumstances, with two-fifths of directors being Thai nationals). The Thai government maintains a cautious stance on foreign investment in these sectors to ensure no adverse impact on the domestic economy or society. Specific industries include: Businesses involving national security domains, such as military equipment manufacturing, transportation systems, and aviation; businesses impacting Thai arts, culture, traditions, customs, and folk handicrafts, such as wood

carving, sericulture, and Thai musical instrument production; and businesses affecting natural resources or the environment, such as sugarcane cultivation, salt farming, and mining. Foreign investment in these sectors undergoes rigorous scrutiny, with complex approval processes requiring foreign investors to provide substantial justification and commitments to ensure investments do not harm Thailand's interests. The third category requires foreign investors to obtain approval from the Foreign Business Committee and secure a license issued by the Director-General of the Department of Business Development under the Ministry of Commerce. This category covers modern services and manufacturing with relatively relaxed access conditions, including services, financial services (requiring special approval), retail and wholesale, and construction engineering. The government adopts flexible policies for foreign investment in emerging industries, offering incentives and relaxed equity restrictions. However, these sectors remain regulated with certain limitations. For instance, constructing infrastructure for public services in utilities or transportation, or utilizing specialized equipment, machinery, technology, or expertise, requires a minimum foreign capital of 500 million baht or more.

Preferential Policies for Foreign Investment in Specific Regions.

To attract foreign investment, Thailand implements preferential policies in designated zones like the Eastern Economic Corridor (EEC) (Chaithersiri, 2007; Praditsil *et al.*, 2023). A cornerstone of the "Thailand 4.0" strategy, the EEC spans Chonburi, Rayong, and Chanthaburi provinces, focusing on high-tech industries (Kongphok & Snitwong, 2024). Foreign investors here enjoy full ownership, 50-year land leases renewable for an additional 49 years, tax incentives, and expedited approval processes (Deng, 2020). The Eastern Economic Corridor Special Act details these incentive provisions. Additionally, special economic zones in Thailand's border regions promote cross-border trade and industrial development through tax incentives, relaxed equity restrictions, and extended land use rights (Praditsil *et al.*, 2023).

The current landscape of foreign investment access in Thailand indicates that the country is gradually relaxing restrictions through policy adjustments and preferential measures, prioritizing foreign investment in high-valued-added industries and specific economic zones. While access barriers persist in certain sectors, Thailand's overall foreign investment environment is improving. It is expected to continue attracting substantial foreign capital and deepening its foreign trade in the future.

4. Comparison of Similarities and Differences in Trade and Investment Access Between China and Thailand

Building upon the foregoing analysis, the similarities and differences identified below reflect domestic regulatory choices and provide a basis for assessing legal convergence and regional governance coordination within the CLMVT subregion.

Table 2: Comparison of Foreign Investment Access Regimes Between China and Thailand

Dimension	China	Thailand
Regulatory Model	Negative list system	Foreign Business Act classification
Market Openness	Increasingly liberalized	Relatively restrictive
Sectoral Restrictions	Focus on strategic sectors	Broad restrictions in traditional sectors
Services Sector	Gradual opening	More limited access
Policy Orientation	Innovation-driven	Industrial upgrading

Source: Compiled by the authors based on the Special Administrative Measures (Negative List) for Foreign Investment Access of China and Thailand's Foreign Business Act B.E. 2542 (1999)

(I) Similarities in Trade and Investment Access Between China and Thailand

Both China and Thailand employ a “negative list” approach to restrict and prohibit foreign investment in certain sectors. These sectors primarily encompass industries related to national security and public interest, as well as those where domestic enterprises lack a competitive advantage against foreign investors. Although China and Thailand exhibit differences in the degree of openness across specific industries, both nations demonstrate similar policy orientations regarding foreign investment access. They encourage foreign capital to enter sectors beneficial to their economic development—such as high-tech industries, green energy, and advanced manufacturing—while restricting or prohibiting foreign investment in industries involving national security, strategic resources, and cultural domains.

On one hand, both China and Thailand focus on developing tax reduction and preferential policies to encourage foreign investment in sectors of strategic importance to their economic development. Examples include high-tech industries, emerging service sectors, and green industries. Foreign enterprises can enjoy various tax and policy incentives. Additionally, China

actively promotes foreign participation in services, finance, and cultural industries, attracting investment through measures like opening financial markets and reducing foreign ownership restrictions. Thailand's BOI policy explicitly encourages foreign investment in high-tech industries, innovation sectors, and areas related to sustainable development, such as clean energy, the digital economy, and advanced manufacturing. The Thai government offers foreign enterprises multiple support policies, including tax incentives, land use rights, and technology transfer assistance, to promote foreign investment in nationally prioritized industries.

On the other hand, both China and Thailand impose strict restrictions, or even outright bans, on foreign investment in sectors involving national security, cultural preservation, and strategic resources. These industries are typically linked to national sovereignty and cultural security, necessitating a degree of control. China enforces stringent restrictions on foreign investment in defense, military, media, publishing, and energy sectors. For instance, foreign investors are prohibited from independently entering the news publishing, telecommunications, and energy sectors, and are barred from entering broadcasting and television industries. Furthermore, foreign investment access is strictly controlled in the development and utilization of rare minerals. Thailand also imposes stringent foreign investment restrictions in sectors vital to national welfare and cultural preservation. For instance, Thailand maintains relatively strict controls over foreign investment in agriculture, animal husbandry, fisheries, exploration, and mining. In these sectors, foreign companies' equity stakes are typically capped at 49 per cent.

Both China and Thailand actively encourage foreign investment in priority sectors aligned with their respective national trade development strategies, such as high-tech and green energy industries, which generally correspond to their long-term development goals. Both governments have implemented tax incentives, land concessions, and rights protection policies to attract foreign investment in these areas, aiming to promote technology transfer and innovation while accelerating economic growth. These similarities reflect parallels in foreign policies. They also indicate broader global trends in attracting foreign investment and improving business environments. Amidst the wave of global economic integration, both China and Thailand are making efforts to adjust and refine their legal frameworks for foreign investment (Goh *et al.*, 2013). This aims to better integrate into international markets, improve the foreign trade environment, and promote

comprehensive domestic economic development. The similarities in the legal frameworks governing foreign investment access between China and Thailand are both a concrete manifestation of their deepening reform and opening-up to drive high-quality economic development, and a necessary choice for integrating into global development. These commonalities provide stable expectations for foreign enterprises making investment decisions across both nations, contributing to the prosperity and stability of regional and even global economies.

(II) Differences in Trade and Investment Access Between China and Thailand

China and Thailand exhibit significant differences in foreign investment access, stemming from their distinct economic development models, policy objectives, industrial structures, and attitudes toward foreign investment.

Differences in Economic Structure and Policy Orientation. China's industrial structure upgrade orientation and its foreign investment access policies reflect the nation's need for economic restructuring. In recent years, China has progressively entered an era of high-quality development, where traditional industrial restructuring no longer centers on conventional manufacturing. Consequently, China places greater emphasis on attracting foreign investment in high-value-added sectors, particularly in high-tech, energy, and manufacturing fields. China's policy emphasis encourages foreign investment in emerging sectors and high-tech fields to elevate national technological capabilities and enhance industrial competitiveness. Recent years have seen China vigorously attract foreign investment into new energy vehicles, semiconductors, biopharmaceuticals, and 5G technology, offering policy support and preferential measures. Thailand's foreign investment policies, shaped by its "Thailand 4.0" economic development strategy, similarly reflect its developmental objectives (Chuleerat, 2002; Somchanok, 2012). Under the Thailand 4.0 strategy, the country prioritizes attracting foreign investment in high-value-added industries to drive industrial upgrading. However, Thailand's industrial structure remains relatively reliant on traditional manufacturing and agriculture. Consequently, while opening up to foreign investment in high-tech and innovative sectors, it maintains relatively strict restrictions in certain traditional areas (such as agriculture and land use). For instance, Thailand utilizes its Board of Investment (BOI) to attract foreign investment into the digital economy, smart manufacturing, and clean energy sectors, supporting the economic

transition from labor-intensive to knowledge-intensive industries.

Restrictions and Openness in Foreign Investment Access Sectors. Although both China and Thailand have established negative list systems (Rodjun, 2014), there are misalignments in their rules, with significant differences in the development levels of various sectors between the two countries. In recent years, China has substantially relaxed restrictions on foreign investment, particularly in the service sector, financial sector, and manufacturing sector. China uses its “Negative List for Foreign Investment Access” to restrict and prohibit foreign investment in certain sectors. However, as economic opening continues to advance, the content of the negative list has progressively diminished, with many previously restricted industries gradually opening up. This is particularly evident in sectors like finance and automobile manufacturing, where foreign investment access conditions have been significantly relaxed. For instance, China has progressively eliminated foreign ownership caps in the financial sector. Restrictions on foreign equity stakes in securities firms and fund management companies were fully lifted in 2020, permitting foreign investors to hold 100 per cent ownership. Similarly, the automotive manufacturing sector has gradually removed foreign ownership ceilings, with all manufacturing foreign investment restrictions now abolished. Further liberalization has been implemented in services, healthcare, and other sectors. In contrast, Thailand maintains a 49 per cent equity cap in sectors like agriculture and media, imposing strict restrictions on foreign investment. Foreign capital cannot freely enter or hold majority stakes in these industries and often requires special permits for access. Thailand’s stance in these economically and culturally vital sectors is more conservative than China’s, creating barriers to Sino-Thai trade and investment.

Differences in encouraged foreign investment sectors. In industries where foreign investment is encouraged, China prioritizes high-tech and innovative sectors. The Chinese government guides foreign investment into fields such as artificial intelligence, 5G, biopharmaceuticals, and new energy vehicles through policy measures, offering incentives including tax breaks, land use benefits, and financial support. Additionally, local governments and pilot free trade zones provide more flexible policies to attract foreign investment into emerging industries. China’s major free trade zones offer sector-specific policy incentives to attract foreign investment in high-tech, green energy, and advanced manufacturing industries. Thailand’s Focus on

Industrial Upgrading. Thailand's foreign investment policy also aims for industrial upgrading, but its focus is more concentrated on manufacturing and agriculture—sectors where it holds competitive advantages. For instance, Thailand's Board of Investment (BOI) encourages foreign investment in smart manufacturing, clean energy, digital technology, and healthcare. Thailand's investment policies prioritize attracting foreign capital into sectors that elevate domestic manufacturing standards and industrial technology. The "Eastern Economic Corridor" initiative, for instance, focuses on attracting foreign investment in high-value-added industries like aircraft manufacturing, smart electronic devices, and automation technology.

Differences between the Negative List and Foreign Investment Protection Policies. China implements a negative list system, explicitly listing prohibited and restricted sectors for foreign investment. Sectors not on the list are fully open to foreign investment, enhancing transparency and reducing uncertainty in market access. China actively introduces foreign investment, progressively relaxing restrictions to encourage foreign trade. By 2024, the Special Administrative Measures for Foreign Investment Access (Negative List) had been reduced from 48 items in 2018 to 29 items. Restrictions on foreign investment in manufacturing are being phased out entirely. Restrictions on foreign investment in the processing of traditional Chinese medicine decoction pieces and the production of proprietary Chinese medicine products with confidential formulas have been removed, facilitating foreign entry into the traditional Chinese medicine sector and promoting technological exchange and innovation. Thailand's foreign investment access management primarily relies on the Foreign Business Act, which categorizes industries into three types: those prohibited to foreign investment, those requiring special approval for entry, and those accessible with approval from the Business Development Department and a license issued by the Director-General of the Department of Business Development under the Ministry of Commerce. Thailand's foreign investment access system remains relatively conservative, particularly for sectors deemed culturally, economically, or nationally significant. Restrictions are stringent, and the approach to foreign trade remains cautious, reflecting concerns identified in the literature regarding Thailand's narrow scope of foreign investment access and relatively complex approval procedures. (Xiao, 2015). Foreign investors typically require special approval from the Board of Investment (BOI) or other government agencies.

Differences in Foreign Access to Services. China's service sector has progressively opened to foreign investment, particularly in previously restricted key areas such as finance, insurance, education, and healthcare. In recent years, substantial foreign capital has successfully entered China through financial markets. Notably, since 2020, foreign ownership restrictions in the financial sector have been eliminated, permitting full foreign ownership in banking, securities, insurance, and related industries. Additionally, China has eased access conditions for foreign investment in service industries like healthcare and education. In contrast, Thailand maintains relatively stringent restrictions on foreign access to its service sector, particularly in retail, wholesale, and real estate. Thailand's Foreign Business Act imposes strict limits on foreign ownership stakes in service industries and enforces quota or licensing systems in certain sectors. Although Thailand exhibits higher openness in select service areas like tourism and healthcare, the overall level of service sector liberalization remains low.

