



Institute for Security &
Development Policy

From Silk Cage to Silk Noose-II

The Bay of Bengal Nexus: China's Corridor Statecraft from BCIM (CMBC) to the Indochina Peninsula

Edited by

Jagannath Panda | Tristan Eng

Stockholm Paper | September 2026



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This Stockholm Paper marks the second publication in the Stockholm Center for South Asian and Indo-Pacific Affairs' (SCSA-IPA) flagship research project, *The Silk Noose: China's Power Architecture in South Asia and the Indian Ocean Region*. It examines the Bay of Bengal as an increasingly consequential theater of China's regional statecraft, and looks at the relationship China has with Bangladesh and Myanmar. It studies the evolving strategic, political, economic, technological, and security dimensions of the six corridor projects in the region, including the Bangladesh-China-India-Myanmar Economic Corridor (BCIM). This volume seeks to contribute to a deeper understanding of China's expanding influence in South Asia and the wider Indian Ocean Region.

This publication would not have been possible without the dedication, expertise, and intellectual commitment of all the contributors. Despite demanding professional responsibilities, they generously shared their knowledge and produced thoughtful and insightful analyses. Their scholarship has significantly enriched this volume while reinforcing its interdisciplinary character.

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The contribution of the SCSA-IPA's Silk Cage webinar series has been equally valuable. Bringing together internationally recognised scholars, practitioners, and regional experts, the webinars discussed China's expanding strategic footprint in South Asia and the Indian Ocean. The insights and specialised perspectives shared through these discussions have informed and helped shape several dimensions of this publication, particularly its analysis of evolving patterns of connectivity, strategic competition, and the changing regional order.

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Abbreviations

AA	Arakan Army
AIIB	Asian Infrastructure and Investment Bank
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASW	Anti-Submarine Warfare
AVIC	Aviation Industry Corporation of China
BBIN	Bangladesh, Bhutan, India, and Nepal
BCIM	Bangladesh-China-India-Myanmar Economic Corridor
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BNP	Bangladesh Nationalist Party
BRI	Belt and Road Initiative
CCG	China Coast Guard
CCP	Chinese Communist Party
CIOPEC	China-Indochina Peninsula Economic Corridor
CMBC	China-Myanmar-Bangladesh Economic Corridor
CMC	Central Military Commission
CMEC	China-Myanmar Economic Corridor
COC	Code of Conduct
COSTIND	Commission for Science, Technology and Industry for National Defense
CPB	Communist Party of Burma
CPEC	China-Pakistan Economic Corridor
DFC	Development Finance Corporation
EAO	Ethnic Armed Organization
EAS	East Asia Summit
ECRL	East Coast Rail Link
EEZ	Exclusive Economic Zone
GDP	Gross Domestic Product
GGI-OSOWOG	Green Grid Initiative–One Sun One World One Grid
GSI	Global Security Initiative
IEEFA	Institute for Energy Economics and Financial Analysis

IMF	International Monetary Fund
IOR	Indian Ocean Region
IPMDA	Indo-Pacific Partnership for Maritime Domain Awareness
ISR	Intelligence, Surveillance, and Reconnaissance
KIA	Kachin Independence Army
KIO	Kachin Independence Organization
KIPI	Kalimantan Industrial Park
KMT	Kuomintang
LDC	Least Developed Country
LGFV	Local Government Financing Vehicle
LMC	Lancang-Mekong Cooperation
LOGINK	National Public Information Platform for Transportation & Logistics
MENAAP	Middle East, North Africa, Afghanistan, and Pakistan
MNDAA	Myanmar National Democratic Alliance Army
MoU	Memorandum of Understanding
MSR	Maritime Silk Road
NDAA	National Democratic Alliance Army
NUG	National Unity Government
PGII	Partnership for Global Infrastructure and Investment
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy
PSC	Private Security Company
RCEP	Regional Comprehensive Economic Partnership
RDA	Regionally Decentralized Authoritarianism
SAARC	South Asian Association for Regional Cooperation
SAC	State Administrative Council
SASTIND	State Administration for Science, Technology and Industry for National Defense
SEZ	Special Economic Zone
SIPRI	Stockholm International Peace Research Institute
SLOC	Sea Lines of Communication
SLORC	State Law and Order Restoration Council
SOE	State-Owned Enterprise
TNLA	Ta'ang National Liberation Army
TPP	Trans-Pacific Partnership
UNSC	United Nations Security Council
UWSA	United Wa State Army

Executive Summary and Policy Recommendations

This Stockholm Paper is the second in the *Silk Noose* series, an ongoing inquiry into how China's connectivity, infrastructure, economic, technological, and security relationships are reshaping the strategic geography of South Asia and the Indian Ocean Region. Moving eastward from the first paper's examination of the China-Pakistan Economic Corridor (CPEC), this volume turns to the Bay of Bengal and the wider interface between South and Southeast Asia.

The central argument is that China's growing position in the Bay of Bengal cannot be understood through individual ports, corridors, dams, pipelines, or infrastructure projects alone. Beijing is gradually connecting continental routes originating in southwestern China with maritime access to the Indian Ocean through Myanmar, Bangladesh, the Indochina Peninsula, and the wider Bay of Bengal. Economic connectivity remains central to this strategy, but its cumulative consequences increasingly extend into energy, technology, political influence, maritime access, and security.

This does not amount to a predetermined or uniform Chinese strategy of regional control. Bangladesh continues to hedge among multiple partners; Myanmar's fragmentation constrains as well as enables Chinese influence; Vietnam demonstrates that economic integration need not eliminate strategic autonomy; and instability, local resistance, environmental concerns, and competing connectivity initiatives place real limits on Beijing. The *Silk Noose* is therefore best understood not as territorial encirclement but as the possibility that cumulative dependencies across interconnected sectors may progressively narrow the strategic choices available to regional states.

The findings below identify how this process is unfolding. The recommendations that follow are directed toward India, Bay of Bengal and Southeast Asian states, ASEAN, and regional and extra-regional partners seeking to preserve an open, competitive, and plural connectivity order.

Part I: Key Findings

1. The Bay of Bengal is emerging as the eastern maritime anchor of China's continental strategy.

China's engagement with the Bay of Bengal represents more than a westward

extension of the Maritime Silk Road. Beijing is increasingly linking Yunnan, Tibet, Myanmar, Bangladesh, and mainland Southeast Asia to maritime routes in the eastern Indian Ocean. Ports, pipelines, railways, highways, energy systems, industrial zones, and digital infrastructure form different parts of this evolving architecture. Myanmar is particularly important because it offers China direct overland access to the Bay, while Bangladesh provides economic scale, maritime geography, and a potentially important connection between South and Southeast Asia. The strategic significance lies less in any individual project than in the possibility that multiple networks eventually become interconnected.

2. The transition from BCIM to newer corridor configurations demonstrates Beijing's adaptability.

The stagnation of the Bangladesh–China–India–Myanmar (BCIM) framework has not ended China's interest in transregional connectivity. Instead, Beijing has adapted by advancing projects and configurations that do not necessarily require Indian participation. The China–Myanmar Economic Corridor (CMEC), the China–Indochina Peninsula Economic Corridor, and emerging discussions around China–Myanmar–Bangladesh connectivity illustrate a gradual shift from connectivity *with* India toward connectivity that can potentially proceed around India. This evolution should not automatically be interpreted as a completed strategy of encirclement. It does, however, indicate that infrastructure networks can reshape strategic geography even when major regional powers decline to participate.

3. Myanmar is the indispensable but unstable hinge of China's Bay of Bengal strategy.

No country is more important to China's continental access to the Bay of Bengal than Myanmar. Kyaukphyu port, oil and gas pipelines, CMEC, border trade, hydropower, mining, and transport networks connect China's southwestern provinces with the Indian Ocean. Yet Myanmar is simultaneously the weakest link in this architecture. Civil conflict, fragmented political authority, ethnic armed organizations, public resentment, and insecurity surrounding Chinese projects make implementation uncertain. Beijing has responded by maintaining relationships with multiple competing actors rather than relying exclusively on the central authorities. Its influence is therefore substantial but does not amount to straightforward control.

4. Political fragmentation itself has become an important source of Chinese leverage in Myanmar.

China's position in Myanmar is distinctive because Beijing can operate across competing centers of authority. It maintains ties with the military authorities while retaining channels with ethnic armed organizations and other actors along the borderlands.

Diplomatic mediation, border pressure, economic incentives, arms relationships, and infrastructure interests allow Beijing to protect core priorities despite Myanmar's political disorder. This produces an architecture of influence built partly through fragmentation. Yet the same fragmentation also limits China: infrastructure remains vulnerable, public distrust persists, and Beijing cannot guarantee political stability or the security of its investments.

5. China's security presence is expanding through layers below the threshold of formal PLA deployment.

China's growing security role in Myanmar should not be measured solely by visible People's Liberation Army activity. Beijing continues to limit overt PLA involvement while relying on party-state institutions, defense enterprises, border exercises, security cooperation, mediation, and potentially private security arrangements to protect Chinese nationals and strategic assets. As threats to CMEC, pipelines, border trade, and Chinese personnel grow, the distinction between commercial protection and strategic security involvement may become increasingly blurred. Private security companies and personnel with links to China's wider military-security establishment could provide Beijing with greater operational reach without requiring formal military deployment.

6. Bangladesh demonstrates both the appeal and the limits of Chinese strategic influence.

Bangladesh's engagement with China is driven primarily by national development and strategic calculations rather than ideological alignment. Chinese financing, defense cooperation, infrastructure, energy, industrial development, and connectivity offer Dhaka valuable options. At the same time, Bangladesh has consistently avoided excessive dependence on any single partner. Japan-backed infrastructure, economic relations with the United States and Europe, engagement with ASEAN, and unavoidable geographic interdependence with India give Dhaka alternatives. Bangladesh therefore illustrates a central finding of this volume: Chinese influence becomes most consequential when recipient countries lack credible alternatives; diversification can substantially preserve strategic autonomy.

7. Energy connectivity may become as strategically consequential as ports and transport corridors.

China's hydropower strategy points toward an emerging form of network power. Developments around the Yarlung Tsangpo should be assessed alongside transmission systems, roads, communications infrastructure, industrial networks, and possible cross-border electricity markets. The experience of the Lancang-Mekong region

demonstrates how physical infrastructure can precede and subsequently encourage deeper institutional and market interdependence. In South Asia, such developments intersect directly with India's established electricity relationships with Nepal, Bhutan, and Bangladesh. The strategic competition surrounding regional connectivity may therefore increasingly concern who sets technical standards, operates networks, supplies technology, and shapes electricity markets rather than simply who constructs individual dams.

8. Indochina demonstrates that connectivity creates differentiated rather than uniform dependence.

China's growing economic position across Myanmar, Laos, Cambodia, and Vietnam shows how infrastructure financing, trade, production networks, and connectivity can generate structural influence. Yet the political consequences differ considerably. Laos and Cambodia exhibit deeper forms of dependence; Myanmar combines exceptional strategic geography with severe instability; while Vietnam demonstrates that extensive economic integration with China can coexist with determined strategic autonomy. The relevant policy question is therefore not whether states should engage China, but under what domestic, financial, and institutional conditions connectivity strengthens national development without making Beijing indispensable.

9. China's maritime strategy increasingly connects commercial access with strategic optionality.

Across the Bay of Bengal and the wider Indian Ocean, China is developing an interconnected presence involving ports, transport corridors, pipelines, digital infrastructure, maritime surveillance, defense relationships, and regular naval activity. These assets need not become Chinese military bases to possess strategic value. Commercial facilities can provide information, familiarity, logistical possibilities, political relationships, and future access options. The competition is consequently shifting from ownership of individual ports toward control over networks of access, connectivity, surveillance, logistics, and operational freedom.

10. The Bay of Bengal reveals both the reach and the limits of the Maritime Silk Road.

China's Maritime Silk Road helps address Beijing's concerns about vulnerable sea lines of communication while creating outlets for Chinese capital, technology, and industrial capacity. Yet Chinese leverage is not automatic. Political accountability, diversified economies, institutional resilience, transparent contracting, and competition among external partners can substantially strengthen recipient-country bargaining power. Conversely, economic vulnerability, weak institutions, opaque agreements, and concentrated dependence can enable commercial relationships to acquire greater

political and strategic significance. The decisive variable is therefore not Chinese investment alone but the resilience and agency of the states receiving it.

11. The “Silk Noose” is emerging through cumulative dependence rather than formal control.

The evidence across the chapters does not suggest that China has established an uncontested strategic order in the Bay of Bengal. Instead, it reveals a gradual process in which infrastructure, energy, technology, trade, political relationships, and security arrangements can reinforce one another. Dependence in one sector may remain manageable; dependence across several connected sectors can progressively increase the costs of resisting the preferences of the dominant provider. The strategic challenge for Bay of Bengal states is therefore to ensure that connectivity expands rather than contracts their policy choices. The defining contest will be between competing networks and between alternative models of regional connectivity—not simply between China and individual countries.

Part II: Policy Recommendations

1. Assess Chinese connectivity as an integrated strategic network rather than a collection of individual projects.

India, Bay of Bengal states, ASEAN members, and their partners should establish mechanisms capable of assessing ports, corridors, energy networks, digital systems, industrial zones, and security arrangements cumulatively. Project-by-project analysis risks overlooking how separate commercial assets can eventually form an integrated logistical and strategic architecture. Particular attention should be paid to the connections among Yunnan, CMEC, Kyaukphyu, Bangladesh, the Indochina Peninsula, Sri Lanka, and the wider Indian Ocean.