(III) Legal Interoperability in the CLMVT Subregion and the Roles of China and Thailand

As a pivotal hub for China-ASEAN economic cooperation, the CLMVT subregion's legal interoperability is increasingly becoming a key dimension for observing regional governance. China and Thailand serve as "legal nodes" in this context: China promotes legal transparency and institutional standardization through its Foreign Investment Law and negative list system, while Thailand balances national security and market openness via its Foreign Business Act and BOI policies, forming a dual-track legal and administrative framework.

The legal interactions between China and Thailand generate a demonstration effect within the CLMVT sub-region (Rajan *et al.*, 2004). For instance, the Regional Comprehensive Economic Partnership (RCEP) promoted by China under the Belt and Road Initiative and the Greater Mekong Subregion (GMS) cooperation framework resonate with Thailand's EEC strategy, forming an institutional network centered on infrastructure, investment access, and trade facilitation. This phenomenon of "legal mutual learning" and "norm spillover" not only deepens the interdependence of the rule of law between China and Thailand but also prompts countries like Laos, Cambodia, and Myanmar to draw on their experiences in foreign

investment legislation, driving legal convergence within the subregion.

At the geopolitical level, the coordination of China and Thailand's legal systems also carries strategic implications. Amidst the competitive landscape in the Indo-Pacific region, China consolidates its economic and trade influence through institutional openness, while Thailand plays the role of a "moderating partner" in the strategic balancing act between China and the United States. The mutual learning of legal systems has transformed the CLMVT region into not only an economic corridor but also a crossroads for legal cooperation and norm-shaping, signaling a new phase in regional cooperation—one that moves beyond "policy coordination" toward "legal governance."

In summary, differences between China and Thailand in foreign investment access primarily manifest in policy orientation, sectoral restrictions, encouraged investment areas, negative list management, and the degree of service sector liberalization. Against the backdrop of economic transformation and upgrading, China has progressively relaxed foreign investment access restrictions, demonstrating a notably open stance, particularly in high-tech and service sectors. Thailand, however, maintains relatively stringent restrictions in certain traditional industries and sensitive sectors. While opening up in high-tech and priority industries, its overall policy remains conservative. These differences reflect the distinct developmental stages and strategic priorities of the two nations (Bahmani-Oskooee & Kanitpong, 2019; Gongkhonkwa, 2021).

5. Conclusion and Recommendations

By comparing the foreign investment access legal systems of China and Thailand, this article reveals potential areas for legal coordination in their trade and investment relations. Moving forward, both nations can enhance the legal convenience of economic cooperation by refining bilateral agreements and streamlining approval procedures. Overall, China's policies are relatively lenient. Except for specific sectors where legal frameworks impose necessary qualification requirements, foreign investment access conditions in China are comparatively relaxed. In contrast, Thailand maintains a more conservative stance, imposing strict restrictions on foreign investment in certain traditional industries and sensitive sectors.

Both China and Thailand have room for improvement in their foreign investment access legal frameworks. China should further expand

market openness while enhancing policy implementation consistency and transparency. Thailand, meanwhile, needs to attract foreign investment while addressing key challenges such as localization and talent shortages. Through these adjustments, both countries can create a more favorable investment environment for foreign investors, promote bilateral trade cooperation, drive industrial upgrading and transformation, and continuously align with international economic and social standards.

For China: Expand Open Sectors: Despite continuous reductions in the negative list, foreign access remains relatively conservative in services like education, culture, telecommunications, and infrastructure. Further easing restrictions in these areas is recommended to meet domestic demand for high-quality services and technologies. Deepen Regional Policy Implementation: The opening policies in free trade zones and the Hainan Free Trade Port have yielded significant results. It is advisable to further summarize these experiences and replicate them across more regions and industries, thereby enhancing entry convenience for foreign companies. **For foreign investors:** Beyond monitoring dynamic adjustments to the negative list to seize timely investment opportunities, they should leverage regional advantages to select optimal investment locations and effectively utilize remedial mechanisms to protect corporate interests. The Chinese government continues optimizing the foreign investment access negative list to expand market openness. Foreign investors should closely monitor the latest negative list content, thoroughly research which industries have relaxed foreign investment restrictions, and promptly adjust investment strategies to allocate resources to newly opened sectors, thereby seizing market opportunities. Focusing solely on investment sectors is insufficient. It is also necessary to leverage regional advantages and pay attention to investment preferential policies in different areas. Given China's vast territory, investment promotion policies vary significantly across regions. Investors should thoroughly examine local industrial layouts and policy incentives based on their business characteristics to select the most suitable locations. Special zones such as pilot free trade zones and national-level new areas offer distinct advantages in taxation, financial services, and foreign exchange management, providing foreign enterprises with a more efficient investment environment and additional conveniences. Furthermore, throughout the investment process, foreign investors should familiarize themselves with and fully leverage China's increasingly robust mechanisms for protecting

foreign investment rights and providing remedies. When encountering issues in policy implementation or unfair treatment, they should promptly file complaints with relevant authorities to safeguard their legitimate rights and interests. By actively understanding the policy and legal landscape and strengthening risk prevention capabilities, investors can ensure the security and compliance of their investments.

For Thailand: Dynamically adjust the annex to the Foreign Business Act. The static management model of Thailand's Foreign Business Act annex limits flexibility in foreign investment access and may increase compliance uncertainty for foreign investors (Xiao, 2015). It is recommended to introduce a dynamic adjustment mechanism to gradually reduce the scope of restricted industries based on economic development needs and market changes. Expand opening in key sectors: While the BOI and EEC attract high-value-added foreign investment, their policy coverage remains narrow. It is recommended to further open sectors like agricultural technology and renewable energy to enhance investment appeal. **For foreign investors,** understanding Thailand's preferential policies is paramount. Thailand implements diversified preferential policies for foreign enterprises. These include tax exemptions, land use rights support, and technology introduction incentives specifically for high-value-added industries and designated regions. Investors should thoroughly understand these policy details to select industries and regions aligned with their business needs, thereby maximizing policy benefits. For instance, the EEC is a key region for attracting high-end foreign investment in Thailand, covering strategic industries like aerospace, the digital economy, and biotechnology. Foreign investors should actively monitor the policy direction and development plans of the Eastern Economic Corridor, considering it a key location for investment deployment to gain more policy advantages and development opportunities. Given the complexity of Thailand's foreign investment policies and the flexibility of local implementation, foreign investors may also collaborate with professional institutions or consulting firms familiar with Thailand's investment environment. By obtaining precise policy interpretation and guidance, they can enhance the efficiency of investment decisions, avoid potential legal or administrative risks, and ensure the smooth progress of projects.

A shared recommendation for investors from both nations is to focus on regional economic development plans to uncover new investment

opportunities. Both China and Thailand are actively promoting regional economic integration. Investors should closely monitor regional economic development initiatives such as the Belt and Road Initiative and the ASEAN Economic Community. By deeply engaging with these strategies, they can identify potential investment opportunities supported by policies and explore emerging markets. Through enhanced policy communication, optimized investment services, and strengthened cooperative mechanisms, investors from both countries can achieve mutual success in an increasingly open market environment. Joint efforts by governments and enterprises will help build a more stable, transparent, and efficient investment ecosystem, injecting vitality into bilateral trade and investment activities while providing robust support for the long-term prosperity and development of both economies.

In summary, comparing China and Thailand's foreign investment access systems not only reveals differences and areas for harmonization in their legal frameworks but also reflects institutional shifts within the CLMVT subregion under the Indo-Pacific landscape. Both countries can advance mutual recognition of foreign investment management laws and interoperability of dispute resolution mechanisms by aligning their bilateral investment treaties (BITs) with regional agreements (e.g., RCEP, GMS).

Looking ahead, China-Thailand legal cooperation can deepen toward "regional legalization" and "multilateral institutionalization." On one hand, China can export its experience in opening up pilot free trade zones to CLMVT countries, assisting in establishing cross-border investment review and dispute mediation systems. On the other hand, Thailand can leverage its institutional flexibility and regional leadership to promote the establishment of a "CLMVT Investment Legal Dialogue Mechanism," serving as a legal bridge between ASEAN and China.

Against the backdrop of intensifying strategic competition and cooperation in the Indo-Pacific, the significance of China-Thailand legal cooperation extends beyond economic and trade domains, becoming a crucial legal fulcrum for maintaining regional stability and shaping a new international order. Only through institutional mutual trust, normative co-construction, and legal integration can a new paradigm of shared legal prosperity in the Indo-Pacific era be forged amidst geopolitical competition and economic integration.

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China and Japan in the CLMVT: Institutional Coexistence and Sub-regional Governance

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Abstract

This article examines China and Japan in the CLMVT—Cambodia, Laos, Myanmar, Vietnam and Thailand—through the lens of institutional coexistence and sub-regional governance. It argues that development assistance in the Mekong Basin should not be understood simply as a zero-sum competition between Chinese and Japanese influence, nor as a process in which China’s rise replaces Japan’s long-standing role. Instead, the CLMVT has become a layered sub-regional space in which China’s Belt and Road Initiative, BRI and Lancang–Mekong Cooperation, LMC, coexist with Japan’s Official Development Assistance, ODA and the Mekong–Japan cooperation framework. China’s assistance has expanded through infrastructure finance, policy-bank lending, state-owned enterprises, rapid project implementation and highly visible connectivity projects. Japan, by contrast, has adjusted its Tokyo Strategy by emphasizing quality infrastructure, institutional coordination, human security, sustainability, resilience, digitalization and non-traditional security. The article shows that these two assistance systems are competitive but not mutually exclusive. Their interaction creates a form of institutional coexistence in which recipient states compare, combine and selectively use external resources to expand their bargaining space. By analyzing China’s expanding development assistance, Japan’s strategic adjustment and the role of CLMVT recipient states, this article demonstrates that sub-regional governance in the Mekong

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Basin is shaped not only by major-power rivalry, but also by the practical coexistence of different development models.

Keywords: *Sub-regional governance, CLMVT, ODA, Belt and Road Initiative*

1. Introduction: From Japan's ODA Transformation to China–Japan Institutional Coexistence in the CLMVT

This article examines the changing relationship between Chinese and Japanese development assistance in the CLMVT countries—Cambodia, Laos, Myanmar, Vietnam and Thailand—from the perspective of institutional coexistence and sub-regional governance. Japan has long used Official Development Assistance, hereafter ODA, as an important instrument for postwar reconstruction, regional re-engagement and economic diplomacy. By contrast, China's Belt and Road Initiative, hereafter BRI, has since the mid-2010s introduced a different model of infrastructure-centered development assistance in Southeast Asia. The coexistence of these two assistance systems has not produced a simple pattern of replacement, exclusion, or direct confrontation. Instead, it has generated a layered governance environment in which Japanese ODA, Chinese policy finance, multilateral development institutions and recipient-state strategies operate simultaneously within the same sub-regional space.

The central question of this article is therefore not only how Japan has transformed its ODA policy, but also how Japan's assistance strategies have been adjusted in response to China's expanding presence in the CLMVT. By comparing Japan's ODA-centered approach with China's BRI-centered assistance model, this article argues that sub-regional governance in the Mekong Basin has created conditions for institutional coexistence. In this article, institutional coexistence refers to a situation in which multiple aid and development systems, despite differences in norms, financing mechanisms, implementation procedures and political visibility, continue to operate in parallel and are strategically used by recipient states. This perspective helps explain why China's rise in Southeast Asian development assistance has not simply displaced Japan's role and why Japan's Tokyo Strategy has continued to evolve as a mechanism of institutional adjustment and regional engagement.

For the Japanese government, ODA has taken diverse forms and covered a wide range of recipient regions. Since 1954, Japan began to implement postwar reparation-type assistance programs with the aim of reconstructing its national image and reshaping its external relations. In October of the same year, Japan joined the Colombo Plan, which enabled the Japanese government to promote economic and social development through the model of regional cooperation (The Colombo Plan Secretariat, 2024). Today, most of the twenty-eight member countries of the Colombo Plan are located in the Asia-Pacific region, thereby providing Japan with a diplomatic and institutional channel through which it could rebuild relations with recipient countries and gradually expand its economic influence (The Colombo Plan Secretariat, 2024).

Compared with its early ODA programs, the Japanese government's expectations regarding the effects of development assistance have changed in response to transformations in the international environment. After the end of the Cold War, state actors no longer focused exclusively on zero-sum competition over traditional national security and territorial issues. Instead, greater attention was directed toward non-zero-sum issues such as international trade, economic interests and development cooperation. By guiding stronger external economic forces into domestic development processes, state actors were able to promote economic growth and social development, thereby maximizing the effectiveness of Japan's ODA programs and expanding Japan's international influence.

Japan's ODA programs have been implemented in accordance with policy charters formulated by the Ministry of Foreign Affairs. After the Japanese Cabinet adopted the ODA Charter in 1992, it clearly stated that the underlying spirit of the policy was to contribute to the peace and development of the international community and, by doing so, to ensure Japan's own security and prosperity. The main policy priorities included poverty reduction, sustainable economic growth, responses to global issues and regional and national peace and development (Ministry of Foreign Affairs of Japan, 2005). In 2010, the Ministry of Foreign Affairs further rearticulated the concept of "development cooperation" as a form of "All Japan" cooperation, integrating public and private sectors in terms of funding, technology, human resources and professional expertise (Ministry of Foreign Affairs of Japan, 2010, 2011). In 2015, the Development Cooperation Charter again revised the policy direction by emphasizing

non-military cooperation, human security and support for the self-reliant development of recipient countries (Ministry of Foreign Affairs of Japan, 2015a). These revisions allowed Japan to present its assistance not only as economic cooperation, but also as a contribution to quality growth, human security and a rules-based regional order.

However, Japan's ODA has also been shaped by historical constraints. As a state that launched wars in modern world history, Japan has often been interpreted by scholars as using postwar assistance to compensate, implicitly or indirectly, for the damage caused by past wars (Hasegawa & Yamada, 2022: 1-13; Xu, 2018: 91-135, 176-210; Kato, 2016: 1-18). In the 1950s, Japan successively signed War Reparations Agreements with the Philippines, Indonesia, Vietnam, Burma and South Korea. Although such arrangements were formally presented as "cooperation" or "loans," they were substantively a form of disguised reparation (Tomotsugu, 2019, pp. 34-37). This historical background continues to shape how Japan presents the legitimacy and political meaning of its development assistance.

China's rise as a major provider of development finance has changed the political economy of assistance in Southeast Asia. Since the mid-2010s, China's assistance to the CLMVT has gradually developed into an integrated mechanism linking investment, debt, infrastructure construction and political influence. Unlike Japan's ODA-centered model, which places greater emphasis on institutional procedures, technical cooperation, long-term capacity building and policy coordination, China's BRI-centered model has prioritized rapid implementation, physical connectivity, policy-bank financing and the participation of state-owned enterprises. Railways, highways, ports, special economic zones, energy projects and digital infrastructure have therefore become key instruments through which China has expanded its presence in the Mekong sub-region.

The interaction between China and Japan in the CLMVT should therefore not be understood solely as a zero-sum competition for regional influence. Japan's ODA and China's BRI are competitive in infrastructure financing, connectivity projects and symbolic leadership in regional development. However, they also coexist because recipient states do not necessarily treat them as mutually exclusive options. For CLMVT governments, Japanese assistance often provides institutional credibility, long-term technical cooperation and quality infrastructure standards, whereas Chinese assistance offers speed, scale, physical visibility and

flexible financing. These different strengths allow recipient states to diversify external resources, manage dependence and increase bargaining leverage.

Therefore, what the BRI has shaped in Southeast Asia is not a single-centered order in which China simply replaces the ADB, JICA, or Japan's ODA system. Rather, it has contributed to a governance reality in which old and new tracks of development finance coexist at the institutional level. In the CLMVT, China's BRI-centered assistance and Japan's ODA-centered cooperation overlap, compete and coexist through different mechanisms of financing, implementation and political legitimation. This article argues that such coexistence is not merely a transitional phenomenon, but a defining feature of sub-regional governance in the Mekong Basin.

To develop this argument, the article first situates the transformation of aid strategies within the broader context of sub-regional integration and institutional coexistence. It then examines China's expanding development assistance and infrastructure diplomacy in the CLMVT as a parallel model of regional engagement. Against this background, the analysis turns to Japan's Mekong sub-regional assistance programs and the evolution of the Tokyo Strategy, showing how Japan has adjusted its ODA-centered approach in response to changing regional conditions. The subsequent discussion further explores how Chinese and Japanese assistance interact in the Mekong Basin and how recipient states use this coexistence to diversify external resources and expand their bargaining space. Through this analysis, the article demonstrates that China–Japan institutional coexistence has become a defining feature of sub-regional governance in Southeast Asia.

2. Sub-regional Governance, Institutional Coexistence and Aid Strategy Transformation

Compared with a conventional approach that treats development assistance mainly as a bilateral relationship between donor and recipient countries, the CLMVT demonstrates that aid strategies increasingly operate within a multi-layered sub-regional environment. In this context, sub-regional governance is not merely a geographically limited form of regional cooperation. Rather, it refers to an institutional process through which local development needs, cross-border connectivity, external assistance and broader regional frameworks are linked together. This understanding is particularly important for analyzing China–Japan aid interaction in the Mekong Basin, because Chinese and Japanese assistance do not operate in separate spaces. Instead,

they overlap within the same infrastructure corridors, development agendas and recipient-state strategies.

Maho Kawagoe's conceptual distinction between regional integration (地域統合) and regionalism is useful for clarifying this point. Kawagoe argues that the key difference between the two lies in whether development policies are centered on the needs of recipient countries (Kawagoe, 2025: 282-284). From this perspective, "sub-regional" development may refer either to intra-national regions or to relatively small-scale cross-border cooperative frameworks. What makes sub-regional cooperation analytically significant is that it remains closely aligned with the priorities of recipient states while also incorporating broader regional concerns. This understanding is particularly relevant to the Mekong sub-region, where development needs are shaped not only by national policy agendas, but also by cross-border infrastructure, connectivity, environmental management and external assistance.

Seiichi Igarashi's discussion of East Asian sub-regions further highlights the importance of a multi-layered regional architecture. Igarashi argues that East Asia contains multiple sub-regional initiatives, each with distinct geopolitical and developmental characteristics (Igarashi, 2020: 1-6). These initiatives may overlap, but they do not necessarily contradict one another. Instead, they form a layered structure in which sub-regional policies function as linkages between individual nation-states and broader regional frameworks. This perspective helps explain why the Mekong sub-region has become an important site for external aid strategies. It allows external actors such as Japan and China, to participate in regional order-building not only through bilateral assistance, but also through infrastructure planning, policy coordination, development finance, human resource development and institutional cooperation.

At the same time, sub-regional governance should not be understood as a purely top-down or state-led process. Other contributors to the literature on East Asian sub-regions suggest that sub-regional policies may also emerge from local demands, cross-border interactions and the participation of non-state actors. In this sense, effective sub-regional governance requires not only state-led initiatives, but also the involvement of private enterprises, local actors, non-governmental organizations and transnational expertise. Such cooperation may be understood as a form of societal institutional reinforcement mechanism, through which local and transnational actors

help strengthen the practical operation of regional development frameworks (Sadotomo, 2020; Komatsu, 2020; Mineta, 2020). This point is especially important for the CLMVT, where infrastructure development, industrial relocation, environmental management and local implementation all depend on cooperation among state agencies, private firms, local governments and external development institutions.

Building on these discussions, this article defines institutional coexistence as a condition in which multiple aid systems, development frameworks and external institutional logics operate simultaneously within the same sub-regional arena. Institutional coexistence does not imply the absence of competition. Rather, it highlights a governance reality in which competition, complementarity and selective adaptation occur at the same time. In the CLMVT, Japan's ODA-centered model and China's BRI-centered model differ in terms of norms, financing mechanisms, project implementation and political visibility. Yet these differences do not necessarily produce mutual exclusion. Instead, they create a layered institutional environment in which recipient states can compare, combine and selectively use external resources.

This conceptualization is useful because it shifts the focus away from a simple competition-centered narrative. If China's BRI and Japan's ODA are viewed only as rival instruments of major-power influence, the agency of recipient states and the institutional complexity of sub-regional governance may be overlooked. In practice, CLMVT governments often do not treat Chinese and Japanese assistance as mutually exclusive choices. Japanese assistance may be valued for its institutional credibility, technical cooperation, long-term capacity building and quality infrastructure standards, while Chinese assistance may be valued for its delivery speed, financing scale, physical visibility and project-based flexibility. Institutional coexistence therefore captures not only the interaction between external powers, but also the strategic space available to recipient states.

Hideyuki Miura's discussion of Asia-Pacific economic integration further clarifies why institutionalization matters for the transformation of aid strategies. Miura argues that, before the early twenty-first century, the Asia-Pacific region lacked highly institutionalized mechanisms of economic integration centered on free trade agreements (Miura, 2021). Although market forces played a leading role in driving regional integration, institutional frameworks often lagged behind. Miura further examines the

transition from market-driven to institution-driven integration, particularly in relation to trade in services, investment regimes and their interaction with multilateral negotiation mechanisms. The high-standard rules and provisions of the Trans-Pacific Partnership, TPP, are therefore identified as an important milestone in promoting institution-led integration in the region (Okabe, 2020).

Although this discussion focuses primarily on economic integration, it also has implications for the transformation of aid strategies. As regional integration becomes increasingly institutionalized, development assistance can no longer be understood only as the transfer of funds, technology, or infrastructure from donor to recipient. It also becomes a means through which external actors participate in the formation of rules, standards, procedures and regional development agendas. For Japan, this transformation is reflected in the increasing emphasis on quality infrastructure, human security, public–private partnerships and policy coordination. For China, it is reflected in the expansion of infrastructure finance, state-owned enterprise participation, policy-bank lending and project-based connectivity under the BRI. In both cases, aid strategy has become closely connected to the institutional organization of regional development.

In 2013, the Japan Institute of International Affairs conducted a critical assessment of Japan’s economic integration strategies, arguing that the framework of large-scale international integration initiatives was undergoing significant transformation. Major arrangements such as the World Trade Organization, ASEAN Economic Community, Trans-Pacific Partnership and Regional Comprehensive Economic Partnership were no longer the sole or dominant forms of integration. Instead, a growing emphasis had been placed on the emergence of “coordinative frameworks,” through which state actors responded to international political and economic pressures by engaging in more closely aligned institutional cooperation (Terada, 2013). This shift suggests that large-scale economic integration agreements, regional cooperation frameworks and sub-regional initiatives increasingly operate in parallel rather than in a fixed hierarchical order.

At the same time, the primary implementing agency of Japan’s ODA, the Japan International Cooperation Agency, conducted internal reviews of its Southeast Asia assistance programs in 2006 and 2015. These assessments, focusing on policy interaction and institutional design, proposed that development assistance should actively promote sub-regional integration and

regional governance (Japan International Cooperation Agency, 2006). Both JIIA and JICA converge on the view that sub-regional development models should be understood as integral components of a multi-layered institutional framework closely linked to larger-scale agreements. Such an approach represents a key strategic direction in Japan's aid policy configuration, because it allows Japan to connect ODA with broader regional cooperation mechanisms rather than treating aid as isolated bilateral assistance.

In this sense, sub-regional integration offers several notable advantages. First, it facilitates consensus-building among participating states and enables the implementation of concrete cooperative projects tailored to regional conditions. Second, it serves as a bridge to larger regional frameworks, functioning both as a testing ground and as a preparatory stage for broader integration initiatives. Third, because sub-regional development is more closely aligned with the needs of participating states, it enhances competitiveness within the region and strengthens interdependence among actors through complementary economic structures and mutually reinforcing trade networks. These advantages help explain why the Mekong Basin has become an important site for both Japanese and Chinese development strategies.

For this reason, sub-regional integration should be understood not only as a development framework, but also as a strategic arena in which external assistance systems are institutionalized, compared and selectively absorbed. For Japan, it provides a channel through which ODA can be linked to broader regional order-building. For China, it offers an opportunity to embed infrastructure finance and project-based cooperation into local development agendas. For recipient states in the CLMVT, the coexistence of these two models expands the range of available resources and increases their room for institutional maneuvering. Sub-regional governance is therefore the key mechanism through which China–Japan aid interaction becomes embedded in the political economy of Mekong development.

3. China's Expanding Development Assistance and Infrastructure Diplomacy in the CLMVT

China's expanding role in the CLMVT has become one of the most important external factors reshaping development assistance and sub-regional governance in the Mekong Basin. Unlike Japan's ODA-centered model, which has been gradually institutionalized through policy charters,

technical cooperation and long-term capacity building, China's approach has developed through a more project-based and infrastructure-centered logic. Since the mid-2010s, the Belt and Road Initiative, hereafter BRI and the Lancang–Mekong Cooperation, hereafter LMC, have provided China with two important channels for deepening its involvement in Cambodia, Laos, Myanmar, Vietnam and Thailand. Together, these mechanisms have enabled China to connect development finance, infrastructure construction, state-owned enterprises, policy-bank lending and diplomatic engagement within a broader regional strategy.