2. Build credible connectivity alternatives rather than relying on opposition to Chinese projects.

India, Japan, the European Union, the United States, South Korea, Australia, multilateral development banks, and other partners should expand transparent and financially sustainable infrastructure options across the Bay of Bengal. Alternatives must address genuine development requirements in transportation, energy, ports, digital infrastructure, clean technology, supply chains, and industrialization. Criticism of Chinese infrastructure cannot substitute for competitive financing, timely implementation, and commercially attractive alternatives.

3. India should treat the Bay of Bengal and Andaman Sea as one integrated strategic theater.

New Delhi should connect its continental and maritime policies more systematically by accelerating infrastructure through Northeast India, strengthening links with Bangladesh and Southeast Asia, deepening BIMSTEC cooperation, and developing the Andaman and Nicobar Islands as a stronger surveillance and logistical hub. Maritime-domain awareness, coast guard cooperation, anti-submarine capabilities, resilient infrastructure, and partnerships around the approaches to the Malacca Strait should form part of a coherent Bay of Bengal strategy.

4. Preserve the strategic agency of Bangladesh and other smaller regional states.

Regional competition should not force smaller states into binary choices between China and India or between China and the United States. Bangladesh in particular should institutionalize diversification across infrastructure, defense, energy, technology, and trade. Chinese cooperation can remain an important component of its development strategy, but partnerships with India, Japan, Europe, the United States, ASEAN, and other actors should prevent excessive concentration. Dhaka's objective should be to become an autonomous Bay of Bengal connectivity hub rather than the endpoint of externally designed corridors.

5. Link China–Myanmar–Bangladesh connectivity to Bangladesh's own security priorities.

Any future corridor through Myanmar should be assessed against conditions in Rakhine State and Bangladesh's concerns regarding the Rohingya crisis. Dhaka should use China's interest in stable connectivity between Yunnan and the Bay of Bengal to encourage more sustained Chinese diplomatic engagement in Myanmar. Infrastructure cooperation should not proceed as though Myanmar were merely a transit territory detached from the political and humanitarian conditions affecting Bangladesh's security.

6. Build regional energy governance before infrastructure creates irreversible dependencies.

India, Nepal, Bhutan, Bangladesh, and other willing partners should accelerate an open, interoperable regional electricity market. Grid connectivity, electricity trading, technical standards, environmental assessment, water-data sharing, and infrastructure resilience should be developed through transparent regional arrangements. Governance should ideally precede, or at least develop alongside, major infrastructure commitments. This would allow South Asian states to benefit from low-carbon connectivity without facing a binary choice between India-centered and China-centered energy networks.

7. Develop policy toward Myanmar around its fragmented political reality.

External engagement should not focus exclusively on Naypyidaw. ASEAN, India, Japan, the EU, and other stakeholders should recognize the dispersion of authority among military institutions, ethnic organizations, local administrations, border economies, and communities. Supporting local institutional capacity, independent documentation, community consultation, and an inclusive political settlement can strengthen indigenous bargaining power. A more representative and stable federal order would also be better positioned to manage external influence than prolonged political fragmentation.

8. Monitor the civilian-to-security transition of Chinese infrastructure.

Regional governments should strengthen oversight of ports, pipelines, logistics centers, telecommunications networks, surveillance systems, research vessels, seabed activity, and private security arrangements. Monitoring should extend beyond formal PLA deployments to defense contractors, former military personnel, private security companies, drone cooperation, training, and security arrangements around BRI assets. Maritime-domain awareness and information-sharing should focus on how commercial access may gradually generate strategic or military optionality.

9. Strengthen recipient-country bargaining capacity, transparency, and technological resilience.

Governments should improve independent scrutiny of infrastructure contracts, financing arrangements, ownership provisions, environmental implications, technical standards, and long-term operating rights. International partners can assist by providing legal, financial, technological, and environmental expertise. Digital infrastructure requires particular attention because dependence on telecommunications, surveillance technologies, data systems, and supplier-specific standards can be considerably more difficult to reverse than dependence on physical infrastructure.

10. ASEAN and Bay of Bengal institutions should establish stronger principles for strategic infrastructure.

Common regional standards on debt sustainability, procurement, transparency, environmental safeguards, digital governance, critical infrastructure, and foreign security actors would improve the bargaining position of smaller states. ASEAN experience is particularly relevant because Southeast Asian countries have developed different forms of accommodation, resistance, and diversification in managing Chinese economic influence. These lessons should increasingly inform Bay of Bengal cooperation.

11. Shift from reactive hedging toward adaptive balancing and network diversification.

Regional states do not need to choose between engagement with China and strategic autonomy. They should instead cultivate multiple economic, technological, financial, maritime, and security relationships so that no external actor becomes indispensable across several critical sectors simultaneously. The most effective response to network power is network diversification. A plural regional order, with overlapping partnerships, interoperable infrastructure, multiple financing sources, and competitive connectivity, offers the strongest protection against asymmetric dependence.

The primary policy lesson of this Stockholm Paper is therefore straightforward: connectivity should multiply strategic choices. China will remain an indispensable economic and political actor across the Bay of Bengal and Southeast Asia. Attempts to exclude it are neither realistic nor desirable. The challenge is to prevent infrastructure interdependence from evolving into structural dependence and structural dependence from becoming a strategic constraint. The durability of an open Bay of Bengal order will ultimately depend less on resisting China than on ensuring that regional states possess the institutions, alternatives, and partnerships necessary to engage Beijing from positions of genuine choice.



Photo credit: Visuals6x/Shutterstock

Introduction

From Corridors to Influence: Why the Bay of Bengal Matters in China's New Strategic Geography

Jagannath Panda and Tristan Eng

The Bay of Bengal is no longer a peripheral arena in China's strategic thinking. Historically viewed as primarily a space for maritime trade between South Asia and Southeast Asia, the Bay now sits at the center of a host of interests that have become core to Beijing's regional outlook, including securing access to the Indian Ocean, developing its southwestern hinterlands, and diversifying its energy routes, to name a few.

The Bay of Bengal connects three important regions. To the west, India's Southeast and the wider Indian Ocean; to the east, Myanmar and mainland Southeast Asia; and to the north, Bangladesh, India's Northeast, and China's southwestern provinces. For Beijing, the Bay connects the continental and maritime components of its regional strategy by offering possibilities for linking the province of Yunnan to the Indian Ocean, reducing the economic isolation of its southwestern regions, while also diversifying energy transportation routes and developing political partnerships with countries along India's maritime periphery.

This convergence of Chinese interests in the Bay is reflected in the growing intensity of Beijing's

engagement with regional actors. With Bangladesh, China has recently upgraded ties with its newly elected government and sought to revive and reconfigure the Bangladesh-China-India-Myanmar Economic Corridor (BCIM).¹ With Myanmar, Beijing has announced its support for the new military-backed government and remains committed to key China-Myanmar Economic Corridor projects, including the Kyaukpyu deep-sea port and the Muse-Mandalay railway.²

In a recent speech, President Xi Jinping reaffirmed connectivity as a key component of China's regional agenda, calling for stronger cooperation within its Belt and Road Initiative (BRI) and Global Development Initiative (GDI).³ In the same speech, he argued that countries should be 'putting development first' and rejecting 'double standards, exceptionalism, foreign interference, bullying, and the law of the jungle.'⁴

Connectivity is thus not just seen in economic terms, but as part of a vision of international order likely to resonate with countries in the Global South dissatisfied with the status quo. What remains unsaid is that deeper economic

and infrastructural integration can also create new ways through which Beijing can gain political influence and leverage as the self-declared leader of the Global South.⁵ The difficult question for states surrounding the Bay of Bengal is what deeper connectivity may entail in terms of Beijing's growing political influence and their pursuit of their own national goals.

The Bay of Bengal Turn

China's emergence as a significant actor in the Bay of Bengal needs to be understood as part of a larger evolution in Beijing's regional strategy. China is not a Bay of Bengal littoral state. Yet geography has not prevented it from becoming increasingly embedded in the Bay's political economy. This is part of Beijing's pivot during the Xi era toward putting "neighboring states diplomacy" (周边国家) at the center of its foreign policy.⁶ President Xi has made it China's explicit goal 'to make our neighbors more friendly in politics, economically more closely tied to us, and [...] have deeper security cooperation [...] [based on] shared beliefs and norms of conduct for the whole region.'⁷ What, then, are these "shared beliefs and norms"? At the very least, they point toward the creation of a regional order more accommodating to Chinese interests and values, one that Xi sees as part of the "serv[ing] the cause of national rejuvenation."⁸ If China's regional strategy is ultimately intended to "serve the cause of national rejuvenation," the Bay of Bengal assumes particular importance within that project in at least two significant ways.

First, the Bay offers China important economic and developmental benefits by improving

the external connectivity of its western regions. In the early reform era, China's major economic success stories were concentrated in its eastern provinces through trade linkages with rising East Asian nations. Western China consequently lagged in both development and external connectivity, leading the government to develop the Great Western Development Strategy (西部大开发) in the early 2000s.⁹ As this domestic strategy evolved, trade with Myanmar, Bangladesh, and India through the Bay became an important part of this goal of domestic transformation.¹⁰ Against this backdrop, Chinese scholars such as Wang Jisi began advocating a "March West" (西进) approach to its foreign policy to encourage trade with its western neighbors as a fillip for China's domestic Western Development Strategy.¹¹

Second, the Bay also provides China with important energy security benefits by strengthening and diversifying the routes through which energy sources can reach the Chinese mainland. China relies heavily on oil and gas shipped by sea, much of it through narrow and potentially vulnerable sea lanes of communication (SLOCs). Recent conflicts have put supply chain resilience at the forefront of political debate. For China, the 'Malacca Dilemma' — Beijing's concern that its heavy dependence on the Strait of Malacca for energy imports leaves its supply vulnerable to disruption by outside actors — has been a recurring strategic concern since the Hu era.¹²

The Bay of Bengal is important in this context, both as part of China's principal maritime energy route and as a means of diversifying its energy supply routes. Energy shipments trav-

elling from the Middle East to China by sea must go across the Indian Ocean and through the Bay of Bengal before reaching the Strait of Malacca. At the same time, as Professor Liao notes in her chapter, ports in the Bay along Myanmar's western coast give China a direct overland connection between the Bay of Bengal and southwest China, with pipelines from Myanmar's Madaya Island port having delivered oil to Yunnan since 2017. These pipelines do not completely assuage China's concerns over the 'Malacca Dilemma,' but they do give Beijing increased flexibility and choices with regard to its energy security.

China's New Corridor Logic in the Bay of Bengal

In order to secure and advance the benefits identified above, China has sought to deepen its strategic presence in the region. In the Bay of Bengal, China has done so through a combination of geoeconomic and geostrategic mechanisms, most notably the BRI and its maritime component, the 21st Century Maritime Silk Road (MSR). On the economic front, Professor Nagy argues in his chapter that the BRI and MSR form part of Beijing's effort to build a more Sino-centric regional architecture, creating parallel institutions that reduce reliance on other international institutions and place China closer to the center of economic governance.

The evolution from BCIM toward a possible China-Myanmar-Bangladesh Corridor (CMBC) is revealing in this regard. Although the BCIM concept dates back to the 1990s, Beijing later incorporated it into the BRI framework as one of its six major economic corri-

dors,¹³ thereby complicating Indian participation as New Delhi's concerns over the BRI intensified. Since then, with progress stalled, some Chinese analysts consider it the least developed of the six corridor projects and call for a revitalization of the initiative.¹⁴ As explored by Dr. Panda, Wilhelm Geijer, Joel von Rothkirch, and Hoang A. Nguyen, BCIM's possible evolution toward the CMBC is revealing of how China has adapted its connectivity strategy. Compared with BCIM's more inclusive framework, CMBC reflects China's effort to build connectivity through arrangements that put Beijing at the center.

The China-Indochina Peninsula Economic Corridor adds another dimension that is explored in this volume by Katarzyna Anna Nawrot. Beijing officially conceives of this corridor as a network extending from China through mainland Southeast Asia toward Singapore, connecting China more deeply with the economies of mainland Southeast Asia.¹⁵ Viewed alongside CMBC, Beijing is developing multiple southward connectivity pathways linking different Chinese economic regions with maritime Southeast Asia and the Indian Ocean.

The MSR's military and strategic dimensions are also growing in sophistication and significance. While the nature of China's overseas basing strategy remains hotly debated, Professor Malik argues in his chapter that Beijing is developing an integrated maritime operating system in which dual-use commercial and security infrastructure are mutually reinforcing and part of an increasingly assertive maritime strategy in the Indian Ocean and Bay of Ben-

gal.¹⁶ Professor Malik provides multiple examples of how commercial ports and other infrastructure initiatives across Southeast Asia and the wider Indian Ocean, while not formally designated as People's Liberation Army Navy (PLAN) facilities, can nevertheless provide support for Chinese naval forces. Such access is likely to become important as the PLAN becomes responsible for 'far seas protection' of Chinese interests, while the China Coast Guard and other maritime forces deal with near seas missions, as seen, for example, in the South China Sea.¹⁷

Bangladesh and Myanmar: Two Gateways, Different Strategic Roles

This volume treats Bangladesh and Myanmar as occupying complementary but fundamentally different positions in China's Bay of Bengal strategy. Both countries can be considered geographic 'pivot states', an analytical term for states whose importance in global politics derives from their key geographic positions and potential vulnerabilities to regional and great power competition.¹⁸

Yet China's influence and strategic tactics in the two countries stand in stark contrast to one another. Whereas Beijing is deeply enmeshed in Myanmar's domestic politics and economy, Bangladesh's cultural and political proximity to India gives Dhaka stronger incentives to hedge rather than align too closely with Beijing.