The LMC is particularly important because it gives China a sub-regional institutional platform distinct from, but not entirely separate from, ASEAN-centered frameworks. Officially, the LMC emphasizes good-neighborliness, pragmatic cooperation, socio-economic development, the narrowing of development gaps, support for ASEAN Community building, South–South cooperation and the implementation of the United Nations 2030 Agenda for Sustainable Development (Ministry of Foreign Affairs of the People's Republic of China, 2021). In this sense, the LMC allows China to present its engagement not only as bilateral project financing, but also as a form of sub-regional cooperation. However, unlike Japan's assistance model, which often emphasizes rules, standards and long-term institutional coordination, China's LMC and BRI practices tend to emphasize rapid delivery, material visibility and direct contribution to infrastructure connectivity.

This distinction is central to understanding China's development assistance in the CLMVT. China does not rely on ODA alone as its principal instrument of regional engagement. Rather, it combines aid, concessional loans, commercial lending, state-owned enterprise participation, construction contracts, industrial capacity exports and diplomatic coordination. The result is an integrated mechanism in which development assistance, infrastructure finance and political influence are closely connected. Railways, highways, bridges, ports, hydropower facilities, transmission networks, special economic zones and digital infrastructure therefore become not only economic projects, but also instruments through which China embeds its presence in the political economy of the Mekong sub-region.

The China–Laos Railway illustrates this logic most clearly. As part of the BRI, the railway connects Laos more directly to China and to wider regional transport networks. The World Bank has argued that, if accompanied by appropriate reforms, the railway could help transform

Laos from a landlocked country into a land-linked economy and potentially increase the country's aggregate income over the long term (World Bank, 2020). From China's perspective, the railway is not merely a transport project. It also serves as a strategic corridor that links China's southwestern provinces to mainland Southeast Asia. From the perspective of Laos, the project creates opportunities for logistics development, trade expansion, tourism and investment attraction. At the same time, it also raises concerns about debt sustainability, unequal bargaining power and the long-term dependence of local development on external infrastructure finance.

Similar dynamics can be observed in other CLMVT countries. In Thailand, the high-speed rail project connecting Bangkok, Nong Khai, Vientiane and eventually Kunming reflects China's broader ambition to construct a north–south connectivity corridor across mainland Southeast Asia (Reuters, 2025). In Cambodia, Chinese participation in transport infrastructure, special economic zones and the Funan Techo Canal demonstrate how infrastructure finance can be linked to industrial development, logistics and strategic access to maritime routes (Cheang, 2025). In Myanmar, although political instability has complicated many infrastructure projects, China has continued to regard economic corridors, pipelines, ports and borderland connectivity as important components of its regional strategy. In Vietnam, despite Hanoi's cautious approach toward Chinese infrastructure investment, the broader regional environment created by BRI and LMC still shapes Vietnam's strategic calculations in transport connectivity, trade and supply-chain diversification.

These examples show that China's assistance in the CLMVT is best understood as infrastructure diplomacy rather than conventional development aid. Its effectiveness does not derive primarily from formal rule-making or institutional conditionality. Instead, it is built on project visibility, delivery speed, financing accessibility and the promise of immediate usability. For many CLMVT governments, this model is attractive because it provides access to large-scale infrastructure finance that may not be easily available through domestic budgets or slower multilateral procedures. In this respect, China's assistance offers a development option that differs from Japan's ODA, the Asian Development Bank, or other Western-led development institutions.

At the same time, China's infrastructure-centered approach also generates political and institutional constraints. Large-scale projects may increase fiscal pressure, deepen dependence on Chinese finance and

strengthen the role of local political elites who can transform external resources into domestic political capital. The bilateral and project-based nature of Chinese financing may also weaken transparency and public accountability when compared with more procedure-oriented development assistance. These issues do not necessarily prevent recipient states from accepting Chinese projects. Rather, they shape how recipient states negotiate, adjust and combine external resources. In other words, the political consequences of Chinese assistance depend not only on China's intentions, but also on how CLMVT governments use Chinese resources within their own domestic and regional strategies.

For this reason, China's expanding development assistance should not be interpreted simply as replacing Japan's role in Southeast Asia. Its rise has instead produced a parallel track of development finance that coexists with Japan's ODA, ASEAN-centered frameworks, the Asian Development Bank and other multilateral mechanisms. China's strength lies in the speed, scale and visibility of infrastructure delivery. Japan's strength lies in institutional credibility, quality infrastructure, technical cooperation and long-term policy coordination. These differences make competition unavoidable, but they also make coexistence possible. Recipient states can draw on Chinese resources for rapid infrastructure construction while continuing to rely on Japan and multilateral institutions for technical expertise, policy design, human resource development and institutional capacity building.

The expansion of China's assistance in the CLMVT therefore creates the structural background against which Japan's Tokyo Strategy must be understood. Japan's Mekong policy did not evolve in isolation. Rather, it developed in an environment increasingly shaped by Chinese infrastructure diplomacy, LMC institutionalization and BRI connectivity projects. The next section turns to Japan's Mekong sub-regional assistance programs and the evolution of the Tokyo Strategy, showing how Japan adjusted its ODA-centered approach in response to this changing regional environment.

4. Mekong Sub-regional Assistance Programs and Japan's Strategic Adjustment: The Evolution of the Tokyo Strategy

(I) The Developmental Trajectory and Transformation of the Tokyo Strategy

The developmental trajectory of the Tokyo Strategy demonstrates the gradual transformation of Japan's Mekong policy from conventional development

cooperation toward a more comprehensive framework of sub-regional governance. Across the strategies issued in 2012, 2015, 2018 and 2024, Japan's assistance priorities expanded from connectivity and development cooperation to quality growth, institutional coordination, human security, digitalization, resilience and non-traditional security. This evolution indicates that the Tokyo Strategy was not a static aid program. Rather, it functioned as an adaptive policy framework through which Japan responded to changing development needs, regional integration pressures and the growing complexity of the Mekong sub-region.

The Tokyo Strategy 2012 for Mekong-Japan Cooperation marked an important starting point in this process. It replaced the earlier Tokyo Declaration and established a future vision for Mekong-Japan cooperation under the idea of a "New Partnership for the Common Flourishing Future." The strategy organized Japan's cooperation around three major pillars: enhancing Mekong connectivity, developing together and ensuring human security and environmental sustainability (Ministry of Foreign Affairs of Japan, 2012). These priorities reflected Japan's attempt to connect economic development with cross-border infrastructure, industrial cooperation and social stability. At this stage, Japan's approach remained primarily development-oriented. Its main objectives were to narrow development gaps, support ASEAN Community building and strengthen the institutional foundations for regional integration.

The significance of the 2012 strategy, however, did not lie only in its development objectives. It also showed how Japan began to link ODA with the practical operation of sub-regional governance. Through support for transport corridors, customs modernization, disaster risk reduction, environmental protection, public health, food safety and human resource development, Japan sought to strengthen the capacity of Mekong countries to participate in regional integration. In this sense, the Tokyo Strategy 2012 already moved beyond a narrow understanding of aid as the provision of funds or infrastructure. It treated development assistance as a means of building the institutional and social conditions necessary for cross-border cooperation.

The New Tokyo Strategy 2015 further deepened this direction. It placed stronger emphasis on transforming the Mekong region into a "global growth center" and introduced the concept of "quality growth" as a guiding principle (Ministry of Foreign Affairs of Japan, 2015b). Compared with the

2012 strategy, the 2015 strategy more explicitly connected infrastructure development with industrial upgrading, private-sector participation, legal and institutional improvement, environmental sustainability and coordination with other regional and international frameworks. Its four major pillars—hard connectivity, soft connectivity, Green Mekong and coordination with various stakeholders—indicated that Japan no longer viewed development assistance simply as the construction of physical infrastructure. Instead, infrastructure was increasingly linked to standards, institutions, human resources and policy coordination.

This shift was important because it reflected a broader transformation in Japan's development cooperation. Hard connectivity emphasized transport corridors, ports, airports, railways and other physical infrastructure. Soft connectivity focused on customs procedures, legal systems, human resource development, trade facilitation and institutional capacity. Green Mekong addressed environmental sustainability, disaster risk reduction, climate change and water resource management. Coordination with various stakeholders further showed Japan's intention to connect Mekong cooperation with ASEAN, the Asian Development Bank, the World Bank, the OECD, the United Nations, NGOs and other international partners. The 2015 strategy therefore represented a more institutionalized model of development assistance, in which infrastructure, rules, capacity building and regional coordination were mutually reinforcing.

The Tokyo Strategy 2018 for Mekong-Japan Cooperation marked a further strategic turn. It situated Mekong-Japan cooperation more clearly within Japan's broader regional vision of a Free and Open Indo-Pacific. The strategy identified three pillars: vibrant and effective connectivity, a people-centered society and the realization of a Green Mekong (Ministry of Foreign Affairs of Japan, 2018). Compared with the earlier strategies, the 2018 framework gave stronger attention to the relationship between connectivity, openness, sustainability, rules and regional stability. Mekong cooperation was no longer framed only as a development agenda for mainland Southeast Asia. It was also linked to the wider regional order of the Indo-Pacific.

The 2018 strategy therefore strengthened the strategic and geopolitical meaning of Japan's Mekong assistance. Connectivity was not treated merely as a matter of infrastructure construction or trade facilitation. It was also connected to principles such as openness, transparency, economic efficiency, debt sustainability and a rules-based regional order. At the same time, the

strategy maintained Japan's long-standing emphasis on human-centered development and environmental sustainability. By combining connectivity, people-centered cooperation and Green Mekong, Japan attempted to frame its assistance as both a development contribution and a regional public good. This marked an important stage in the transformation of the Tokyo Strategy from development cooperation toward order-building through sub-regional governance.

The Mekong-Japan Cooperation Strategy 2024 continued this trajectory while adjusting Japan's priorities to a post-pandemic and more security-conscious regional environment. It identified three major areas of cooperation: building a resilient and connected society in the post-COVID-19 world, promoting digitalization and responding proactively to non-traditional security issues (Ministry of Foreign Affairs of Japan, 2024). These priorities reflected the changing development agenda of the Mekong region. Public health, supply-chain resilience, digital transformation, climate change, disaster risk reduction, water resource management, gender equality, blue economy and economic security became more prominent than before. In this sense, the 2024 strategy showed that Japan's Mekong policy had moved beyond conventional infrastructure cooperation and had become a broader framework for regional resilience.

The inclusion of digitalization and non-traditional security in the 2024 strategy is particularly important. Digitalization reflects Japan's attempt to respond to the transformation of trade, finance, governance and supply chains in the post-pandemic period. Non-traditional security, by contrast, shows that development assistance is increasingly connected to climate risks, public health, water management, economic security and social resilience. These themes indicate that Japan's Mekong policy is no longer limited to material connectivity. It also seeks to strengthen the institutional, technological and social capacity of recipient states to respond to uncertainty and external shocks. The 2024 strategy therefore represents the latest stage in Japan's effort to redefine ODA as a mechanism of regional resilience and sub-regional governance.

From this perspective, the evolution of the Tokyo Strategy can be divided into four stages. The 2012 strategy established a development-oriented framework centered on connectivity, joint development and human security. The 2015 strategy introduced quality growth, hard and soft connectivity, environmental sustainability and stakeholder coordination.

The 2018 strategy connected Mekong cooperation to the Free and Open Indo-Pacific and strengthened the strategic and rules-based dimensions of Japan's assistance. The 2024 strategy further incorporated post-pandemic resilience, digitalization and non-traditional security into Japan's Mekong policy. Across these stages, Japan's assistance moved from development cooperation toward a more institutionalized and strategic form of sub-regional governance.

The developmental trajectory of the Tokyo Strategy thus reveals the adaptive character of Japan's Mekong policy. Japan did not abandon its ODA-centered approach, but it gradually expanded the meaning of ODA by linking it to connectivity, institutional coordination, quality infrastructure, resilience and regional order-building. This evolution provides the basis for understanding Japan's later response to China's expanding presence in the Mekong sub-region. As the following section shows, Japan's strategic adjustment did not take the form of direct confrontation with China. Rather, it involved the construction of a differentiated assistance model that emphasized standards, reliability, sustainability and long-term institutional trust.