Myanmar

Since the 2021 coup and subsequent expansion of armed resistance to military rule by ethnic armed organizations (EAOs), China has pur-

sued an intensive campaign to expand and consolidate its influence in Myanmar. As Professor Cogan notes in his chapter, China has engaged with both the military and EAOs, often acting as mediator between the various parties. This influence is primarily exercised through Chinese state institutions such as the Ministry of Foreign Affairs, while the People's Liberation Army (PLA) has only more recently begun to expand its engagement with Myanmar's armed forces. China possesses considerable leverage over both the junta and several key EAOs, particularly along the China-Myanmar border. Nevertheless, it would be an overstatement to say that Beijing can determine the outcome of the conflict. Rather, Professor Cogan and others explore how China is shaping the choices available to Myanmar's competing actors, even when Beijing is responding to events rather than orchestrating them.

Importantly, as explored by both Su Myat Thwe and Sanjay Pulipaka in their respective chapters, China has used this influence to protect its economic interests in Myanmar. The Southeast Asian nation has become increasingly integral to China's position in the global market for critical minerals, particularly rare earths. Myanmar's eastern Kachin State has emerged as a crucial source of heavy rare earth elements for China, with Myanmar becoming China's largest supplier of rare earth minerals.¹⁹

There is also significant Chinese investment in a range of other industries, from timber to liquefied natural gas. The primary framework encompassing infrastructure and connectivity cooperation between China and Myanmar

is the China–Myanmar Economic Corridor (CMEC). By linking Yunnan to the Bay of Bengal through projects such as the Kyaukpyu Deep-Sea Port and pre-existing oil and gas pipelines discussed above, CMEC is yet another example of what this volume contends is China's corridor statecraft in the region.²⁰

Bangladesh

In contrast, Dhaka retains greater room for maneuver, balancing its ties with Beijing against its relationships with India, the United States, and Japan. Professor Shahab Khan in his chapter characterizes Bangladesh's recent foreign-policy choices not as signaling ideological alignment with China, but as a form of selective engagement designed to preserve strategic autonomy. Amid the uncertainties generated by intensifying great-power competition, Tristan Eng analyzes this approach through the framework of strategic hedging, whereby Dhaka seeks to maximize the benefits of engagement with competing powers while avoiding alignment with any single one.

Bangladesh's hedging strategy, however, runs up against structural realities, particularly in the hydro-geo-economic sphere, where geography limits how far Dhaka can diversify away from India. Although recent Chinese financing for projects such as the Teesta River Comprehensive Management and Restoration Project may give Bangladesh an additional source of leverage, India's upstream position in the Ganges–Brahmaputra–Meghna river system remains a constraint that Chinese involvement cannot easily offset, as explored by Professor Xie in her chapter.

About This Stockholm Paper

This Stockholm Paper, the second in the 'From Silk Cage to Silk Noose' series, examines the Bay of Bengal as an increasingly consequential theater of China's regional statecraft. The 'Silk Noose' concept describes the cumulative strategic effect of relationships across economic, military, and other domains that can progressively narrow the room for maneuver of smaller states and alter the regional balance in China's favor. As such, the Silk Noose should be understood as a process rather than an end.

This volume attempts to illustrate this process by bringing together analyses of hydro-geo-economics; the evolution beyond BCIM; the China-Indochina Peninsula Economic Corridor; Myanmar's political and military relationship with Beijing; China's expanding role in Bangladesh; the blue economy; maritime strategy; and economic coercion. Its central proposition is that China's engagement with the Bay must be analyzed as a coherent and strategic response to a convergence of continental and maritime interests in and around the region. Moving beyond the binary debate about what China does or does not want,²¹ the volume examines how China has responded to this convergence through economic and political relationships and projects, and how these can, over time, narrow the room for maneuver of smaller states.

In doing so, the volume asks whether the post-BCIM geography of the Bay of Bengal is producing a new phase of Chinese corridor statecraft in which Beijing increasingly links the BRI's continental and maritime dimensions

through pivot states like Bangladesh and Myanmar and across the wider Southeast Asian mainland. If this is the case, other regional and great powers are unlikely to acquiesce to a narrowing of their own room for maneuver, potentially intensifying strategic competition and transforming the Bay into one of the most consequential spaces in the Indo-Pacific.

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PART I

Reimagining the Bay of Bengal: China's Land-Maritime Strategy and the Emerging Statecraft

Can Infrastructure Build Regional Order? China's Hydro-Geoeconomic Statecraft and the Politics of Energy Interdependence in South Asia

Lei Xie

Introduction: From River Basins to Continental Networks

China's strategy in South Asia is evolving from individual hydropower development towards a broader combination of energy connectivity, infrastructure, and regional economic integration. Two of Asia's great transboundary river systems—the Lancang-Mekong and the Yarlung Tsangpo—are becoming important sites of this transformation. China's experience in the Mekong provides an existing model of how hydropower can be embedded within regional institutions and electricity networks; the Yarlung Tsangpo represents a new and more strategically contested application in the Himalayas.

China's development of transboundary rivers has generated longstanding controversy, particularly over downstream impacts and the absence of comprehensive basin-wide governance. Yet Beijing has also learned to combine physical infrastructure with institutional and economic engagement. The Yarlung Tsangpo project represents a potentially important next stage. China's capacity to construct large run-of-river

hydropower projects at extreme altitude gives it a distinctive technological capability, but the project's significance extends beyond electricity generation. It is increasingly embedded within a wider program of Tibet's economic development, transmission connectivity, infrastructure construction, and frontier integration.

The timing is significant. Electricity demand is rising across China and South Asia, while the region faces persistent power shortages, fossil-fuel dependence and growing pressure to decarbonize. At the same time, renewable resources and electricity demand are unevenly distributed. Himalayan regions possess substantial hydropower potential, while major demand centers are located in northern India and Bangladesh, and significant solar and wind resources lie further south and west. Cross-border electricity integration remains limited by fragmented grids, different technical standards, dispatch arrangements, and immature regional markets.

India is seeking to occupy this emerging regional space. Its electricity links with Nepal,

Bhutan, and Bangladesh, alongside its Green Grid Initiative–One Sun One World One Grid (GGI-OSOWOG), give New Delhi an existing platform for regional energy integration. China therefore faces not an empty regional space but an emerging competitive arena over who connects South Asia’s energy resources to its markets, who provides the infrastructure, and who sets the terms of connectivity.

The Yarlung Tsangpo strategy is consequently embedded in both domestic and regional objectives. Hydropower development supports Tibet’s integration into China’s national electricity system and potentially its industrialization, while associated roads, communications and transmission infrastructure strengthen connectivity in a strategically sensitive frontier. At the regional level, proposed cross-border electricity corridors could connect Tibet with Nepal, Bangladesh, and Myanmar, creating potential links between South and Southeast Asian energy systems.

This issue brief examines this emerging form of hydro-geo-economic statecraft. It first develops the conceptual framework, then uses the Lancang-Mekong as a proof of concept before examining the Yarlung Tsangpo and its implications for South Asia. It asks: 1) how is China using hydropower and associated infrastructure to construct regional and potentially continental networks of economic and strategic interdependence across the Himalayan and Southeast Asian regions? And, 2) what does the potential connection between the Lancang-Mekong and Yarlung Tsangpo systems reveal about the changing geopolitics of low-carbon infrastructure?

This issue brief argues that China’s strategic objective is increasingly network centrality rather than infrastructure ownership alone. The significance of these projects lies not simply in the electricity they produce, but in the networks they can create and China’s potential position at their center.

Hydro-Geo-economic Statecraft: From Infrastructure to Network Power

Hydro-geo-economic statecraft is a particular way of exercising energy and economic influence through the strategic integration of river resources, energy infrastructure, and regional economic relationships. Its underlying rationale is to position a state at critical points within regional infrastructure architectures, thereby creating network centrality and functional interdependence.

It operates through three interconnected and mutually reinforcing layers: physical, market, and institutional integration.

First, physical integration establishes connectivity. This involves developing hydropower and other clean-energy resources, constructing transmission infrastructure, and connecting these systems to another country’s grid. Transmission infrastructure is often accompanied by roads, railways, communications, and logistics facilities, allowing the movement of materials and personnel into geographically difficult areas. Such infrastructure can have economic and, particularly in frontier areas, strategic and defense functions. Physical connectivity is therefore the foundation, but not the endpoint, of statecraft.

Second, market integration gives physical connectivity an economic function. Electricity can be traded across borders, allowing neighboring states both to purchase electricity and to sell surplus renewable generation into a larger market. This reciprocity is important: interdependence does not need to begin as dependence. A country may join because connectivity lowers costs, provides energy security, or creates export opportunities. Over time, however, regular electricity exchange can make the connected system increasingly economically valuable and difficult to replace.

Third, institutional integration embeds connectivity within rules and relationships. Bilateral or multilateral agreements can establish arrangements for cross-border dispatch, electricity trading, technical standards, training, joint research, and green-energy certification. Common technical practices and institutional relationships make physical infrastructure operationally durable.

The three layers are closely connected and cumulative. Hydropower creates the resource base; transmission creates connectivity; markets create incentives to use the network; and institutions make those relationships repeatable. Infrastructure finance, industrial cooperation and technical assistance can further deepen these relationships.

In sum, this paper explores the nature and characteristics of hydro-geo-economic statecraft, which operates through network centrality and functional interdependence rather than merely through ownership or political control. For China, the question is whether this logic

can move from individual projects to regional systems—and ultimately across South and Southeast Asia.

Lancang-Mekong: A Proof of Concept

The Lancang-Mekong provides the clearest existing demonstration of China's hydro-geo-economic statecraft. The Lancang-Mekong Cooperation (LMC), established in 2016 among China, Cambodia, Laos, Myanmar, Thailand, and Vietnam, initially provided an institutional framework for practical cooperation. Over the past decade, however, China has increasingly connected this institutional platform to hydropower development, electricity infrastructure, investment, and regional economic cooperation. The LMC is therefore best understood not as a completed regional electricity market, but as a proof of concept for building regional interdependence incrementally.

Physical integration

China's position in the region has been built through the interaction of hydropower development and cross-border grid construction. The Lancang cascade provides substantial renewable generation capacity, while Chinese grid companies have progressively connected neighboring electricity systems.¹

Yunnan has become particularly important as an electricity-exporting hub. During the 14th Five-Year Plan period, its cross-border transmission capacity expanded substantially, strengthening its role as an energy gateway between China and mainland Southeast Asia. China Southern Power Grid has constructed 17 high-voltage cross-border transmission

channels with Lancang-Mekong countries, through which cumulative electricity exchange has exceeded 84 billion kWh, more than 90 percent of it clean energy.² Cross-border power infrastructure has consequently become a major layer of regional connectivity alongside roads, railways, and aviation.

The China–Laos 500 kV interconnection project, commissioned in April 2026, represents an important qualitative step. It is China’s first 500 kV cross-border AC interconnection project and the largest and highest-voltage electricity connection between China and Laos. It increased bilateral electricity mutual-support capacity from 50 MW to 1,500 MW and can transmit approximately 3 billion kWh of clean electricity annually. The relationship is consequently moving from low-voltage, small-scale mutual support toward high-capacity electricity exchange.

Laos is particularly important in this model because of its substantial hydropower potential and relatively limited domestic market. Chinese grid infrastructure gives Lao generation access to a much larger regional system. Laos gains an export market and investment; China gains access to additional clean electricity and strengthens its position as an energy hub. Physical connectivity therefore creates mutual economic value while simultaneously deepening China’s network centrality.

Market integration

Market integration remains less advanced. The Lancang-Mekong region is not a unified multilateral electricity market; cross-border trade is still predominantly based on bilateral

arrangements operating under different national regulatory systems.³

Nevertheless, the direction of travel is significant. The China–Laos interconnection allows electricity to move in both directions: Laos can export when it has surplus generation, while China can provide support during shortages. This turns infrastructure into an ongoing economic relationship rather than a one-off investment. The next step is extending electricity trade into green attributes, including through the development of a green electricity market based on green-certificate trading.⁴ This extends cooperation from trading electricity to developing rules for defining and valuing its environmental attributes.⁵ The significance is strategic. Physical connectivity creates the possibility of trade; trade creates incentives for continued connectivity; and the establishment of common green energy standards can make those relationships more durable.⁶

Institutional integration

The LMC provides the institutional layer. Originally under the Belt and Road Initiative, China has made substantial progress in developing energy cooperation, embedded within a wider agenda encompassing water governance, infrastructure, economic and regional development in the Mekong region.⁷ Since 2014, China’s concern with regional stability in the Mekong sub-region has fuelled its interest in taking a more active role in governance. In 2015, it began working with other countries to develop a new regional institution to coordinate water sharing, known as the LMCM. Chinese leaders have called for closer connections among the Mekong countries through this new scheme,

with all six LMC countries establishing dedicated government offices as coordination units. Six Joint Working Groups were established to address river basin management. Together, these arrangements represented a stronger commitment among the riparian states to regional production capacity, investment, development assistance, climate change, and low-carbon development. Chinese official discourse presents this as practical cooperation based on mutual development and shared benefits.⁸

This approach differs from regionalism based primarily on comprehensive, binding multilateral rules. China's approach has tended to build cooperation around practical projects and then institutionalize cooperation around them. The emerging China–Laos electricity relationship illustrates this sequence: grid connection is accompanied by cross-border dispatch arrangements, technical cooperation, standards, training, and joint research.⁹

The LMC therefore demonstrates the cumulative mechanism proposed here. China has not only progressively built dams, but also connected generation, transmission, trade, institutions, development assistance, and technical relationships. This has facilitated connectivity in the regional market and made China an increasingly important physical and institutional node in the regional energy architecture. In this sense, the Mekong is a useful proof of concept for the Yarlung Tsangpo, demonstrating that infrastructure can precede deeper institutional integration and that economic interdependence can be built without requiring regional multilateral initiative. The key question, then, is whether the same logic can operate in the Hi-

malayas, where India's geographical position, the sensitivity of transboundary water governance, and China's strategic rivalry with India make the political environment substantially more difficult.