(II) Japan's Response to China's Expanding Presence in the Mekong Sub-region

Japan's adjustment of the Tokyo Strategy cannot be separated from China's expanding presence in the Mekong sub-region. Since the mid-2010s, China's Belt and Road Initiative, hereafter BRI and the Lancang–Mekong Cooperation, hereafter LMC, have strengthened China's role in infrastructure finance, connectivity projects, industrial cooperation and sub-regional diplomacy. These developments have changed the strategic environment in which Japan implements its Mekong assistance programs. For Japan, the issue is not simply that China has become a major development actor in the CLMVT. More importantly, China has introduced a different operational logic of assistance, one that emphasizes rapid implementation, large-scale financing, state-owned enterprise participation and the political visibility of physical infrastructure.

This Chinese model has posed both challenges and opportunities for Japan. On the one hand, China's infrastructure diplomacy has increased competition in areas where Japan has long been active, especially transport corridors, ports, energy facilities, industrial zones and cross-border

connectivity. On the other hand, China's rise has also created an opportunity for Japan to clarify the distinctive features of its own assistance model. Instead of directly replicating China's speed- and scale-oriented approach, Japan has increasingly emphasized quality infrastructure, institutional credibility, debt sustainability, environmental standards, human resource development and long-term policy coordination. In this sense, Japan's response has been less a strategy of direct confrontation than a strategy of differentiation.

The New Tokyo Strategy 2015 already reflected this logic of differentiation. By emphasizing "quality growth," hard and soft connectivity, Green Mekong and coordination with various stakeholders, Japan sought to distinguish its assistance from project-centered infrastructure finance. The idea of quality growth allowed Japan to present development not merely as the construction of physical infrastructure, but as a process requiring institutional capacity, inclusive benefits, environmental sustainability and long-term resilience. This was particularly important in the context of China's expanding infrastructure projects, because it enabled Japan to frame its assistance as more than a source of capital. Japan positioned itself as a partner capable of supporting both infrastructure development and the institutional conditions necessary for sustainable regional integration.

The Tokyo Strategy 2018 further strengthened this response by linking Mekong cooperation to the broader vision of a Free and Open Indo-Pacific. This did not mean that Japan's Mekong policy became purely geopolitical or anti-China in orientation. Rather, the 2018 strategy allowed Japan to embed its assistance within a wider normative and strategic framework centered on openness, transparency, rule of law, freedom of navigation, economic efficiency and debt sustainability. These principles served as Japan's answer to the governance concerns associated with large-scale infrastructure finance. They also allowed Japan to provide CLMVT countries with an alternative source of external support without requiring them to openly reject Chinese assistance.

The emphasis on quality infrastructure became one of the most important instruments of Japan's strategic adjustment. Compared with China's project-based model, Japan's infrastructure cooperation has generally placed greater emphasis on life-cycle costs, maintenance, safety, environmental and social impact, local capacity building and coordination with international standards. This approach does not necessarily generate

the same immediate visibility as Chinese-funded projects. However, it strengthens Japan's reputation as a reliable and institutionally credible partner. For recipient states, Japan's quality infrastructure approach provides a different type of resource: not only physical assets, but also technical knowledge, administrative capacity and long-term development planning.

Japan's response also relied on institutional coordination. Through cooperation with ASEAN, the Asian Development Bank, the World Bank, OECD-related standards and other regional and international partners, Japan sought to embed its Mekong assistance within a broader network of rules and institutions. This approach contrasts with the more bilateral and project-specific logic often associated with China's BRI financing. Japan's emphasis on coordination does not eliminate competition with China, but it changes the terms of competition. Rather than competing only over the number or size of infrastructure projects, Japan has attempted to compete over standards, trust, sustainability and institutional reliability.

At the same time, Japan's approach created additional policy space for CLMVT governments. Recipient states do not necessarily view Japanese and Chinese assistance as mutually exclusive. Instead, they often use the coexistence of these two models to diversify external resources, reduce excessive dependence on a single partner and improve their bargaining position. Chinese assistance may be attractive when governments seek rapid infrastructure delivery and large-scale financing. Japanese assistance may be more valuable when governments seek technical expertise, institutional strengthening, human resource development and long-term policy support. This selective use of external assistance reflects the agency of recipient states within sub-regional governance.

The Mekong-Japan Cooperation Strategy 2024 shows that Japan's response has continued to evolve beyond infrastructure competition. By emphasizing a resilient and connected society, digitalization and proactive responses to non-traditional security issues, Japan has sought to move into areas where development assistance intersects with economic security, supply-chain resilience, public health, climate change, water resource management and digital governance. These themes allow Japan to respond to the changing needs of the Mekong countries while also differentiating its assistance from China's more infrastructure-centered approach. In this sense, the 2024 strategy expands the scope of Japan's response from physical connectivity to resilience-oriented governance.

This evolution suggests that Japan's response to China is best understood through the concept of institutional coexistence. Japan has not attempted to remove China from the Mekong sub-region, nor has it abandoned its own ODA-centered model. Instead, it has adjusted its assistance strategy in ways that allow Japan to remain institutionally relevant in a regional environment increasingly shaped by Chinese infrastructure diplomacy. Japan's strategy is therefore to preserve influence through standards, coordination, trust and long-term capacity building, while recognizing that China's assistance will continue to operate in the same sub-regional space.

For this reason, China's expanding presence has not produced a simple replacement of Japanese assistance. Rather, it has intensified the coexistence of multiple development systems in the CLMVT. China's BRI and LMC provide infrastructure finance, physical connectivity and project-based cooperation. Japan's Tokyo Strategy provides quality infrastructure, institutional coordination, human security, resilience and long-term development support. The interaction between these two systems has reshaped the political economy of Mekong development by giving recipient states more options and by embedding external assistance within a layered structure of sub-regional governance.

Japan's response to China's expanding presence in the Mekong sub-region therefore reveals the central argument of this article. The relationship between Chinese and Japanese assistance is not adequately captured by a simple narrative of rivalry. Competition exists, but it is mediated by institutional differentiation, recipient-state agency and the multi-layered character of sub-regional governance. The Tokyo Strategy functions as Japan's institutional response to this environment. It allows Japan to adapt to China's rise without reducing Mekong cooperation to zero-sum competition. In doing so, it contributes to a pattern of institutional coexistence in which China and Japan continue to compete, overlap and remain simultaneously embedded in the development strategies of the CLMVT countries.

5. Institutional Coexistence in Practice: China–Japan Aid Interaction and Recipient-State Responses in the Mekong Basin

The coexistence of Chinese and Japanese assistance in the Mekong Basin is not merely an abstract institutional condition. It is a practical governance reality shaped by the interaction of external aid systems and the strategic

responses of recipient states. China's BRI-centered assistance and Japan's ODA-centered cooperation operate according to different logics, but they are embedded in the same development space. They target similar sectors, including connectivity, transport infrastructure, energy, industrial development, digital transformation, environmental management and human resource development. As a result, the Mekong Basin has become a site where multiple development systems overlap, compete and coexist.

This coexistence does not mean that China and Japan provide identical forms of assistance. China's approach is often characterized by large-scale infrastructure finance, rapid implementation, state-owned enterprise participation and strong political visibility. Japan's approach, by contrast, emphasizes institutional coordination, technical cooperation, quality infrastructure, human security, environmental sustainability and long-term capacity building. These differences create competition, especially in the areas of transport corridors, ports, railways, energy systems and regional connectivity. However, they also create functional differentiation. In many cases, recipient states do not need to choose one model over the other. Instead, they can use Chinese and Japanese resources for different purposes within their own development strategies.

Cambodia provides a clear example of this pattern. Chinese assistance and investment have played an important role in Cambodia's transport infrastructure, special economic zones, energy projects and large-scale construction. These projects have strengthened Cambodia's physical connectivity and created visible symbols of development. At the same time, Japan has continued to support Cambodia through technical cooperation, institutional capacity building, urban infrastructure, human resource development and governance-related assistance. Rather than replacing Japan's role, China's presence has added another layer to Cambodia's external development partnerships. Cambodian elites have therefore been able to use Chinese assistance for rapid infrastructure expansion while continuing to rely on Japanese cooperation for institutional credibility and long-term development support.

Laos illustrates an even more direct form of institutional coexistence. The China–Laos Railway has become one of the most visible BRI projects in mainland Southeast Asia. It has strengthened Laos's position as a potential land-linked economy and has created new opportunities for logistics, tourism and trade. However, the project has also raised concerns about debt,

dependence and the concentration of strategic infrastructure around Chinese finance and technology. In this context, Japan's assistance remains important because it provides complementary support in areas such as human resource development, technical training, disaster risk management, public services and institutional strengthening. Laos therefore does not simply move from Japanese assistance to Chinese assistance. Instead, it operates within a dual aid environment in which Chinese infrastructure finance and Japanese institutional cooperation coexist.

Thailand shows a different pattern because it has stronger administrative capacity and more diversified external partnerships. China's role in Thailand is most visible in railway connectivity and regional transport networks, especially projects that aim to link Thailand with Laos and eventually with southern China. Japan, however, has long maintained a strong economic and industrial presence in Thailand, particularly through private investment, industrial development, supply-chain integration and technical cooperation. For Thailand, the coexistence of China and Japan provides opportunities to balance infrastructure connectivity with industrial upgrading. Thai policymakers can engage Chinese projects when they serve transport and logistical objectives, while also relying on Japanese firms and institutions for industrial standards, technological cooperation and supply-chain resilience.

Vietnam represents a more cautious case of recipient-state response. Because of its complex historical and strategic relationship with China, Vietnam has generally approached Chinese infrastructure finance with greater caution. Nevertheless, China remains a major economic partner and regional connectivity under the BRI and LMC continues to influence Vietnam's trade and infrastructure environment. Japan has therefore occupied an important position as a trusted development partner for Vietnam, especially in infrastructure, urban development, human resource training and institutional reform. Vietnam's response to China–Japan aid coexistence is not simply one of acceptance or rejection. Rather, it reflects a strategy of selective engagement, in which Vietnam seeks to benefit from regional connectivity while maintaining strategic autonomy and diversifying its external partnerships.

Myanmar presents the most politically complex case. China has maintained significant interests in pipelines, ports, borderland connectivity, economic corridors and strategic access to the Indian Ocean. However, Myanmar's domestic political instability has complicated the implementation

and legitimacy of many external assistance projects. Japan has traditionally adopted a more cautious approach, combining development assistance, humanitarian concerns and engagement with institutional processes. In Myanmar, institutional coexistence is therefore unstable and highly conditioned by domestic political conflict. The interaction between Chinese and Japanese assistance is not merely a matter of development planning, but is also shaped by questions of regime legitimacy, conflict dynamics and the political risks of external involvement.

These country-level variations suggest that recipient states are not passive objects of external competition. They play an active role in shaping the outcomes of institutional coexistence. Cambodia and Laos may rely more heavily on Chinese infrastructure finance, but they still preserve space for Japanese cooperation. Thailand uses the coexistence of China and Japan to strengthen both connectivity and industrial upgrading. Vietnam selectively engages external assistance in order to maintain autonomy and reduce strategic vulnerability. Myanmar demonstrates that domestic political instability can limit the developmental benefits of external assistance and transform institutional coexistence into a more fragile arrangement. In all cases, recipient-state agency is central to understanding how China–Japan aid interaction operates in practice.

The coexistence of Chinese and Japanese assistance also affects the bargaining power of CLMVT countries. When multiple external actors provide development resources, recipient states can compare financing conditions, implementation speed, project quality, technical standards and political costs. This creates opportunities for bargaining and institutional maneuvering. Governments may accept Chinese assistance for large-scale and highly visible infrastructure projects, while using Japanese assistance to strengthen administrative capacity, technical expertise and long-term development planning. Such selective use allows recipient states to avoid excessive dependence on a single donor, although the degree of autonomy varies across countries.

At the same time, institutional coexistence does not eliminate risks. The availability of multiple aid systems may increase bargaining space, but it can also intensify elite capture, fragmented planning, debt exposure and uneven development outcomes. When external assistance is used primarily to serve domestic political interests, infrastructure projects may become tools of regime consolidation rather than inclusive development. Likewise, when

Chinese and Japanese projects are not effectively coordinated, they may produce duplication, competing standards, or uneven regional integration. Therefore, institutional coexistence should not be romanticized as an automatically positive outcome. Its effects depend on domestic governance capacity, transparency, policy coordination and the ability of recipient states to convert external resources into sustainable development.

From the perspective of sub-regional governance, however, the coexistence of China and Japan contributes to the resilience of the Mekong development order. Resilience does not mean the absence of competition or contradiction. Rather, it refers to the capacity of the sub-region to absorb overlapping external influences while maintaining policy continuity and development opportunities. In the Mekong Basin, China's infrastructure diplomacy and Japan's ODA-centered cooperation generate different forms of resources. Their coexistence allows the sub-region to avoid dependence on a single institutional model. It also enables recipient states to combine physical connectivity with institutional capacity, infrastructure delivery with technical cooperation and external finance with domestic development priorities.