Yarlung Tsangpo: Building the Himalayan System

The Yarlung Tsangpo hydropower complex lies at the center of China's emerging hydro-geo-economic strategy in South Asia. Geographically, it occupies a strategic position at the intersection of energy networks linking China with South Asia, Southeast Asia and Central Asia. Functionally, it is envisioned as a vast source of clean electricity capable of powering multiple domestic and cross-border transmission systems. Its significance, however, lies not only in the electricity it generates, but also in the regional energy platform that could be built around it. Unlike the Mekong region, where physical interconnections and institutional frameworks have developed over decades, the Himalayan system remains fragmented. Cross-border electricity trading remains limited, leaving significant scope for new connectivity. Hence, the Himalayan system is being built not only as a material platform for regional energy and economic connectivity, but also as the foundation for a new architecture of power.

From hydropower to an integrated infrastructure system

In implementing Beijing's strategic energy policy under the 14th and 15th Five-Year Plans,¹⁰ China is proactively constructing infrastructure and developing hydropower to secure its energy transition and realize its clean-energy objectives. The centerpiece is the Yarlung Tsangpo

downstream hydropower complex, where five cascade hydropower stations are planned, with a total estimated investment of approximately RMB 1.2 trillion.

To address the project's significant technical challenges, the proposed engineering approach takes advantage of the river's exceptional vertical drop through a "cut-the-bend" design and a deep-buried tunnel system. The scheme includes approximately 50 kilometers of diversion tunnels, with depths reportedly reaching around 2,500 meters. The project is expected to become one of the world's largest hydropower developments, with an installed capacity of between 60 and 81 gigawatts, complementing China's expanding wind and solar capacity.

The project's first function is domestic-facing, serving as an extension of China's national "West to East Power Transmission" grid framework. Crucially, this transmission infrastructure is being developed alongside the hydropower project. The Tibet–Guangdong ultra-high-voltage direct current project, described as the "first channel for exporting Tibetan power," began construction in September 2025. The 2,681-km line will connect southeastern Tibet through Yunnan and Guangxi to Guangdong and is designed to transmit more than 43 TWh of clean electricity annually once fully operational in 2029, a volume that more than doubles Tibet's total recorded power generation in 2025, drawing primarily from new hydropower, wind, and solar resources being developed in the Yarlung Tsangpo/Chayu/Qamdo clean energy base. The project therefore embeds Yarlung Tsangpo generation within China's national West-to-East Power Trans-

mission system. The grid represents a highly innovative technical development, using ± 800 kV and above transmission technology and potentially enabling a low-carbon grid. By comparison, most transmission lines in the United States operate at lower voltages, from 230 kV to 500 kV.¹¹

Building outward: the Himalayan energy platform

China has sought to position itself within this emerging regional architecture through energy cooperation and investment. Its engagement with South Asian regional energy cooperation, including through the South Asian Association for Regional Cooperation (SAARC), alongside its hydropower investments and technical partnerships, has provided practical experience in developing, financing, and operating cross-border energy infrastructure.

Hydropower is concentrated along the Himalayas, while major demand centers lie in northern India and Bangladesh and substantial solar and wind resources are located elsewhere in India and Pakistan. Yet cross-border electricity trading remains limited. This fragmentation creates an opening for China to shape the region's emerging energy architecture, using the Yarlung Tsangpo complex as a potential anchor for multiple cross-border connectivity routes.¹²

Two broad pathways are envisaged. To the south, a China–Nepal route through Jilong could provide a direct connection into the Himalayan power system, while a longer-term China–Myanmar–Bangladesh route could extend Yarlung Tsangpo electricity eastward into Bangladesh. The latter is particularly sig-

nificant because it would provide a potential alternative to an India-centered electricity architecture. The proposed China–Myanmar–Bangladesh corridor includes a planned ± 660 kV transmission project towards Bangladesh, while feasibility work has also been undertaken on a China–Nepal interconnection. If realized, these links would give Yarlung Tsangpo generation multiple pathways into South Asian markets rather than leaving it dependent on a single transmission route.

A western pathway could similarly connect the Himalayan system with Pakistan and, potentially, Central and West Asia. Chinese planning has explored extending the regional energy network westward, including through the existing China–Myanmar oil and gas pipeline corridor.¹³ Upgrading and extending this corridor into a broader transregional energy infrastructure network could increase energy flows between China and neighboring countries, strengthen regional energy-security resilience, and support the development of regional energy markets and cooperation mechanisms.¹⁴ For electricity, Pakistan provides an important existing node: Chinese firms have participated in both generation and transmission projects, including the 720 MW Karot Hydropower Project and the ± 660 kV Matiari–Lahore transmission backbone. These assets provide practical foundations for potential future east–west electricity connectivity.

China's existing South Asian energy portfolio therefore provides more than individual infrastructure projects; it offers technical, financial, and operational experience for developing interconnected energy systems beyond China's

borders. In Nepal, CGGC's 45 MW Upper Trishuli 3A hydropower plant was connected to the national grid in 2024, contributing to domestic electricity supply.¹⁵ In Pakistan, the 720 MW Karot project entered commercial operation in 2023 as the first hydropower investment under the China–Pakistan Economic Corridor, strengthening national power supply and supporting wider economic development.¹⁶ China has also engaged Bhutan on hydropower development, much of whose potential output is destined for export to India. The future strategic value of these projects will depend not only on their operation, but also on their ability to support commercially viable regional power trading and deeper system integration.

This creates a potential role for Yarlung Tsangpo as a large-scale source of clean electricity and system balancing within a wider regional network. A proposed “One Horizontal and Three Vertical” South Asian backbone would connect Pakistan, India, Nepal, Bhutan, and Bangladesh, while establishing external links northwards to Yarlung Tsangpo, westwards towards Central and West Asia, including Kazakhstan and Afghanistan, and eastwards towards Myanmar and the Lancang–Mekong system. The proposal envisages cross-border electricity flows exceeding 50 GW by 2035 and 100 GW by 2050.¹⁷

China is thus positioning itself as an integrated actor within the networks, routes, and institutions that will shape South Asia's future electricity system. Yarlung Tsangpo could give China a strategically positioned source of generation within that emerging architecture, while its multiple potential connections would

reduce its dependence on any single national market or corridor.

Economic and strategic infrastructure

The strategic significance of the Yarlung Tsangpo project becomes clearer when viewed alongside the transport, communications and industrial networks developing across south-eastern Tibet. Rather than being a standalone hydropower scheme in a remote frontier region, the project forms the core of a broader energy, transmission, and industrialization system linking Tibet more closely to China's national economy. Large volumes of low-cost electricity are expected to support energy-intensive industries such as electrolytic aluminum and polysilicon production, creating new centers of industrial activity around Nyingchi (Linzhi) and Motuo.¹⁸

The project is therefore as much a regional development strategy as an energy initiative. Beyond generating electricity, it is intended to deepen Tibet's integration into China's national development plans and support westward economic expansion. Chinese planners envisage leveraging the Yunnan-Tibet Railway and Kunming's locational advantages to build a cross-border industrial and supply-chain system linking "Mainland China-Kunming-Linzhi-South Asia," opening a re-export corridor into South Asian markets via Nepal.¹⁹ In this vision, Linzhi serves as a gateway linking China's dual-circulation strategy with broader regional initiatives, including the BCIM Economic Corridor and a prospective Himalayan Economic Cooperation Belt.²⁰

At the center of this strategy is the Motuo-Zayü-Milin triangle, which is emerging as a key infrastructure node. Enabled by ad-

vances in high-altitude transport construction, exemplified by the Nagqu-Lhasa Expressway, upgrades to the Pai-Motuo Highway and the construction of the Zha-Motuo Highway have reduced travel times between Nyingchi and Motuo from around twelve hours to roughly three. Longer-term plans include a Linzhi-Motuo railway spur capable of transporting heavy equipment and bulk materials required for the hydropower complex.

These investments have an inherently dual-use character. Improved roads, railways, power, and communications infrastructure support industrial development and regional connectivity while enhancing China's logistical capacity in a sensitive frontier region. By replacing historical transport bottlenecks with all-weather transport corridors, they strengthen the movement of military personnel, equipment, and supplies and are widely viewed by Chinese analysts as an important foundation for national defense and border security.

Transport and power infrastructure are increasingly being clustered along China's southwestern border region. Domestically, projects such as the Ali Grid Connection Project have completed the integration of Tibet's formerly isolated power networks. Externally, Chinese planning discussions have considered cross-border road, rail, and electricity links with Nepal, Myanmar, and Bangladesh, creating the potential for multimodal border nodes that integrate energy, transport, communications, and logistics functions.²¹

The distinctive character of the Yarlung Tsangpo strategy lies in the convergence of energy

infrastructure, industrialization, regional development, and border security through overlapping physical networks. The hydropower project provides the economic rationale for infrastructure construction that would otherwise be prohibitively expensive in such terrain, creating a self-reinforcing cycle in which energy development supports broader strategic and economic connectivity.

India, Network Competition and the Prospect of Continental Connectivity

China's emerging Himalayan strategy must be understood alongside India's effort to shape the regional electricity architecture. The two countries are pursuing different models of connectivity. India is building outward from its established position within the regional grid and its existing relationships with Nepal, Bhutan, and Bangladesh. China, by contrast, is seeking to create new generation and transmission capacity and alternative routes that could connect the Himalayan energy system directly to wider Asian markets.

India has made solid progress in developing an institutional framework for energy-system connectivity. India already has electricity connections with Nepal, Bhutan, and Bangladesh, and in 2024, India, Nepal and Bangladesh signed a trilateral electricity-trading arrangement. This gives India an important structural advantage: it can potentially serve as the intermediary through which Himalayan hydropower reaches South Asian demand centers. India's Green Grids Initiative–One Sun One World One Grid (GGI–OSOWOG) provides a wider framework for international electricity connectivity. New Delhi has positioned itself as an institutional

and coordination center for this agenda, with supporting mechanisms for financing and capacity building.

China's approach is more infrastructure-led and seeks to build connectivity beyond an India-centered system. Its advantage lies in its ability to develop large-scale generation and transmission simultaneously and to create multiple cross-border routes. A China–Nepal connection could feed into an India-centered system, but would leave China dependent on Indian infrastructure and political consent. A China–Myanmar–Bangladesh route would provide an alternative, connecting China more directly with Bangladesh and Southeast Asia. The strategic objective is therefore not necessarily to exclude India, but to reduce its ability to act as the sole intermediary. Network power increases when a state has multiple routes and partners; the value of these alternatives is therefore not necessarily to bypass India entirely, but to reduce the extent to which India can control regional electricity flows.

This distinction is important for South Asia's future energy system. India's advantage lies in its existing regional connections, market position, and institutional relationships; China's lies in its capacity to build new generation, transmission, and supporting infrastructure at scale and establish multiple routes across national borders. India is therefore consolidating an existing regional network, while China is seeking to expand the geography of connectivity and create alternative network pathways.

China's existing energy portfolio provides a foundation for this outward strategy. The construction of power projects in Nepal and

Pakistan has demonstrated China's ability to combine generation investment with wider infrastructure connectivity. In particular, China's engagement with Bhutan on hydropower development is of strategic interest, much of whose potential output is intended for export to India. These projects provide Chinese companies with experience in financing, construction, operation, and cross-border electricity cooperation that could support deeper regional connectivity around future Yarlung Tsangpo generation.

The competition is therefore increasingly about how South Asia's fragmented energy systems are connected, and which country occupies the critical nodes of that emerging network. India is strengthening an integrated South Asian system centered on its own grid and institutional relationships. China is developing the infrastructure and potential routes through which the Himalayan system could connect not only southwards, but also eastwards towards Myanmar and Southeast Asia and westwards towards Pakistan and Central and West Asia. The Yarlung Tsangpo complex could become an important node within this wider architecture if these connections become commercially and technically viable.

The potential benefits are significant. A larger interconnected electricity system could improve renewable-energy balancing, reduce reserve requirements, and allow hydropower to complement variable solar and wind generation. Chinese firms and financial institutions could become embedded across multiple energy markets, while Chinese technical standards and engineering capabilities could gain wider regional application.

Low-Carbon Infrastructure and the Future of Regional Order

The Lancang-Mekong and Yarlung Tsangpo cases illustrate two distinct but related forms of Chinese hydro-geo-economic statecraft operating across both internal and external domains. Internally, China seeks to integrate Tibet or Yunnan, where the rivers originate, more deeply into the national economy, electricity system, and strategic infrastructure network. Externally, it seeks to establish the foundations for China to become a more direct participant in the connectivity and energy systems of South Asia and Southeast Asia, respectively, extending the geopolitical significance of these projects far beyond hydropower generation itself.

The cases also differ. In the Mekong, China has built influence through hydropower development, cross-border electricity infrastructure, and institutional cooperation, particularly under the Lancang-Mekong Cooperation framework. In the Himalaya, the emerging approach is more infrastructure-led, combining large-scale hydropower with transmission networks, roads, communications, and industrial development that could connect Tibet more deeply with China and potentially with South and Southeast Asia. While different in form, both strategies seek to transform strategically located energy resources into broader networks of economic and infrastructure interdependence.

Their significance lies not simply in China's role as a financier, builder, or operator. Infrastructure creates networks, and networks create strategic position and influence. Hydropower justifies transmission lines; transmission

networks require roads, logistics, and communications; these, in turn, support industrial development, trade, and administrative connectivity. The result is a system that extends far beyond the original energy project. In the Mekong, this process has helped embed China within the region's electricity and economic architecture. In the Himalaya, the Yarlung Tsangpo strategy could produce a similar effect on a larger scale, linking energy infrastructure with transport corridors, industrial supply chains and regional connectivity.

A key lesson is that China's statecraft does not necessarily begin with political consensus. Infrastructure can create conditions for cooperation before political trust exists. Once electricity systems become interconnected, practical needs emerge around dispatch, technical standards, maintenance, and market arrangements, creating incentives for institutional cooperation. This approach, however, has been controversial in the Mekong, where China's infrastructure-first strategy has generated concerns over downstream impacts and the subsequent development of institutional arrangements.²² The Yarlung Tsangpo case appears to have encountered somewhat less overt controversy so far, while placing even greater emphasis on functionality and practical connectivity. As infrastructure proceeds, cooperation is being built around concrete energy, economic, and connectivity needs rather than being contingent on political agreement.

This suggests an important evolution in China's approach. The Lancang-Mekong experience showed that infrastructure can build relationships incrementally: projects create economic

interests, economic interests generate practical cooperation, and cooperation can evolve into more durable institutional arrangements. The Yarlung Tsangpo strategy potentially extends this logic from a river basin to a much wider energy transformation landscape, with functionality and practical interdependence serving as the initial basis for cooperation.

The conditions for such a strategy are particularly favorable in Asia. Rapid economic growth, rising electricity demand, unevenly distributed energy resources, and expanding renewable deployment are creating a structural need for greater connectivity. Hydropower is concentrated in mountain regions, while demand centers and renewable resources are often located across national borders. At the same time, many countries face infrastructure and financing constraints that limit their ability to develop these connections independently. Under these conditions, the construction of physical infrastructure for the energy transition matters as much as the technologies themselves. Countries capable of building generation capacity, grids, and transport links at scale can influence how the transition is organized.

This is why these two river systems matter beyond their individual basins. The Lancang-Mekong and Yarlung Tsangpo strategies offer early indications of how low-carbon infrastructure could become a foundation of regional order. The critical question for Asian geopolitics is therefore not simply who controls natural resources, but who can build, connect, and govern the networks through which those resources are transformed into economic and strategic power.

The implications for China's future influence should not be overstated. Many Yarlung Tsangpo connections remain uncertain and face significant technical, commercial, environmental, and political obstacles. Yet if China succeeds in connecting these systems, its influence is likely to derive less from formal institutions than from its position within the networks shaping Asia's energy transition. By embedding Chinese firms across generation, transmission, finance, and technical standards, China could become an indispensable node in the region's emerging energy system, creating interdependence that is mutually beneficial but asymmetrical.

For policymakers, the strategic contest is increasingly about who builds, finances, and governs the infrastructure networks underpin-

ning Asia's low-carbon transition, and which standards, markets, and actors shape their operation. This is the central insight of hydro-geo-economic statecraft: infrastructure is not merely an economic asset but an instrument of geopolitical influence, while networks themselves become sources of power. The Lancang-Mekong and Yarlung Tsangpo cases illustrate two pathways towards this outcome: basin-level cooperation and institutionalization in the Mekong, and large-scale generation, transmission and cross-border connectivity in the Himalaya. Together, they suggest that as Asia's development becomes more infrastructure-intensive and low-carbon, the ability to build and connect energy systems will become an increasingly important means of shaping regional order.

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Beyond BCIM: China's Reimagined Bangladesh-China-Myanmar Corridor

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Prime Minister Tarique Rahman's June 2026 meeting with President Xi Jinping in Beijing was a significant milestone in bilateral relations. Following the meeting, the two sides issued a joint communiqué and signed more than a dozen memoranda of understanding on areas ranging from trade to education. Significantly, the Chinese side released a statement indicating that Beijing is keen on 'advancing the development of the China-Myanmar-Bangladesh Economic Corridor (CMBC)'.¹

The CMBC represents a corridor idea, long thought moribund, brought back to life. The obvious point of comparison is the Bangladesh-China-India-Myanmar Economic Corridor (BCIM). The BCIM originated in the 1999 "Kunming Initiative," initially a Track 2, and then later a Track 1.5 process, involving academics, officials, and business representatives from the four countries.² It eventually acquired governmental backing, but New Delhi's opposition to the Belt and Road Initiative (BRI) halted any progress on the connectivity corridor.³

The omission of India from the CMBC can be seen as a symbolic and political shift in Chi-

na's regional push for greater connectivity. This chapter examines whether the move away from the BCIM proposal represents simply an attempt to revive a stalled regional project, or a shift from an earlier strategy of connectivity *with* India towards an architecture of connectivity *around* India. The answer has implications not only for the future of the CMBC, but also for the emerging strategic geography of the Bay of Bengal.

From Kunming to a New Corridor: The Economic Rationale of CMBC

The original BCIM vision was an ambitious project aimed at connecting Kunming in China's Yunnan Province with Mandalay, Dhaka, and Kolkata, with the goal of creating an economic bridge between southwestern China, Southeast Asia, and eastern India. From China's point of view, the corridor was expected to advance Yunnan's economic development and its "westward opening" (向西开放), with the province potentially serving as an important source of energy production and infrastructure cooperation with China's neighbors.⁴ As can be seen in China's interest in developing the CMBC, this goal has not disappeared simply because the BCIM has stagnated.

On the contrary, Yunnan's local government continues to emphasize southward connectivity through international land and sea routes and deeper economic integration. Yunnan's Fifteenth Five-Year Plan still explicitly refers to participation in the BCIM alongside the China-Myanmar and China-Indochina Peninsula corridors; it also calls for strengthening infrastructure connectivity and economic corridors linking the province with South and Southeast Asia.⁵

Unlike China's eastern coastal provinces, southwestern China is landlocked and did not receive the same economic boon from reform-era policies that allowed port cities to flourish as a result of international trade through maritime sea routes.⁶ Beginning in the late 1980s and early 1990s, local elites and academics were mobilized by the central government to pursue ways to transform Yunnan into an economic bridgehead connecting China with mainland Southeast Asia, South Asia, and ultimately the Indian Ocean.⁷

China is pursuing these economic goals through the projects and partnerships already advancing under the China-Indochina Peninsula Economic Corridor (CICPEC) and the China-Myanmar Economic Corridor (CMEC). CMEC, for example, is a key project that can provide a backbone for the CMBC.⁸ The corridor runs from Yunnan toward Mandalay before branching toward Yangon and Kyaukpyu on the Bay of Bengal.⁹ China and Myanmar reaffirmed their commitment to CMEC projects in June 2026, including the Kyaukpyu deep-sea port and the Muse-Mandalay railway, while also emphasizing the existing China-Myanmar oil and gas pipelines.¹⁰

The CMBC seeks to expand connectivity further given a genuine need for greater regional economic integration. China's trade with both Bangladesh and Myanmar has increased dramatically over the last two decades. In the same period, however, trade between Bangladesh and Myanmar has stagnated.¹¹ The CMBC therefore offers a framework for strengthening the comparatively underdeveloped economic links between Bangladesh and Myanmar.

BRI Meets the Bay of Bengal: CMBC and China's Regional Security Architecture

While developmental and economic rationales were important drivers in the development of the CMBC, security concerns, most notably energy and geoeconomic concerns, also played a key role. These concerns arose from the fact that the same trade routes that allowed China's eastern provinces to succeed also created vulnerabilities for the country. Even before Hu Jintao's 2003 articulation of China's "Malacca Dilemma"—the vulnerability created by China's dependence on energy resources flowing through the Strait of Malacca—Chinese military thinkers were already concerned that a blockade of China's Pacific coast could cut the country off from vital overseas trade and supply routes. In the 1990s, a corridor connecting Yunnan, through Myanmar, to the Indian Ocean was considered in these same military circles as a possible solution to this vulnerability.¹²

While it is unlikely that a western corridor could replace China's trade reliance on Southeast Asian sea lines of communication (SLOCs), it only has to ease geoeconomic

hurdles, if and when a conflict disrupts China's trade on its eastern flank. For example, the Kyaukpyu deep-sea port already allows oil and gas to be transported from the Bay of Bengal through overland pipelines in Myanmar to Yunnan, allowing some energy supplies to reach southwestern China without passing through the Strait of Malacca.¹³ By creating a wider network of ports and pipelines with Bay of Bengal countries, China's strategic position could only benefit from such diversification.

Beijing's increasing focus on corridor projects also seems to illustrate an evolution in its BRI projects towards smaller connectivity projects rather than more extravagant mega projects that were more characteristic of BRI's early days.¹⁴ The Bay of Bengal is already ringed by major commercial ports. China, by deepening relationships with the states that host these ports, can make use of this network of ports to service and maintain its military presence in the region without having to spend on large—and often controversial—infrastructure projects.¹⁵

That is not to say, however, that China has abandoned infrastructure development as a key tool in its foreign policy toolkit. Indeed, in the June Joint Communiqué, the two sides agreed to 'advance the Mongla Port Facilities Modernization and Expansion Project and the development of the Chinese Economic and Industrial Zone in Chattogram,' both major infrastructure projects in Bangladesh.¹⁶ The China-Pakistan Economic Corridor (CPEC) is another joint project where infrastructure projects feature heavily. However, infrastructure is not the only means of extending influence in China's geostrategic thought.

Chinese Strategy in South and Southeast Asia

China has put economic and political engagement with countries in South and Southeast Asia at the center of its foreign policy.¹⁷ This has caused some concern in New Delhi as Chinese influence may undermine its own strategic engagement with countries in its 'neighborhood.'

In some sense, it is quite easy to see why many Indian scholars view China's recent efforts as an attempt to 'encircle' India.¹⁸ China has also engaged in extensive economic engagement with Nepal across India's Himalayan frontier.¹⁹ CMEC places major Chinese infrastructure projects to India's east. Chinese influence also spreads to the south of India in the form of BRI investments in Sri Lanka, an important maritime hub to the wider Indian Ocean.²⁰ The CMBC would extend this network of corridors into Bangladesh, which would create another layer of Chinese economic influence in India's immediate backyard.

Yet the evidence does not bear the assertion that China's primary goal is encirclement. As noted above, the economic and geoeconomic incentives for China to increase regional connectivity in South and Southeast Asia are real. Nonetheless, the gradual construction of infrastructure and connections across the region may have the cumulative effect of reducing India's traditional geographic advantages in South Asia.

It is in this context that the CMBC becomes a significant project. The BCIM was theoretically a cooperative Sino-Indian project, where

both countries would jointly participate in connecting South and Southeast Asia. With the CMBC, China can now build the same connectivity architecture while essentially ignoring Indian objections, instead pointing to the sovereign choices of participating states.

Chinese scholarship on this issue supports this opinion. At least one notable scholar has argued that while China–India cooperation should remain the cornerstone of the BCIM, Beijing should not wait for Indian commitment and could instead advance China–Myanmar and China–Myanmar–Bangladesh connectivity first.²¹ Other scholars have argued that, rather than building connectivity ‘top down’ by getting all the relevant countries involved from the outset, it could instead be built in a piecemeal fashion, by developing, for example, the China–Myanmar Economic Corridor first and then extending it into Bangladesh.²²

The temptation to argue that Bangladesh or Myanmar are becoming Chinese strategic proxies, however, must be resisted. Bangladesh, for its part, has welcomed investment in infrastructure projects in the country, but deliberately avoided commitment to the CMBC. Foreign Minister Khalilur Rahman said after the Beijing visit that Dhaka was still evaluating the proposal, emphasizing reduced transportation costs, competitiveness, and industrial benefits. Other Bangladeshi officials have spoken more positively about its trade potential, but the government has stressed that its eventual decision will be based on national interests.²³

Bangladesh could gain substantially from improved access to China and Southeast Asia;

but excessive dependence on Chinese financing, growing trade imbalances, and the implications for relations with India all demand caution. On the trade front, greater connectivity may result in increased Bangladeshi exports in the region, or it could also facilitate an even larger flow of competitively priced Chinese goods into Bangladesh.²⁴

The situation in Myanmar is different, but much more volatile. President Min Aung Hlaing has publicly discussed promoting the China–Myanmar–Bangladesh corridor, while the June 2026 China–Myanmar joint statement reaffirmed CMEC.²⁵ Yet civil conflict and political instability may present the project’s greatest vulnerability. Until greater stability is achieved on the ground, both CMEC and the CMBC are unlikely to be effectively implemented.

A New Bay of Bengal Map

The CMBC sits at the heart of Beijing’s continental BRI strategy guided by its maritime ambitions and will likely lead to a reorientation of the region’s strategic architecture. The linking of Kunming–Muse–Mandalay–Kyaukpau could be one possible configuration, while another branch could extend toward Rakhine–Bangladesh–Chattogram and other logistical nodes in Bangladesh.²⁶ Bangladesh could, in turn, then connect these routes with its own ports, industrial zones, and emerging supply chains. It should be noted that in July 2026, a transport cooperation initiative under a United Nations framework discussed a multimodal Bay of Bengal route beginning at Kunming’s inland port and connecting through mainland South-east Asia toward Myanmar and Bangladesh.²⁷

This only reflects the broader Chinese thinking about Yunnan being connected beyond bilateral corridors toward a broader southward land-sea nexus.

But the CMBC should not yet be treated as a finished plan. Most of its design is still on paper, with many of its routes only in a conceptual vision. Moreover, its economic viability is uncertain, and implementation could be delayed for years given the instability in Myanmar. Bangladesh itself has yet to make any

definitive commitment towards the project. At the same time, strategic geography is often all about planning, with corridors drawn before they are physically constructed. As such, the transformation from the BCIM to the CMBC deserves close attention because it captures a broader evolution in Chinese strategy in South and Southeast Asia. If and when the CMBC eventually materializes, the shift from “connectivity with India” to “connectivity around India” is likely to define what the Bay of Bengal will look like in the future.