The practical operation of institutional coexistence therefore reshapes the meaning of aid competition. China and Japan certainly compete for influence, visibility and strategic relevance. Yet this competition is mediated by the institutional structure of sub-regional governance and by the strategies of recipient states. Competition does not necessarily lead to exclusion. Instead, it often produces differentiation, adaptation and selective combination. Japan responds to China by emphasizing quality, standards and institutional trust. China expands its role by offering infrastructure finance, speed and project visibility. Recipient states then use the coexistence of these options to pursue their own development and political objectives.

This analysis suggests that the Mekong Basin should not be understood as a space in which one external power simply replaces another. Rather, it is a layered governance arena in which multiple aid systems operate simultaneously. China's rise has changed the conditions under which Japan conducts its development cooperation, but it has not eliminated Japan's role. Japan's strategic adjustment has allowed it to remain relevant, but it has not prevented China from expanding its influence. The result is not institutional displacement, but institutional coexistence. This coexistence is shaped by competition between external powers, differentiation among aid models and the agency of recipient states.

In this sense, the CLMVT experience offers a broader analytical implication for the study of sub-regional governance in Southeast Asia. External assistance should not be examined only through the lens of donor strategy. It must also be analyzed as a field of interaction in which recipient states, domestic elites, local institutions and external powers jointly shape governance outcomes. China–Japan aid interaction in the Mekong Basin demonstrates that sub-regional governance is not simply imposed from outside. It is produced through the negotiation, adaptation and selective use of multiple institutional resources. This is precisely why institutional coexistence has become a defining feature of development governance in the Mekong Basin.

6. Conclusion

This article has examined China and Japan in the CLMVT through the lens of institutional coexistence and sub-regional governance. Its central argument is that Chinese and Japanese development assistance in the Mekong Basin should not be understood simply as a zero-sum competition, nor as a process in which one external power replaces the other. Rather, the CLMVT has become a sub-regional space in which China's BRI-centered assistance and Japan's ODA-centered cooperation overlap, compete and coexist. This coexistence has become one of the defining features of development governance in mainland Southeast Asia.

China's expanding role has changed the structure of development assistance in the Mekong sub-region. Through the BRI and LMC, China has promoted a model of development engagement centered on infrastructure finance, policy-bank lending, state-owned enterprises, rapid implementation and project visibility. This model has given CLMVT governments access to large-scale resources for transport, energy, industrial zones, digital infrastructure and connectivity projects. At the same time, it has also raised questions about debt sustainability, dependence, transparency and the political implications of infrastructure-centered assistance. China's rise has therefore not merely added another donor to the region. It has introduced a parallel development logic that reshapes the choices available to recipient states and the strategic environment in which other external actors operate.

Japan's response has been to adjust, rather than abandon, its ODA-centered approach. The evolution of the Tokyo Strategy from 2012 to 2024 shows how Japan's Mekong policy gradually moved from development

cooperation toward a broader framework of sub-regional governance. Connectivity, quality growth, hard and soft infrastructure, Green Mekong, FOIP, resilience, digitalization and non-traditional security have all become part of Japan's assistance agenda. These adjustments demonstrate that Japan has sought to remain relevant not by directly imitating China's speed- and scale-oriented model, but by emphasizing quality infrastructure, institutional credibility, long-term capacity building, human security, sustainability and policy coordination.

The coexistence of these two assistance systems also highlights the agency of recipient states. CLMVT governments are not merely passive objects of China–Japan competition. They compare, combine and selectively use different external resources according to their own development needs, domestic political interests and strategic calculations. Chinese assistance may be attractive for large-scale and visible infrastructure projects, while Japanese assistance may be valued for technical cooperation, institutional strengthening, quality standards and long-term policy support. This selective use of external resources creates room for bargaining and institutional maneuvering, although it also brings risks of fragmented planning, elite capture and uneven development outcomes.

From the perspective of sub-regional governance, institutional coexistence helps explain why the Mekong development order has not been transformed into a single China-centered or Japan-centered structure. Instead, it has become a layered governance arena in which multiple aid systems, institutional logics and external development strategies operate simultaneously. Competition exists, but it is mediated by functional differentiation, institutional adaptation and recipient-state agency. The case of China and Japan in the CLMVT therefore suggests that sub-regional governance in Southeast Asia is shaped not only by major-power rivalry, but also by the practical coexistence of different development models. In this sense, institutional coexistence offers a useful framework for understanding how external assistance, regional order-building and recipient-state strategies intersect in the changing political economy of the Mekong Basin.

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ASEAN Outlook on the Indo-Pacific and China: Grand Vision or Disillusion?

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Abstract

In light of the heightened attention on the Indo-Pacific in recent years, this article examines the ASEAN Outlook on the Indo-Pacific (AOIP) and geopolitical developments in the region, and considers the question of whether the Outlook is a forward-looking proposal or an overly idealistic proposal that has limited potential for success. The AOIP is unique in the sense that ASEAN did not have a statement that is concerned with developments in the Indo-Pacific before the Outlook came along. Noting the described context, this article looks into the AOIP in six parts. Part one observes the development of IPS and considers whether the AOIP is ASEAN's unique Indo-Pacific response. Part two highlights the main points of the AOIP. Part three turns to observe the AOIP's strategic vision and some challenges that the Outlook may confront. Part four considers the China factor and the opportunities and challenges that Beijing brings. Part five looks at the alignment between the AOIP and IPS and the security implications of such alignment. This article concludes with some thoughts on the prospects of the AOIP.

Keywords: *ASEAN Outlook, Indo-Pacific Strategy, Geopolitics, Alignment*

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1. Introduction

In the past three decades, the Association of Southeast Asian Nations (ASEAN) has played an important role in advancing regional integration in Asia while serving as a platform for multilateral dialogues. As the longest-running regional multilateral institution in Asia, like its European counterpart, ASEAN seeks to influence the region through the creation and diffusion of norms that shape state actions. Noting ASEAN's unique role, in a neighborhood of competing powers including China and the United States among others, Southeast Asia has come to be seen as a region that contributes to the maintenance of peace and stability by keeping the powers in check. Correspondingly, Southeast Asia's strategic location and booming economies have also encouraged strategic competition for influence among external powers. It is in such a complicated environment that the ASEAN Outlook on the Indo-Pacific (AOIP) was proposed.

In the 34th ASEAN Summit held in Bangkok, Thailand in 2019, member states adopted the AOIP, which seeks to promote peace, stability, and prosperity by focusing on cooperation rather than rivalry. The AOIP came at a time when competition between China and the US intensified, and bilateral relations dwindled sharply. Washington challenged Beijing in the South China Sea based on the principle of freedom of navigation, and Beijing responded with land reclamation efforts in the region to advance its territorial interests. The AOIP echoed the US establishment of the so-called Indo-Pacific Strategy (IPS) under President Donald Trump and oriented Southeast Asia towards the Indo-Pacific region as well. In 2019, the AOIP stands among a series of similar policy proposals from external powers that centered on the Indo-Pacific.

In light of the heightened attention on the Indo-Pacific in recent years, this article examines the AOIP and geopolitical developments in the region, and considers the question of whether the Outlook is a forward-looking proposal or an overly idealistic proposal that has limited potential for success. The AOIP is unique in the sense that ASEAN did not have a statement that is concerned with developments in the Indo-Pacific before the Outlook came along. With the proposal of the AOIP, ASEAN joins the ranks of the US, Japan, South Korea, the European Union, France, Germany, and Canada, among other stakeholders that boast an IPS. The fact that Southeast Asia is emphasized in the respective strategies proposed by the various powers makes the investigation into the AOIP interesting – how

does ASEAN see and position itself within the Indo-Pacific, and how does the AOIP relate to other IPS?

Existing studies on the IPS generally adopt a statistical approach or explore the topic as part of a systemic competition between powers. For example, Manning (2018), Scott (2019a), Koga (2019), Rajagopalan (2020), Taylor (2020), Mohan (2020) and Holland (2021), among others have all examined the IPS in terms of national interests. From a wider perspective, Paskal (2021) assesses the IPS from a comparative viewpoint, looking into the respective strategies of the US, the United Kingdom, France, India, Tonga, Japan, and China. Similar to Paskal, Aryal and Nair (2025), who examine the strategies of respective powers, namely India, Japan, the US, and Australia, but argue from the standpoint of defensive realism that the differences among the players. Hu (2020), meanwhile, analyzes the IPS from a strategic competition approach between the US and China. Noting the established literature, this article seeks to contribute to the discussions by centering attention on ASEAN, which is often assumed to be a passive receiver of the IPS, and turning the tables to observe ASEAN's contribution to the discussions on issues other than geopolitics. This article argues that in contrast with other established strategies, the AOIP is not a geopolitical strategy aimed at containing China. The AOIP, rather, is a vision that seeks to highlight ASEAN's central role in advancing peace and cooperation in the region, which in turn projects the Outlook as a complementary rather than a contradictory blueprint to other parallel strategies and initiatives.

This article looks into the AOIP in six parts. Part one observes the development of IPS and considers whether the AOIP is ASEAN's unique Indo-Pacific response. Part two highlights the main points of the AOIP. Part three turns to observe the AOIP's strategic vision and some challenges that the Outlook may confront. Part four considers the China factor and the opportunities and challenges that Beijing brings. Part five looks at the alignment between the AOIP and IPS and the security implications of such alignment. This article concludes with some thoughts on the prospects of the AOIP.

2. Indo-Pacific Strategy, ASEAN Version?

Not long after the election of US President Donald Trump in 2016, Washington expanded its strategy towards Asia to include the Indian Ocean, establishing the so-called "Indo-Pacific Strategy" (IPS). The IPS was built on

the previous Barack Obama administration's strategy of "rebalance to Asia," which centered on balancing China's increasing influence by reconsolidating regional partnerships and commencing new relations with states in the region (De Castro, 2018). The IPS carried over to the succeeding Joe Biden administration in 2020 and has since served as the guiding strategy for US policy towards China under the concept of "Free and Open Indo-Pacific" (FOIP).

In light of Washington's strategic turn towards the Indo-Pacific region, in the past decade, a number of states, including Japan, Korea, Indonesia, Canada, France, and Germany, have followed in the shadow of the US and established their respective IPS. Regardless of the differences in content, a common theme among the various Indo-Pacific Strategies is the importance of the Indo-Pacific and China's central role in the region. Centered on the two oceans, the Indian Ocean and the Pacific Ocean, the IPS highlights India and its potentially critical role of balancing China from South Asia (Choong, 2019).

It is against the described geopolitical backdrop that the AOIP came about. Proposed at the ASEAN Summit in June 2019, the AOIP notes that Southeast Asia lies in the center of the Asia-Pacific and Indian Ocean regions, and therefore, "it is in the interest of ASEAN to lead the shaping of their economic and security architecture" (ASEAN, 2021). In a sense, the AOIP can be considered as a response to the series of IPS initiated by external powers, as a major part of the IPS concerns Southeast Asia, it is fitting that ASEAN should respond with an initiative that stems from the region. A brief survey of ASEAN member states suggested that the AOIP has overall support from all the states except Myanmar, which continues to engage in a domestic civil war.

Some observers have pondered over whether the AOIP should be considered as ASEAN's version of the IPS (Acharya, 2019; Lin, 2023). Several reasons suggest that while the Outlook is oriented towards the Indo-Pacific, it is not a complete strategy in any sense. For example, the fact that the AOIP does not lay out concrete details concerning the advancement of cooperation makes it a forward-looking vision rather than a strategy. Without descriptions of the actual steps leading to cooperation, the content of the AOIP becomes overly general and rhetorical at times (Chong, 2019). On the other hand, in contrast with the IPS, the AOIP does not have an anti-China component. As such, the AOIP does not consider China in a negative light

nor target other states with a hostile eye. Absence of an open enemy makes the AOIP stand out, as potential competition and conflict are largely ruled out. Without an established enemy or competitor, the AOIP may need to identify new challenges over time in order to sustain its relevance.

The fact that the AOIP stems from ASEAN and is established under the ASEAN framework suggests that the concept can be understood as an addition to the integration or regionalism that strongly characterizes Southeast Asia. ASEAN has played a major role in the advancement of regionalism in Asia in the post-Cold War period, a development that gained traction in the 1990s following the so-called “first wave regionalism” that developed in Europe during the Cold War. In contrast with first wave regionalism that emphasizes cooperation and spillover among countries within a region, second wave regionalism highlights cooperation with countries outside the region. ASEAN is an important contributor to second-wave regionalism; its role is exemplified by cooperation with neighboring countries to form institutions such as the ASEAN plus one and ASEAN plus three. Correspondingly, the AOIP can be considered in the same vein, as it offers a basis for existing partners to deepen cooperation with ASEAN and potential partners to create and expand relations with Southeast Asia.