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The Indochina Peninsula: Beijing's Gateway to Maritime Southeast Asia

Katarzyna Anna Nawrot

Introduction

China's engagement in shaping regional policy and building institutional relations with its neighbors began to intensify in the early 1990s. This shift was tied primarily to the opening of the Chinese economy and its transformation after 1978.¹ In addition, ASEAN's institutional cooperation evolved significantly especially from the 1990s onwards, enabling the engagement of multiple external powers in the emerging regional architecture and in the process of East Asian community building.² The establishment of ASEAN-led mechanisms, including the ASEAN Regional Forum (ARF) in 1994 and ASEAN Plus Three (APT) in 1997, followed later by the East Asia Summit (EAS) in 2004, progressively created an institutional architecture through which major regional and external powers could participate in multilateral cooperation while maintaining ASEAN's central role.³

Strategically located and economically dynamic, ASEAN grew in influence while pursuing development through economic integration. The institutional channels provided China with increasing opportunities to engage

in regional cooperation and integration, thereby facilitating its deeper integration into East Asian regional structures and, over time, contributing to its growing regional influence. As such, Beijing increasingly recognized the value of closer cooperation with the region. One sign of this was that China recognized the accession of Vietnam (1994), Laos (1997), Myanmar (1997), and Cambodia (1999) into ASEAN. Since that time China's relations with those countries, which eventually became its closest neighbors in Southeast Asia, have evolved significantly, primarily in economic dimensions of trade and investment,⁴ followed by integration of supply chains⁵ among other areas of collaboration and partnership. Its character in contemporary international relations is determined by at least three interacting structural conditions: (i) the rise of the Chinese economy; (ii) the evolution of ASEAN and the economic advancement of its member countries; and, last but not least (iii) the geopolitical transformation of the global balance of power. This chapter discusses China's relations and influence over the Indochina Peninsula within the context of those interconnected factors.

Institutional Mechanisms

China's transformation and economic rise have elevated its profile in the region and positioned it as an active participant in regional governance and development. A turning point came at the ASEAN+1 Summit in 2002, where four important agreements were signed: the Declaration on the Conduct of Parties in the South China Sea, the Joint Declaration on Cooperation in Non-Traditional Security, the Memorandum of Understanding on Agricultural Cooperation, and the Framework Agreement on Comprehensive Economic Cooperation (ASEAN Secretariat (2025)). The latter laid the groundwork for the ASEAN–China Free Trade Area (ACFTA), which was signed in 2004 and became operational in 2005.⁶ Under the agreed schedule, the free trade area covered China, the ASEAN-5, and Brunei by 2010, and extended to ASEAN's CLMV countries by 2015. In 2025, the agreement was upgraded to ACFTA 3.0, clearly exemplifying the commitment for closer cooperation but also the changing nature of the contemporary world economy and balance of power.

China's growing economic and political strength has made its involvement essential in addressing not only regional but also global challenges. Over time, Beijing has positioned itself as both a leader and an initiator of regional cooperation and developmental efforts.⁷ This role is most clearly demonstrated by the Belt and Road Initiative (BRI), which evolved from a proposal into a fully institutionalized initiative. The first BRI summit, held in Beijing in May 2017 with representatives from 68 countries, underscored its symbolic and practical importance. Often compared to the

Marshall Plan, the BRI is the largest coordinated infrastructure and investment program in history, though it is distinct in having been launched from Asia under China's leadership. A key institutional mechanism of the initiative is the Asian Infrastructure and Investment Bank (AIIB), founded in Beijing in October 2014 to finance infrastructure projects. By 2019, the AIIB had grown to 100 member states spanning all continents, including 51 from Asia and the Pacific and 49 from other regions. All ASEAN members are signatories to the AIIB, including the ASEAN-CMLV countries.⁸ The AIIB has also been described as a competitor to the International Monetary Fund (IMF) and the World Bank,⁹ and some scholars view it as part of China's response to the Trans-Pacific Partnership (TPP).¹⁰ As the AIIB expands its role, it is increasingly seen as part of a shift away from an order dominated by advanced economies toward a multipolar framework in which China and other developing countries have greater part and influence.

Infrastructural Diplomacy

The outcomes of the Belt and Road Initiative are especially visible in the infrastructure that exemplifies China's infrastructural diplomacy, and ASEAN-CMLV countries situated on the Indochina Peninsula are no exception. Chinese infrastructure financing generates political influence not simply because it creates physical connectivity, but because it can create long-term economic, financial, and institutional relationships that alter the costs and benefits of policy choices available to recipient governments. Critical infrastructure has been financed and constructed across Indochina, ranging from railways and deep-sea ports to airports

and energy grids, significantly changing the geography of the region and its strategic position. This can be interpreted as a sophisticated integration of economic governance and geopolitical maneuvering extending from north to south and from west to east across Myanmar, Lao, Cambodia, and Vietnam.

In Myanmar, the most significant part of China's corridor diplomacy is the China-Myanmar Economic Corridor (CMEC) designed to provide a direct overland route from Yunnan province in China to the Indian Ocean. The flagship infrastructures in that respect are the Muse-Mandalay railway and the Kyaukpyu Deep-Sea Port with its accompanying oil and gas pipelines. Despite Myanmar's internal instability following the 2021 coup, Beijing has continued to advance these projects. By securing these assets, China can reduce its dependence on contested maritime chokepoints for its energy security.

In addition, the corridor through Myanmar to the Indian Ocean provides China with an alternative route that can shorten trade routes and additionally mitigate the strategic vulnerability associated with the so called "Malacca Dilemma" by reducing reliance on the Strait of Malacca for a portion of its energy flows. Its operational and economic significance, however, remains in question relative to the scale of China's maritime trade, while Myanmar's continuing political instability, security risks and infrastructure constraints further restrict the corridor's capacity to serve as a substantial alternative to the Malacca route. What is more, as Kobayashi and King (2022) argue, Myanmar's ability to pursue a coherent foreign

policy, and to hedge strategically, is limited to a large degree due to the domestic fragmentation, including political and societal division.¹¹

In Laos, a particularly important example is the approximately US\$6 billion China-Lao Railway, a flagship infrastructure project under the Belt and Road Initiative, which has contributed to transforming the country from a landlocked to a "land-linked" economy by connecting Vientiane with Kunming and providing Lao with a direct transport artery to the Chinese market.¹² The scale of the project is particularly significant, with its construction cost equivalent to approximately one-third of Lao GDP in 2017.¹³ Its economic effects are increasingly observable with the drive by road having an expected duration of 4 hours compared with the earlier 15 hours.¹⁴

Two years after the railway became operational, both passenger and freight demand had exceeded initial forecasts, while more than 200 Lao importers were already using the railway to source goods from China. The railway has also increased market accessibility for Lao firms by providing faster and more reliable freight connections to Chinese destinations, although its effects remain uneven across sectors, firms, and regions.¹⁵ Its potential is particularly significant for agricultural trade: transport costs between Vientiane and Kunming were estimated to decline by 40-50 percent, while improved connectivity provides opportunities for Lao agricultural producers to participate more extensively in regional export value chains.¹⁶

These developments provide concrete evidence that the railway is reshaping Lao's connectivity

and economic integration with China, although the extent of its longer-term developmental impact will depend on complementary logistics infrastructure, trade facilitation, and the capacity of Lao firms to exploit the new transport links. It should, however, be noted that this connectivity comes with significant sovereign risk, as the project contributed to Lao's broader debt vulnerabilities, and saw Lao's public debt exceeding 100 percent of its GDP since 2022.¹⁷ This creates a state of "asymmetric interdependence," where Vientiane's fiscal survival is closely linked to Beijing's debt-restructuring decisions, granting China long-term political leverage.

In Cambodia, infrastructural diplomacy has moved beyond transportation infrastructure to include dual-use facilities and comprehensive urban development. The expansion of the Ream Naval Base is the most contentious example; while officially a Cambodian project, its funding and design suggest a capacity that could host Chinese naval assets, potentially providing Beijing its first dedicated military foothold in the Gulf of Thailand. Furthermore, the development of Sihanoukville as a Special Economic Zone (SEZ), the completion of the Phnom Penh-Sihanoukville Expressway, and the development of the Siem Reap Angkor International Airport demonstrate the influence of Chinese capital. These projects also align Cambodia closely with Chinese supply chains, raising the political cost of diverging from Beijing's foreign policy to potentially prohibitive levels.

Vietnam's relationship with China is historically the most cautious. To avoid over-depen-

dence and protect national sovereignty, Hanoi has long prioritized Japanese, Korean, or European financing. However, a pragmatic shift has emerged recently, with Vietnam's economic rise becoming significantly linked to the Chinese economy and its position in regional value chains. Between 1995 and 2022, Vietnam experienced particularly marked increases in FVA (foreign value added) shares from 18 percent to 45 percent, a reflection of its growing integration into regional production networks.¹⁸

Growing functional integration of manufacturing sectors in East Asia and an imperative to participate in supply chains to remain competitive have led Vietnam to begin coordinating on cross-border rail connectivity with China. Standardizing rail gauges between the two nations is now a priority for facilitating the seamless flow of goods. This allows Vietnam to benefit from Chinese infrastructure while maintaining a robust "Four Nos" defense policy as it seeks to balance its security interests.¹⁹ As such, Chinese economic influence does not necessarily produce political alignment; its effects are mediated by domestic institutions, strategic cultures, and diversification strategies.

What is important to emphasize is the rising harmonization of standards, including technical alignment in rail infrastructure, as mentioned above, but also in internet connectivity and production value chains between Vietnam and China. This institutional alignment means that even as individual governments change, the underlying physical and financial structures of the regional architecture of the Indochina Peninsula remain anchored to the Chinese economy.

Infrastructural diplomacy on the Indochina Peninsula has evolved from the planning and construction phase into a phase of full operational and sustained influence. While China's influence is promoting economic development and regional connectivity, it also creates new forms of dependency. As a result, geopolitical cohesion can be identified, particularly in the muted criticism of China's maritime claims or internal policies.

Rivalry and Strategic Hedging

The intensifying rivalry between the United States and China has become one of the most decisive forces shaping the prospects of Southeast Asia and the foreign policies of its countries. For much of the postwar era, the United States was regarded as the primary guarantor of security and the chief external market for the region's exports. Its military presence and alliance system anchored the regional order, while its consumer demand provided an outlet for Southeast Asia's export-oriented growth strategies. Over the past three decades, however, China's rapid ascent has fundamentally changed the balance.

By combining sustained economic expansion with an increasingly active regional diplomacy, Beijing has not only become ASEAN's largest trading partner²⁰ but has also emerged as a significant source of investment,²¹ infrastructure financing, and institutional innovation. The result is an overlapping environment of cooperation and competition, in which U.S. strategic and security guarantees coexist uneasily with China's expanding role as the region's economic engine.

While Washington has sought to maintain its influence through the "free and open Indo-Pacific" strategy and by strengthening ties with Japan, Australia, India, and ASEAN members, Beijing has advanced an alternative vision centered on connectivity and shared development. Initiatives such as the Belt and Road Initiative (BRI), the Regional Comprehensive Economic Partnership (RCEP), and the Asian Infrastructure and Investment Bank (AIIB) have highlighted China's capacity to provide tangible benefits in areas such as infrastructure, trade facilitation, and economic integration.

Unlike the U.S. approach, which often emphasizes strategic alignment and military cooperation, China's initiatives have been framed in terms of practical development, creating an attractive platform for many countries in Southeast Asia and beyond, especially the least-developed economies. This contrast underscores a growing divergence in regional leadership styles: one rooted in security alliances and geopolitical competition, the other in investment, infrastructure, and inclusive growth.

Faced with these alternatives, most governments in Southeast Asia have opted for neither confrontation nor exclusive alignment. Instead, they have pursued strategies of hedging and diversification, seeking to benefit from both sides while preserving strategic autonomy. ASEAN has emphasized its "centrality" as a convenor and mediator, engaging actively with both Washington and Beijing. Vietnam, Indonesia, and other middle powers have deepened their economic ties with China while simultaneously maintaining dialogue and, in some cases, limited security cooperation with the United States.

Even Japan and South Korea—longstanding U.S. allies—remain bound to China through dense trade and investment relations, demonstrating the practical difficulty of decoupling from Beijing.²² This widespread pragmatism reflects a recognition that the sustainability of Southeast Asia's economic growth is closely tied to Chinese markets, technology, and investment flows.

Looking ahead, the trajectory of U.S.–China rivalry will have far-reaching consequences for the region's institutional architecture. A cooperative equilibrium—where both powers tolerate one another's presence and accept ASEAN-led multilateralism as a neutral platform—would provide Southeast Asia with the stability needed to expand trade, reduce disparities, and enhance resilience. Under such circumstances, China's growing role as a provider of investment and development financing could complement rather than displace the security functions performed by the United States. Alternatively, an increasingly confrontational U.S. posture, including pressure on allies and partners to limit cooperation with China, could drive the region toward competing blocs. Such a scenario would risk fragmenting institutions, weakening ASEAN's role, and reducing the collective capacity to address common challenges such as climate change, digital transformation, and public health security.

For Southeast Asia's smaller and less developed economies, particularly those on the Indochina Peninsula, the distinction between these scenarios is especially critical. Cooperative engagement led by China's initiatives has the potential to narrow developmental gaps by ex-

panding access to infrastructure, markets, and technology. By contrast, sharp polarization between Washington and Beijing could impose stark choices on these states, undermining their autonomy and constraining opportunities for inclusive growth. The challenge for regional actors will therefore be to reinforce cooperative frameworks that maximize the benefits of Chinese economic leadership while insulating themselves from the destabilizing effects of great-power rivalry.