3. Highlighting the ASEAN Outlook on the Indo-Pacific

Upon closer examination of the AOIP, one may find the vision to be well-intentioned and cooperation-driven. Besides adding another perspective to developments in the Indo-Pacific, the AOIP suggests that ASEAN would like to play a central role in the region, “provid[ing] ballast for the current dynamism” and “provid[ing] added value to the existing regional arrangements” (ASEAN, 2021). As such, the adopted approach of the AOIP is different from the IPS in the sense that it openly seeks cooperation and does not establish specific partners for cooperation. In contrast with the AOIP, the US has explicitly stated that its approach towards the Indo-Pacific “draws from and aligns with those of our close friends..... like Japan, India, Australia, South Korea, ASEAN, New Zealand, United Kingdom, France, and the European Union” (White House, 2022). Based on the AOIP, ASEAN remains open to new partnerships and seeks to play a complementary role to other regional organizations and institutions.

The emphasis on ASEAN Centrality can be observed as another objective of the AOIP. Instead of seeking to replace, the AOIP will further

strengthen and optimize ASEAN-led mechanisms, including the East Asia Summit, ASEAN Regional Forum, ASEAN Defense Minister Meeting Plus, Expanded ASEAN Maritime Forum, and ASEAN Plus One (ASEAN, 2021). In a sense, much like the IPS, the AOIP serves as guidelines and complements existing institutions. The fact that Outlook has a reduced focus on security suggests that it is less comprehensive than the IPS, which covers security and other cooperations. By establishing Indo-Pacific as the scope, however, it is clear that ASEAN seeks to establish its Outlook as a potential vision for all neighboring countries and extend its institutional and normative influence beyond Southeast Asia.

In terms of specific areas of cooperation, the AOIP sets maritime affairs, connectivity, sustainability, and economic and other potential areas as the prioritized fields. With the exception of maritime affairs, the described fields do not have strong regional security implications. Rather, connectivity, sustainability, and economics correspond with key developments in recent years that are led by China's initiation of the Belt and Road Initiative, and promotion of the related Digital Silk Road and Green Silk Road initiatives, which in turn generated other corresponding responses from the international community. For example, in contrast with the past, the establishment of infrastructure is a mainstay of the BRI. Noting the development of digital technologies and worsening of climate change in the past decade, through the digital and green silk roads, not only is infrastructure emphasized, but the demand that new infrastructure should be smart and environmentally friendly is also promoted. In the AOIP, in addition to the emphasis on infrastructure, the Outlook notes that "environmental and ecological impacts and considerations must be taken into account to ascertain sustainability in the long term" (ASEAN, 2021). The AOIP also notes the challenges of rapid urbanization and the utilization of the digital economy as a way to achieve sustainability.

4. Grand Vision or Disillusion?

Despite the vision that the AOIP boasts, noting other institutional and geopolitical developments in Southeast Asia, one should keep in mind some factors and be cautious when assessing the potential of the Outlook. First, the AOIP offers a visionary concept for cooperation, which cannot be in any way as rigid as the IPS. Hence, the AOIP should not be assessed in terms of the achievement of concrete goals over a short period of time (2-3 years), but should be assessed in terms of the advancement of cooperation

in the region and whether overall peace and stability are maintained over time. In this regard, the number of established agreements and treaties is only one indicator to consider; the lower incidence of conflict may be a more important indicator to account for. Second, unlike the IPS, the AOIP is not centered on security. Therefore, security should not be a criterion used for assessing the Outlook. Instead, one should look towards exchanges in trade and investment and connectivity initiatives in and beyond Southeast Asia.

While the AOIP makes Southeast Asia an active participant in the successive establishment of IPS by several states joining the race, it is worthwhile to note that ASEAN is chronically hindered by disagreements among its members. Territorial disputes in the South China Sea continue to bear on the relations of ASEAN members, particularly those who may still have outstanding sovereign claims in the waters. In addition, the AOIP dawns on three challenges.

First, in light of Europe's development of Indo-Pacific strategies in recent years – with France, Germany, and the European Union having respective IPS – whether Southeast Asia would adopt a similar path is unclear. Yet a clear implication of the development of multiple Indo-Pacific strategies is the challenge of increased strategic competition that may paradoxically undermine the goals set by the multilateral body. In the case of Southeast Asia, currently, only Indonesia boasts an independent IPS, specifically titled as the “Indo-Pacific Cooperation Concept.” The IPCC promotes “cooperation, inclusiveness, transparency, and openness,” or principles that largely align with the goals laid out in the AOIP (Scott, 2019b). Of the states that have an established IPS, France and Japan have demonstrated great interest in strengthening relations with Indonesia, with both states boosting their defense cooperation with Indonesia (Laroche, 2025). Other states have not shown particular interest in Indonesia, and in the case of the US, under the second Donald Trump administration, US-Indonesia relations became destabilized as Washington and Jakarta renegotiated issues of tariffs and market access (Ghifari, 2025). As the example suggests, IPS remains a part of state foreign policy that is subject to the development of bilateral relations. While the AOIP and Indonesia's IPS largely align in interests, ASEAN's interests do not necessarily align with the US.

Second, noting the principle of “ASEAN Centrality,” the status of AOIP can only be a vision or strategy that positions ASEAN at the center. In terms

of economic cooperation in the Asia Pacific region, ASEAN Centrality is critical in the sense that ASEAN has played the important functional role of providing institutional platforms for the likes of China, Japan, and South Korea to discuss potential cooperation and mitigate disputes. However, regarding security topics, it is less clear what role ASEAN or the AOIP can play. In the AOIP, security is only mentioned three times - twice in relation to ASEAN and once in the context of maritime security (ASEAN, 2021). While the reserved mentioning of security differentiates the AOIP from the IPS, it also suggests that ASEAN's voice in the realm of security may be limited. Compared to the IPS, the AOIP risks being marginalized in the sense that it has little to say on security, while initiatives such as the Regional Comprehensive Economic Partnership (RCEP) and ASEAN plus already hold important economic status, and the AOIP adds little to the progress of economic development in the region.

Third, in contrast with states that have an established IPS, the eleven member states of ASEAN support the AOIP. Despite the open support, besides Indonesia, it remains unclear whether the other ASEAN states have their respective conceptions of the Indo-Pacific, whether their ambition stretches as far as the Indo-Pacific, and whether support for the AOIP is simply support for a visionary statement rather than a concrete foreign strategy. While one can point to the EU as having an IPS as well, the fact that Europe is challenged by an ongoing war in Ukraine and its security is supported by the North Atlantic Treaty Organization (NATO) suggests that its situation is markedly different from that of Southeast Asia (Camroux, 2008). For the EU, the Russo-Ukrainian War brought a common security challenge to the fore and provides reason for establishing a strategy that strengthens the EU's relationship with Asia, noting the interconnectivity of the world today. In the case of ASEAN, it is less clear whether member states share a common security threat or not. The usefulness of a common challenge is to unite states over a consensus and create a rally around the flag effect. Without an established challenge, in reality, the AOIP risks becoming a statement or declaration of well-intentioned principles that may become detached over time due to the lack of a clearly defined concern shared by all member states. The following Table 1 summarizes the content of the respective Indo-Pacific strategies and initiatives adopted by the main stakeholders in the region.

Table 1: Indo-Pacific Strategies and Initiatives (2016 - Present)

State / Regional Body	Year	Chief Focus	Key Areas for Cooperation
Association of Southeast Asian Nations	2019	Reinforce ASEAN centrality and promote a peaceful, open, and inclusive region.	maritime cooperation, connectivity, sustainable development, and economic cooperation.
Japan	2016	Establish a rules-based order, economic prosperity through connectivity, and maritime security.	supply chains for critical minerals, digital governance, maritime law enforcement, disaster management, and infrastructure development.
United States	2017	Strengthen regional alliances and economic ties to maintain a free and open order.	resilient supply chains, clean energy transitions, cyber and technology partnerships, and maritime security.
Indonesia	2018	Maintain a free and active foreign policy, prioritize ASEAN centrality, economic development, and diplomatic dialogue to avoid choosing sides between major powers.	maritime security, connectivity, infrastructure development, economic resilience, and sustainable development.
France	2019	Maintain regional stability and a rules-based order.	defense/security, economy/connectivity, multilateralism, and environmental protection.
Germany	2020	Diversify partnerships away from over-dependence on China, strengthen economic ties, uphold a rules-based international order, and enhance security cooperation with democratic partners in the region.	maritime security, economic resilience, climate action, digital transformation, and sustainable development.
European Union	2021	Strengthen economic, environmental and security ties to promote a rules-based order.	sustainable prosperity, green transition, ocean governance, digital partnerships, connectivity, security/defense, and human security.
Canada	2022	Strengthen regional ties; prioritize economic growth, security, and sustainable development.	peace and security, trade and supply chain resilience, people-to-people ties, and green growth.

Source: Self-Compiled by author

5. Dealing with China and the Belt and Road Initiative

Since Xi Jinping succeeded as Secretary General of the Chinese Communist Party in 2013, China's ambition towards Southeast Asia has grown steadily. In the South China Sea where China and a number of Southeast Asian countries share territorial disputes, Beijing's belligerence increased. In addition to faceoffs in regional waters, China carried out land reclamation projects while adopting gray zone strategies to harass and intimidate states in the region (Chen et al., 2024). Most recently, in August 2025, two Chinese military vessels attempted to intercept a Philippine patrol boat operating near the Scarborough Shoal, which added to tensions between Beijing and Manila (Barona, 2025). In the following month (September), near the disputed Scarborough Shoal, Chinese Coast Guard vessels fired water cannon at Philippine vessels (News Agencies, 2025). The incident happened within days after the Philippines, Japan, and the US carried out joint military exercises in the South China Sea.

Some observers argue that China sees Southeast Asia as its backyard and attempts to establish its own Monroe Doctrine in the region, echoing the historical experience of the US in Latin America. While China has repeatedly dismissed such claims and stressed its stance of "not seek[ing] alignment, confrontation, hegemony and expansion, and not to use force" (PRC State Council Information Office, 2019), its adopted actions in the South China Sea suggest otherwise. However, regardless of the doubts, China continues to maintain good economic and cultural relations with Southeast Asia – a development that goes well with the BRI, China's proposed project to integrate with the world. Southeast Asia is a critical segment of the BRI, which extends from China to Europe and connects states in Eurasia and the Indian Ocean through infrastructural developments (Bharti & Kumari, 2024).

In light of China's belligerence and expansion, the AOIP, if taken as a response to changing geopolitics in the Indo-Pacific, harbors multiple meanings that are worth noting. As mentioned previously, the AOIP is not anti-China, nor does it make China its focus. As such, the Outlook is not aimed at pushing China away or excluding China from potential cooperation. Rather, the AOIP suggests that Southeast Asia is open to cooperation with partners in the Asia-Pacific and beyond, including China. From an alternative perspective, the AOIP does not contradict the BRI in the sense that connectivity is highlighted as a key area for cooperation. Based on the

ASEAN vision on Connectivity, Master Plan on ASEAN Connectivity 2025, and the Declaration of the Sixth East Asia Summit on ASEAN Connectivity, AOIP emphasizes the importance of realizing connectivity through the establishment of infrastructures and people-to-people linkages (ASEAN, 2021). The AOIP and BRI clearly overlap in the aim of connectivity, which generates potential for cooperation and exchanges.

Another highlight in the AOIP is the emphasis on the UN Sustainable Development Goals 2030 and other areas of cooperation that include South-South cooperation, digital economy, climate change, and disaster risk reduction and management (ASEAN, 2021). The Outlook's emphasis largely aligns with China's four "global initiatives" (4GIs) that are proposed by Xi Jinping in recent years, namely the Global Development Initiative (GDI), Global Security Initiative (GSI), Global Civilization Initiative (GCI) and Global Governance Initiative (GGI). Specifically, in the GDI, which was launched in September 2021, China commits itself to the UN SDGs 2030. In the GSI, which was launched in April 2022, China identifies food security, energy security, and climate change as prioritized areas for cooperation (Xi, 2022). The highlighted categories for cooperation echo Southeast Asia's position. Meanwhile, China also makes a particular statement on ASEAN that aims to "support and improve the ASEAN-centered regional security cooperation mechanism and architecture" (Xi, 2022). In terms of sustainability and non-traditional security, China and ASEAN seem to share many similar goals.

Nonetheless, despite overlapping aims, a major obstacle that may stand in the way of cooperation between ASEAN and China is maritime affairs, which is another prioritized area for cooperation in the AOIP. The Outlook notes "unresolved maritime disputes that have the potential for open conflict," and "the need to prevent, manage and eventually resolve these issues in a more focused, peaceful and comprehensive way" (ASEAN, 2021). While China is not explicitly mentioned in the AOIP, existing tensions in the South China Sea hint at a difference between the Outlook and the BRI. Even though both initiatives may stress the importance of maritime cooperation, spanning areas such as the peaceful settlement of disputes, sustainable management of marine resources, marine pollution, sea level rise, and marine science collaboration, outstanding sovereign issues remain in the South China Sea between China and other claimants in the region. Whether the AOIP would continue to have relevance as China expands into

the Indian Ocean through the Maritime Silk Road remains an open-ended question worthy of continued observation.

6. Securitization of the AOIP and Geopolitical Challenges

Since ASEAN's adoption of the AOIP, its primary focus has been the promotion of cooperation while security affairs are de-emphasized. As previously noted, compared to the IPS, security is not the main priority of the AOIP. However, following the establishment of IPS by a number of states, the fact that many of the states seek to cooperate with ASEAN pulls Southeast Asia away from neutrality and in the direction of confrontation with China. As security is the focus of the IPS, by not turning away cooperation with states that boast an established IPS, ASEAN inadvertently agrees to the security agenda of the IPS. In turn, Southeast Asian states may find themselves in the somewhat contradictory position of promoting ASEAN centrality and peace while also condoning the possibility of tensions and conflicts that may be generated by states outside the region.

The described scenario may possibly arise in the near future following the 2025 ASEAN Summit meeting in Malaysia that witnessed the attendance of Japanese Prime Minister Sanae Takaichi. By traveling to Malaysia in her first official trip abroad, Takaichi clearly established Southeast Asia as a priority in Japan's foreign policy (Tan, 2025). Such an emphasis is not a unique switch, as since former PM Shinzo Abe's second term, which commenced in 2012, Japan has prioritized engagement and cooperation with Southeast Asia. Just like Takaichi, Abe commenced his term by visiting the Southeast Asian state of Indonesia in his first trip abroad in January 2013 (Ministry of Foreign Affairs of Japan, 2013). The highlight of the trip was the announcement of the Five Principles of Japan's ASEAN Diplomacy, which continues to serve as a cornerstone of Japan's policy towards Southeast Asia. Observers note that, as a close former aide of PM Abe, PM Takaichi may likely adopt similar policies to her predecessor (Suzuki, 2025).

It is noteworthy that in a statement after the 2025 ASEAN Summit meeting, PM Takaichi stated that "Japan advocates for a free and open Indo-Pacific and consistently supports the AOIP... which confirms [the] will to promote further cooperation between Japan and ASEAN" (Ministry of Foreign Affairs of Japan, 2025). While advocating closer cooperation between Japan and ASEAN, by speaking of the IPS and AOIP together, Japan seems to have taken the initiative to suggest the advancement of

security cooperation as well. Such a proposal is supported by Japan's long-term efforts to improve Southeast Asia's capacity building cooperation in human resource development and technical assistance in defense-related fields. Towards the Philippines, for example, Japan has conducted training programmes on ship maintenance, while towards Vietnam, Japan has conducted several maritime security-related programmes, including disposing of underwater unexploded ordnance and underwater medicine (Shoji, 2024: 26-27). With both the Philippines and Vietnam, Japan has also extended capacity-building cooperation in coast guard training and exchange (Japan Coast Guard, 2024).

Without rejecting Japan's proposal to support both the IPS and AOIP, the latter becomes securitized in the sense that its goals align with the former, which includes an intention to balance China's rise and its expansion into the Indo-Pacific. Regardless of whether Southeast Asian states have the intention to balance against China or not, the alignment of interests between the IPS and AOIP inevitably signals that China is targeted. An alternative way of reading the alignment is to consider the IPS as providing concrete strategic content for the AOIP, despite the fact that the additions may not be fully agreed upon by all Southeast Asian states. The implication of alignment is to assume that Japan and ASEAN share similar thoughts towards China and seek to jointly balance against China. By strengthening the security aspects of the IPS and AOIP, China falls into the dark light of a potential aggressor that may threaten regional order. It remains to be observed how ASEAN states would respond when conflict concerning China and Japan breaks out in the near future, for example, in the South or East China Sea.

7. Conclusion

This article briefly surveys the AOIP and the potential opportunities and challenges that it brings for Southeast Asia. The Outlook is distinctly different from the established IPS outside the region in the sense that security is not its main focus, which creates space for cooperation with China among other countries, while also casting doubts as to the meaning and direction of the statement. By not openly making China the target, the AOIP provides space for expanding cooperation with China, noting that the Outlook also places emphasis on connectivity, sustainability, and economics. Such a position goes well with China's established position of ASEAN Centrality. However, the AOIP is challenged when states with established IPS outside

the region seek cooperation with Southeast Asia. As the IPS targets China, cooperation with other states becomes paradoxical. While ASEAN can choose to remain silent on issues that involve Chinese interests, such a strategy may generate misunderstandings when other interested parties decide to take the lead and assume ASEAN support. In other words, ASEAN states may be forced to choose a side even if they do not want to.

Noting the position of ASEAN, concerning the future of the AOIP, several developments warrant continued observation. First, geopolitics in the Indo-Pacific will continue to implicate the AOIP, particularly in terms of issues related to China. Should the frequency and intensity of tensions or conflicts that involve China increase, the minimal security focus in the Outlook may be enlarged, which may in turn balance out or even overshadow the general emphasis on cooperation. In this sense, the AOIP may become increasingly similar to other established IPS and lose its uniqueness. Second, in light of the fact that Indonesia has the IPCC, as the Indo-Pacific continues to be prone to rising tensions, more states in Southeast Asia may introduce or consider developing independent Indo-Pacific strategies. The Philippines, Thailand, and Vietnam are potential candidates in this regard. Without a doubt, the Indo-Pacific will become excessively complex following the increased number of IPS.

Finally, as described earlier, the AOIP's emphasis on cooperation echoes well with the BRI. However, as the growth of the Chinese economy begins to slow, a corresponding question that emerges is whether ASEAN can begin to take the lead in identified areas for cooperation, such as connectivity, sustainability, and economics. As a relatively new outlook, the AOIP can gain influence only through ASEAN, making efforts to take the lead in promoting the Outlook and pushing for cooperation. If the AOIP is to have continued relevance in the near future, ASEAN members will need to consider taking up a stronger leadership role in the region. Without a determination to promote the AOIP and step into some of the vacuum for cooperation that are opened up due to China's slowing economy, the AOIP may remain visionary and risk losing significance over time.

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Book Review

Xiaoyun Li, Jin Xu, Jing Gu, and Sam Huckstep. *The End of Poverty and the Taming of Inequality*. Singapore: Palgrave Macmillan, 2025, 320 pages. ISBN: 978-981-0684-9.

The End of Poverty and the Taming of Inequality presents an in-depth analysis of global poverty and inequality, with a particular focus on China's approach to poverty alleviation. The book critically examines how poverty persists despite economic growth and explores how targeted policies can address structural inequalities. While the work is commendable for its empirical depth and interdisciplinary approach, it lacks sufficient engagement with alternative economic models and fails to adequately address the complexities of policy implementation in diverse political contexts.

The discussion challenges the traditional view that poverty is primarily a result of individual failure, instead emphasizing systemic factors such as economic structures, governance policies, and social norms. However, the reliance on state-led interventions as a primary solution is overly deterministic and does not fully account for the unintended consequences of government-driven economic policies. The discussion draws on classical economic theories, including those of Jean-Jacques Rousseau and Karl Marx, to argue that inequality is a fundamental driver of persistent poverty. Yet, its theoretical engagement remains somewhat superficial, failing to critically interrogate the applicability of these theories in contemporary economic environments where global supply chains, financialization, and digital economies play increasingly dominant roles.

The book critiques neoliberal approaches to poverty reduction, arguing that market-driven solutions often exacerbate inequalities, but the analysis does not sufficiently explore how market mechanisms might be leveraged in more equitable ways. The outright dismissal of neoliberalism as an effective framework is too simplistic, given that some market-oriented policies, when coupled with strong regulatory oversight, have successfully reduced poverty in various global contexts. The historical analysis of China's poverty alleviation strategies is one of its strongest aspects, detailing the transition from Maoist-era collectivization to contemporary targeted poverty alleviation (TPA) programs. However, the work fails to fully acknowledge the socio-

political trade-offs of these policies, including issues of bureaucratic inefficiency, corruption, and the displacement of marginalized communities in the name of economic development.

The discussion on regional disparities is insightful but lacks sufficient comparative analysis with other nations facing similar structural inequalities. While the book primarily focuses on China, it sporadically references poverty reduction efforts in Africa and Latin America, yet does not provide a robust comparative framework to draw meaningful lessons across different governance models. A notable omission is a discussion on India's poverty alleviation strategies, which offer an important counterpoint to China's state-centric model.

The use of case studies, particularly those examining the role of Special Economic Zones (SEZs), is valuable in illustrating localized economic growth patterns. However, there is a lack of critical engagement with the broader implications of SEZs, such as labor exploitation, environmental degradation, and the reinforcement of spatial inequalities. The optimistic portrayal of SEZs as engines of industrialization fails to account for the mixed outcomes these zones have produced in other parts of the world.

The discussion on technology and digital transformation in poverty alleviation is another intriguing aspect, as it examines how big data and artificial intelligence (AI) can enhance regional planning and improve policy implementation. Yet, this section remains largely speculative and does not provide empirical evidence on the effectiveness of these technologies in addressing structural poverty. The analysis of the Fourth Industrial Revolution (4IR) is forward-looking but lacks a critical perspective on the risks of digital exclusion, data monopolization, and the potential for technological interventions to exacerbate social inequalities.

One of the most significant weaknesses is the limited engagement with grassroots movements and bottom-up approaches to poverty alleviation. The book largely frames poverty reduction as a top-down process, driven by state policies and international frameworks, but neglects the role of local communities, informal economies, and social enterprises in fostering sustainable development. This oversight diminishes its applicability to contexts where state capacity is weak or where decentralized governance models play a more significant role in economic development.

While policy recommendations are provided, they are often overly idealistic and lack concrete implementation strategies. The emphasis

on government accountability and multi-stakeholder collaboration is well-intentioned but does not sufficiently address the political and institutional barriers that hinder effective policy execution. Moreover, the recommendations do not adequately consider the resistance from entrenched economic interests and power asymmetries that often shape development trajectories.

In conclusion, *The End of Poverty and the Taming of Inequality* is a thought-provoking contribution to the discourse on poverty and inequality, offering a detailed examination of China's poverty alleviation strategies while engaging with broader global debates. Its strengths lie in its empirical depth, historical analysis, and interdisciplinary approach, but its shortcomings include a lack of critical engagement with alternative economic models, limited comparative analysis, and an overreliance on state-led solutions.

Future research should build on this work by incorporating broader cross-country comparisons, exploring the role of grassroots initiatives, and addressing the complexities of implementing poverty alleviation strategies in diverse political and economic contexts. While the book succeeds in challenging dominant paradigms, it ultimately falls short of providing a truly comprehensive and critical analysis of poverty reduction in the 21st century.

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Title : *International Journal of China Studies*
ISSN : 2180-3250
Publisher : **Institute of China Studies, University of Malaya**
50603 Kuala Lumpur, Malaysia

The *International Journal of China Studies* is a biannual academic journal focusing on contemporary China in issues pertaining to the fields of political, social and economic development, trade and commerce, foreign relations, regional security and other domains of the social sciences in the context of, more specifically, today's Mainland China, Taiwan, Hong Kong or Macau. The journal is abstracted/indexed in *Scopus*, *International Political Science Abstracts*, *International Bibliography of the Social Sciences*, *Bibliography of Asian Studies*, *EconLit*, *eJEL*, *JEL on CD*, *Ulrich's Periodicals Directory*, *Ulrichsweb Global Serials Directory*, *Reference Corporation's Asia-Pacific Database*, *ProQuest Political Science and Research Library*, *ABI/INFORM Complete*, *ABI/INFORM Global*, *PAIS (Public Affairs Information Service) International*, *CSA (formerly Cambridge Scientific Abstracts) Worldwide Political Science Abstracts* and *NLB's ISI (Index to Singapore Information)*.

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