In sum, the direction of U.S.–China relations will remain a decisive factor in the future of Southeast Asia. Whether the outcome is stability or fragmentation will depend not only on the policies of Washington and Beijing, but also on how regional governments exercise agency in shaping their environment. If ASEAN and other middle powers succeed in anchoring the region's institutions around inclusive, development-oriented frameworks, East Asia could turn great-power rivalry into a source of balance rather than division. Much will depend on whether the United States adapts to a more multipolar order or continues to resist China's expanding influence. For its part, China has demonstrated both the ambition and the capacity to offer long-term developmental opportunities. The extent to which Southeast Asian states embrace these opportunities will play a defining role in determining the trajectory of regional governance in the decades ahead.

Conclusion

Looking ahead, China's evolving role will remain a defining factor in the future of the Indochina Peninsula, Southeast Asia, and the broader East Asian region. The countries of the

Indochina Peninsula—Myanmar, Lao, Cambodia, and Vietnam—form the core of the China-Indochina corridor. At the same time, they are among the least-developed ASEAN members and face substantial infrastructure, connectivity, and development gaps. The opportunities associated with Chinese investment, infrastructure, trade, and connectivity are therefore highly consequential for the region's economic transformation. Yet these opportunities also create new forms of interdependence that may affect the policy choices available to individual states.

From China's perspective, the strategic importance of the Indochina Peninsula extends beyond economic access. Its geographic position provides potential routes toward both the Indian Ocean and the South China Sea, while its growing integration into Chinese-led infrastructure and production networks creates opportunities for Beijing to expand its broader regional influence. The significance of these relationships, however, should not be understood simply as a linear progression from Chinese investment to political alignment. Economic connectivity creates the potential for leverage, but the extent to which that leverage is converted into political influence depends on the nature of recipient-state dependence, the availability of alternative partners, domestic political conditions, and the strategic choices of individual governments.

The experiences of Myanmar, Lao, Cambodia, and Vietnam illustrate this variation. In Lao and Cambodia, the depth of Chinese economic engagement has created particularly strong forms of financial, infrastructural,

and supply-chain dependence, potentially increasing the political costs of policies that diverge from Beijing's preferences. Myanmar presents a different configuration in which China's infrastructure interests intersect with domestic political instability, territorial access, and Beijing's broader strategic interests in connectivity to the Indian Ocean. Vietnam, by contrast, demonstrates that substantial economic integration with China does not necessarily produce political alignment. Hanoi has sought to benefit from Chinese markets, infrastructure, and regional production networks while maintaining strategic autonomy and preserving alternative relationships with other major powers. Chinese economic influence should therefore be understood as a capacity for leverage rather than an automatic determinant of political behavior.

This distinction is particularly important for understanding the broader strategic choices of Southeast Asian states. The region's prevailing response to great-power competition has been neither balancing against China nor exclusive alignment with Beijing or Washington, but a form of soft balancing characterized by hedging, diversification, and the preservation of strategic autonomy. Such an approach creates an opportunity for regional governments to benefit from competition among major powers without becoming excessively dependent on any one of them. However, soft balancing alone may be insufficient as U.S.–China rivalry becomes more institutionalized and economic interdependence becomes increasingly politicized.

The policy objective should therefore be to

move toward adaptive balancing. Unlike conventional balancing and soft-balancing policy, which primarily swings between great powers, adaptive balancing would seek to preserve national and regional autonomy by diversifying the institutional, economic, technological, and strategic relationships through which development takes place. Its objective would not be to exclude China from regional development, but to ensure that Chinese engagement remains part of a broader and competitive regional architecture and developmental priorities. In this sense, diversification should be understood not as an alternative to cooperation with China, but as a mean of ensuring that cooperation does not develop into excessive dependence.

Institutional diversification should consequently become a central component of regional strategy. ASEAN member states, particularly the smaller economies of the Indochina Peninsula, should expand and deepen cooperation with the Asian Development Bank (ADB), the Asia-Europe Meeting (ASEM), the European Union, Japan, South Korea, India, and other middle powers, while continuing to engage constructively with China. Diversification should extend beyond the geographic origin of financing to include the standards, technologies, institutions, and regulatory frameworks underpinning regional development. Alternative and complementary connectivity initiatives should therefore be encouraged alongside Chinese-led projects, particularly in areas such as clean energy, energy efficiency, smart cities, digital infrastructure and cybersecurity,

carbon accounting, and sustainable urban development.

Particular attention should also be given to the quality and governance of infrastructure rather than to scale alone. Cooperation under initiatives such as the European Union's Global Gateway can provide additional sources of financing and connectivity while emphasizing transparency, sustainability, regulatory standards, and quality-oriented development. Trade-related bilateral and multilateral agreements, city-to-city cooperation, and people-to-people exchanges can further broaden the institutional foundations of regional integration.

By combining engagement with China, diversification of external partnerships, common standards, sustainable development, and stronger regional institutions, Southeast Asian states can preserve strategic autonomy while maximizing the developmental opportunities created by great-power competition. Such an approach can strengthen ASEAN centrality and support a multilayered regional architecture based on competitive coexistence, diversified partnerships, common standards, and sustainable development. The objective should not be to contain China or to choose between competing great powers, but to ensure that no single power becomes indispensable to the region's economic development, technological infrastructure, or strategic security. In this sense, adaptive balancing offers a framework through which Southeast Asian states can transform external competition into greater policy space, bargaining power, and developmental choice.

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PART II

Myanmar: The Strategic Pivot of China's Bay of Bengal Vision

Shadow Corridors: China's Quiet Hold on Myanmar's Regime

Su Myat Thwe

Introduction

Myanmar sits at the hinge of China's continental and maritime strategy.¹ In the Bay of Bengal and the Bangladesh–China–India–Myanmar (BCIM) space,² the country links southwestern China to the Indian Ocean and connects South Asia to Southeast Asia. For Beijing, that geography is considered strategically irreplaceable. It offers the possibility of reducing vulnerability to chokepoints such as the Strait of Malacca,³ while simultaneously extending Chinese influence into a maritime theatre historically sensitive for India.

Yet geography alone does not explain China's enduring engagement with Myanmar. The country is politically fragmented, conflict-affected, and institutionally weak.⁴ Since the 2021 coup, long-standing ethnic armed organizations and newer resistance actors have produced a fractured political map,⁵ in which the current military regime led by Min Aung Hlaing does not exercise full territorial or administrative control. Rather than withdrawing from such an environment, Beijing has continued to adapt to it, as it did in the past and continues to do so. China's influence operations in

Myanmar, therefore, work through fragmentation⁶ rather than despite it. This is what makes Myanmar central to understanding China's broader influence strategy in the Bay of Bengal: it is not simply a transit corridor, but a political arena in which infrastructure, regime survival, and strategic competition converge.

China's influence in Myanmar, viewed from the perspective of those within the country, should be understood through three interlocking dynamics. First, Beijing uses connectivity projects not merely for commerce but to structure political leverage within and through the country.⁷ Second, its relationship with the Tatmadaw elites is best seen as a regime-management strategy aimed at preserving access⁸ without full alignment. Third, the Bay of Bengal gives these domestic political ties a wider geopolitical function by turning Myanmar into a corridor of dependence between inland China and the Indian Ocean.⁹

Myanmar as a Strategic Hinge

The most visible layer of Chinese influence in Myanmar is infrastructural. The China–Myanmar Economic Corridor links Yunnan to the

Bay of Bengal through a set of projects that together form a layered strategic geography:¹⁰ maritime access through Kyaukphyu, energy corridors¹¹ through central Myanmar, continental connectivity through the north, and hydrological leverage around the Irrawaddy basin. This geography turns Myanmar into a pinch point connecting continental China to the Indian Ocean and South Asia in what has been described as an inverted Y-shape.¹²

Three projects illustrate this clearly. The first is the Kyaukphyu deep-sea port in Rakhine State,¹³ which is intended to give China maritime access to the Bay of Bengal and fits Beijing's longer effort to integrate continental corridors with maritime strategy. The second is the pair of oil and gas pipelines running from Myanmar's coast to Yunnan, operational since 2013 and 2017 respectively,¹⁴ which reduce transport vulnerability and embed Myanmar in China's energy security planning.¹⁵ The third is the continued strategic interest in overland links through northern Myanmar, including renewed discussion around the Ledo or Stilwell Road,¹⁶ which would further shorten the distance between southwestern China and the Indian Ocean while potentially expanding China–India–ASEAN connectivity.¹⁷

These projects matter not only because they improve commercial access, but because they require durable influence over the political environment through which they pass. Corridor infrastructure in Myanmar does not cross neutral territory. It traverses conflict zones,¹⁸ contested administrative spaces, and communities already affected by militarization and displacement. As a result, corridors become political

technologies. They reshape territorial control, create incentives for “securitized” protection, and generate pressure on both civilian and armed actors.¹⁹ China's influence is therefore not just about building roads, pipelines, and ports; it is about shaping the conditions under which these assets can function.

The Regime and the Logic of Dependence

China's relationship with Myanmar's military leadership is often portrayed as a straightforward alliance. That interpretation of China finding one “Center” is too simplistic.²⁰ The available evidence suggests a more transactional and adaptive arrangement.²¹ China supports the regime because it remains a key gatekeeper through its control of state institutions, infrastructure permissions, border management, and regional diplomatic representation.²² But Beijing has also maintained direct or indirect engagement with ethnic armed actors to protect Chinese interests under changing battlefield conditions.²³ This dual approach shows that China's goal is not loyalty from one actor alone, but resilient leverage across Myanmar's fragmented spectrum of power.²⁴

Myanmar's Tatmadaw elites, meanwhile, have become increasingly dependent on Chinese support²⁵ as international isolation deepened after the coup. This condition is best described as the military having willingly entered the ‘Silk Cage’ shaped by China's influence. That formulation captures an important reality. For the regime, Chinese support offers political survival, access to economic channels, and some degree of international insulation.²⁶ Yet this dependence is not absolute obedience. The military contin-

ues to hedge, attempting to preserve autonomy by balancing²⁷ Chinese involvement with trade talks with India,²⁸ outreach to Russia²⁹, or, previously, Japanese development aid.³⁰ Dependence and hedging, therefore, coexist.

This relationship is an architecture of dependence rather than a hierarchy of command. China does not need total control over the regime to shape regional politics. It only needs to remain indispensable. The Tatmadaw's need for arms, cross-border trade, diplomatic cover, and infrastructure financing gives Beijing significant influence over the strategic environment in which internal territorial decisions are made. At the same time, China benefits from the regime's weakness. A so-called center that is globally isolated and territorially insecure is more likely to accept Beijing's terms, more desperate to seek external mediation, and less able to diversify its external options. The result is not simple vassalage, but a durable asymmetry.

Influence through Fragmentation

A common misconception in outside analyses is that Chinese influence requires a coherent and fully coordinated sovereign-level strategy. The ground reality complicates that view. Chinese engagement in the Bay of Bengal itself is bilateral, incremental, fragmented, and pragmatic, shaped by overlapping actors such as provincial governments, state-owned enterprises, ministries, and private firms.³¹ That fragmentation does not necessarily weaken Chinese influence. In contexts like Myanmar,³² such fragmentation may enhance its influence by allowing Beijing, and sometimes even provincial institutions, to adapt quickly, test multiple pathways, and maintain deniability.

The same is true inside Myanmar. The state's fragmentation opens space for Chinese actors to step into functions that governance deficits leave unfulfilled.³³ When the recipient state suffers from a governance deficit, Chinese influence can begin to overtake essential state functions, including forms of law enforcement³⁴ and security coordination.³⁵ Influence is no longer only external pressure applied to a sovereign state; it becomes partially embedded³⁶ within these contested governance arrangements, fashioning further political consequences.

This pattern also explains why Chinese influence in Myanmar survives even when individual projects stall. The Myitsone Dam's suspension in 2011, despite substantial Chinese interest and investment, did not eliminate Chinese leverage. It persisted through other channels, from pipelines and port negotiations to local mediation and border economies. Against this backdrop, the military-backed regime emerging from the staged 2025–26 elections has renewed efforts to revive the project following talks with Beijing. Arguably, it seeks to enlist Chinese pressure on the Kachin Independence Army (KIA), turning the prospect of resumption into a bargaining chip over territorial control. Meanwhile, rare-earth exports from areas controlled by the Kachin Independence Organization (KIO), whose armed wing is the KIA, sustain another channel of engagement with China.³⁷

The lesson is that China's leverage in Myanmar is not tied to the uninterrupted success of any single project. Instead, it rests on sustained engagement across competing authorities, institutional persistence, and repeated opportu-

nities for re-entry. Fragmentation keeps these channels open, allowing influence to endure.

Coercive Geography and the Erosion of Local Agency

Any account of China's influence in Myanmar confined to the level of state strategy is incomplete. The BRI's corridor infrastructure does not pass through empty spaces.³⁸ It cuts directly across decisive terrain, key frontlines, and contested territories, becoming entangled in struggles over land, resources, and infrastructure protection that deepen civilian insecurity and displacement—particularly in northern Myanmar.

In these settings, strategic geography and lived insecurity intersect. What appears to Beijing as connectivity is often experienced locally as extraction, enclosure, surveillance, or forced adaptation. The CMEC thus produces what can now be described as a coercive geography: as pipelines, roads, and ports extend into conflict-affected areas, they do more than facilitate movement. The economic, developmental, and political interests³⁹ embedded in these infrastructures alter relationships between armed actors and civilian populations. The protection of infrastructure becomes a security priority, and this, in turn, reshapes patterns of militarization and power.

These effects are not evenly distributed among the different non-Tatmadaw armed groups. Actors operating in proximity along the China–Myanmar land trade border, such as the United Wa State Army, the Myanmar National Democratic Alliance Army, and the Ta'ang National Liberation Army, are often more dependent on

China's border-management priorities and face tighter situational constraints.⁴⁰ By contrast, actors such as the KIA and the Arakan Army have, at times, retained relatively greater room for maneuver, though still within a context-dependent and highly pressured geopolitical environment.⁴¹ This unevenness produces selective dependencies, as seen in the advances of Operation 1027⁴² and the brokered ceasefires that followed,⁴³ creating a different “Silk Noose” for different actors. The metaphor describes how externally facilitated pressure tightens differently across Myanmar's fragmented landscape and redistributes leverage across both conflict and civic spaces.

Before the current phase of civil war, community mobilization in Myanmar was able, at times, to successfully push back against large-scale projects.⁴⁴ Public opposition played a decisive role in suspending the Myitsone Dam and challenging the Letpadaung copper mine. Since the 2021 coup, however, active conflict and shrinking civil society space have fundamentally changed the conditions for such resistance. Opposition to Myitsone's proposed resumption persists,⁴⁵ but the capacity to translate it into effective pressure has diminished. Similar constraints limit community resistance to expanding rare-earth mining, even as its environmental consequences become a regional concern.⁴⁶ This erosion of local agency means that Chinese influence through the securitization of the corridor cannot be understood solely through elite bargaining; it also demands analysis of the weakening of local veto power, driven by the increasing cost of war and the diminishing capacity for public mobilization.

Technology, Surveillance, and the Invisible Prison

From within Myanmar, one of the most noticeable shifts in recent years is that Chinese influence is no longer only material or diplomatic. It is increasingly technological. Myanmar is a critical node in China's Digital Silk Road,⁴⁷ and Chinese telecom, data, surveillance, and financial systems have become more deeply embedded in the country's infrastructure. Gradually, since the 2021 coup, the regime has expanded biometric IDs, telecom monitoring, and China-modeled surveillance practices, making technology a force multiplier for coercive control and a form of infrastructural lock-in.⁴⁸

A useful way to understand this level of foreign influence in Myanmar's domestic politics is through the interaction with a triangular structure of influence consisting of political will, military (coercive) capacity, and financial resources. All three are visible as Myanmar's fragile authoritarian-capitalist landscape evolves. Chinese engagement reflects sustained strategic intent, even where it is often framed externally as purely economically driven. Yet this triangle is now enclosed by a fourth dimension: technology, which increasingly connects and reinforces all three.

This technological layer does not simply add to existing forms of influence; it reconfigures them. It converts visible forms of dependence into something less immediately perceptible, but more deeply embedded in how authority operates. Chinese technology is central to the regime's surveillance architecture,⁴⁹ including AI-enabled cameras, facial recognition, and deep packet inspection. Once communication

platforms, surveillance systems, and digital governance tools are tied to Chinese providers, dependence becomes technically difficult and politically costly to reverse.

At the same time, this dynamic should not be overstated. China does not fully control Myanmar's information environment, and domestic actors continue to adapt, resist, and circumvent technological constraints. Yet from the ground, the effects remain tangible. The notion of an "invisible prison" captures how technological dependence narrows political and social possibilities without always appearing as direct coercion. Control is not only imposed—it is built into the systems people must use.⁵⁰ As the Silk Road is being reconsidered in its current repackaged form beyond large-scale physical infrastructure, Chinese influence in Myanmar must also be assessed through less visible forms of power, arguably enabled by the framework of China's four global initiatives.⁵¹ The relationship between these initiatives and specific technologies of control requires closer examination, particularly where their implementation could further narrow civic political space—as, one hopes, that it should not turn the Silk Road into a Silk Prison for local communities.

The Bay of Bengal and the Wider Regional Logic

Beyond individual CMEC projects, Myanmar's regime politics serve a regional objective larger than Myanmar itself. In the post-pandemic reconfiguration of the global political economy, the Bay of Bengal functions as a critical space where China connects continental corridors to maritime routes and accumulates long-term

leverage across South Asia and the northeastern Indian Ocean. In this broader strategic landscape,⁵² Myanmar is valuable not only for what it is, but for what it connects: Yunnan to the sea, China to the Bay, and the Bay to a contested geopolitical theater involving India, Bangladesh, and extra-regional powers.

The earlier BCIM corridor framed connectivity as a development-oriented project linking Kunming to Kolkata. Over time, however, it became strategically contested,⁵³ particularly as India came to view Chinese connectivity as a vehicle for deeper political and economic penetration. The stalling of BCIM did not end China's ambitions. Beijing shifted toward more flexible bilateral and minilateral pathways, advancing related objectives through projects in Myanmar⁵⁴ and Bangladesh. When formal regional mechanisms encounter resistance, China generally recalibrates rather than withdraws, re-entering through alternative channels and sustaining momentum through incremental engagement.

For China, the Bay of Bengal is therefore not simply a trading zone. It is a space of accumulating influence. Myanmar sits at the axis of this process because it is where geographic value and political fragility intersect most clearly.⁵⁵ Through Kyaukphyu, the pipeline network, and corridor politics, Beijing secures entry to the Bay of Bengal;⁵⁶ through engagement with the regime and other actors, it shapes the political conditions surrounding that access.

The regime's strategic survival, functioning as a dependent yet maneuvering partner, can enable resource access, protect projects, and translate

Chinese continental ambition into regional leverage under conditions of isolation.

From Infrastructure to Shadow Corridor

The key insight is therefore straightforward. The corridor is not only physical—it is political, technological, and institutional. This is why the concept of a “shadow corridor” is more analytically useful than the language of discrete infrastructure projects. It captures how influence extends beyond roads, ports, and pipelines into the systems that sustain them. China's hold on Myanmar does not amount to absolute dominance. It depends on sustaining the regime while maintaining access to other authorities capable of protecting or disrupting Chinese interests. Any external response that fails to grasp this architecture of dependence will misread both the regime's options and Beijing's staying power.

First, China's role in Myanmar should be understood with analytical precision. It is neither omnipotent nor incidental. Beijing's influence lies in durable asymmetry, strategic patience, and the ability to operate within fragmented environments. Overstating Chinese control risks erasing local agency, while understating it obscures the depth of its entrenchment.

Second, responses to Chinese influence must move beyond rhetorical competition. China's comparative advantage is not only financial: it is also its sustained presence and political embeddedness, including its willingness to engage under conditions of conflict and isolation. External actors cannot rely on normative positioning alone if they are not prepared to en-

gage over the long term in similarly complex environments.

Third, policy toward Myanmar should distinguish between opposing the military regime and understanding the structures that sustain it. Chinese influence persists because it is tied to systems the regime depends on, such as cross-border trade, diplomatic insulation, border management, ceasefire mediation, and increasingly, technological structures. Sanctions alone do not dismantle these systems. More effective approaches would focus on narrowing points of dependency, supporting viable alternatives, and strengthening local communities' bargaining power.

Fourth, greater attention must be given to communities in project-affected areas. Strategic analysis often privileges ports, pipelines,

and corridors, while underestimating displacement, loss of livelihood, and the erosion of local bargaining power, particularly as shadow exchanges occur beyond local communities' knowledge. Any meaningful response to Chinese influence must therefore include support for public documentation, genuine local consultation, and monitoring of infrastructure impacts in conflict-affected regions.

Finally, Myanmar should not be discarded as an exception but treated as an illustration of how influence works under conditions of turmoil, and as a test case for Beijing's suite of global initiatives. It demonstrates that China does not require stable governance or formal alliances to sustain influence. It can operate through uncertainty, engage multiple actors simultaneously, and convert fragmentation into leverage.

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Gauging the Influence of China's PLA over the Ruling Junta in Myanmar

Mark S. Cogan

Introduction

Understanding the extent of China's complex relationship with the ruling military-backed government requires comprehension of the intricate but tightly-managed relationships between China's formal institutions and the array of ethnic armed organizations (EAOs) vying for control in the post-coup conflict environment. As China works to maintain influence over Southeast Asia's "last frontier," it also carefully controls its own state institutions, including the People's Liberation Army (PLA). The purpose of this chapter is to analyze how the PLA operates within Myanmar, while acknowledging both the limitations placed upon it and the potential for its influence among a myriad of regional actors.

In the post-2021 security environment in Myanmar, Beijing's ability to protect its own interests has steadily diminished over time. For instance, the China-Myanmar Economic Corridor (CMEC), a giant Belt and Road Initiative (BRI) project, extends across the heart of the country into conflict-prone states, running from the Kyaukphyu Special Economic Zone (SEZ) on the Bay of Bengal to Yunnan Province in China. Cross-border trade has di-

minished between Yunnan and two Myanmar administrative regions, Shan State to China's southeast and Kachin State to its northwest. To make matters worse, state-sanctioned criminal organizations have created significant regional problems with neighboring Thailand,¹ ensnaring thousands of Chinese nationals² into scam center compounds operated by border militias in alliance with the ruling military regime. These pressing Chinese regional security concerns led to its tacit approval of "Operation 1027" in late 2023, an offensive against the Myanmar regime involving 15,000 fighters from three different groups, the Arakan Army, the Myanmar National Democratic Alliance Army (MNDAA), and the Ta'ang National Liberation Army (TNLA).

The PLA does not explicitly operate in Myanmar, but rather along its borders. Through the Southern Theater Command, the PLA carries out periodic armed patrols near the Yunnan provincial border in southwest China, where EAOs have been fighting for territory in the adjacent Myanmar administrative regions. In 2024, live-fire exercises consisted of armed patrols and joint air-ground patrols designed to build the capacity to block, control, and strike

together.³ China also uses the live-fire drills as a deterrent and a warning to both the Tatmadaw and EAOs, particularly if the conflict spreads or endangers Chinese nationals living in the border areas.⁴

However, institutional relationships can be dissimilar at the ministerial and senior leadership levels, as well as in interpersonal relations. The diplomatic relationships, largely channeled through China's Ministry of Foreign Affairs, appear pragmatic, but are far more influential due to the large number of institutions that are tightly-controlled by the Chinese Communist Party (CCP). Power and influence are seen in earlier denials of recognition, evidenced in the long delay in granting Senior General Hlaing recognition as head of state, and the two-year gap before an official visit by then-Foreign Minister Qin Gang, which did not occur until May 2023.⁵ The tension in the state-level relationship also dates back to 2009, when then-Lieutenant General and Chief of the Bureau of Special Operations, Min Aung Hlaing led Tatmadaw ground operations against the MNDAA, a Chinese-backed Kokang militia, driving them out of Laukkai, a region of Shan State.⁶ This continued into 2015, when clashes between Myanmar troops and the MNDAA saw Myanmar blame China for providing weapons to Kokang rebels and order an airstrike on insurgents in the border regions, causing five Chinese casualties.⁷ A live-fire exercise by the PLA did not dissuade Myanmar from its offensive against the MNDAA.⁸ Unlike neighboring Thailand, where the military plays a role in back channel diplomacy, other Chinese state institutions are tasked with engagement with Myanmar's EAOs, including the MNDAA,

the United Wa State Army (UWSA), and the National Democratic Alliance Army (NDAA), groups that received Chinese support after a brutal Burmese crackdown following the 8888 Uprising and subsequent sanctions by Western states on the State Law and Order Restoration Council (SLORC).⁹

It is against this backdrop that Chinese state officials, rather than the PLA, drive current security cooperation with Myanmar. This can be seen through the lens of Xi Jinping's Global Security Initiative (GSI), under which coordination has been driven by China's Assistant Minister for Public Security, Liu Zhongyi to tighten law enforcement cooperation along the Thai-Myanmar border.¹⁰ The contrast in power dynamics can also be seen in mediation efforts to force the MNDAA, an ethnic Kokang-Chinese group that operates along the shared border in northern Shan State, into a ceasefire in 2025. The efforts were conducted by China's Special Envoy for Asian Affairs Deng Xijun, who informed the UWSA that China would not accept the collapse of Myanmar's military-backed regime or the potential rise of a National Unity Government (NUG) and pressured the group to deny the MNDAA further food, fuel, weapons, or other provisions.¹¹ In these mediation efforts, it was the Envoy's Office rather than the Central Military Commission (CMC) which has primary authority over the PLA—or the PLA chain of command—that brokered cross-border closures, oversaw the detention of MNDAA commander Peng Daxun, coordinated electrical blackouts, and gathered relevant intelligence.¹² The layering, or separation of the PLA from Chinese state-level affairs is common, with

recent interaction between junta officials and CMC-level officials coming relatively late, with Major-General Yang Yang, of the Central Military Commission meeting with then-Deputy Prime Minister Soe Win in May 2023 to promote “cooperation between the two armies”¹³ and a 2024 meeting between Myanmar’s Defence Minister Tin Aung San and then-CMC Vice Chairman He Weidong in Beijing in September 2024.¹⁴

The aforementioned incidents indicate that the PLA is far more tightly controlled as an institution than is observed in other Southeast Asian contexts. The separation of state-level interactions from that of the PLA is a deliberate expression of CCP institutional control, and meetings between CMC officials and junta leaders should not be seen as personalist in nature, but rather through the lens of China’s institutional command structures. Comparatively, a Thailand-Myanmar military-style relationship and its “khaki capital”—which refers to the accumulation of assets, holdings, and economic power within a nation’s armed services for the purposes of political influence¹⁵—is precisely the type of institutional corruption that the CCP would like to avoid. Thus, maneuvers by the PLA along the border regions, such as the previously mentioned unilateral live-fire drills in 2024 by the Southern Theater Command, were carried out under their respective institutional mandates.¹⁶

An Opening for the PLA in Myanmar?

With funding to the junta a clear priority, what remains to be seen is the extent of direct PLA involvement in Myanmar. Previous developments have included the creation of a joint

security company, endorsed by the junta in October 2024 through an MoU, which paved the way for Chinese personnel to be deployed alongside the Tatmadaw to protect joint strategic and economic interests.¹⁷ Private security companies operating in Myanmar have been enabled by the State Administrative Council’s (SAC) passage of the Private Security Service Law in February 2025, which allowed foreign companies apply for licenses to establish private security companies (PSCs).¹⁸ The law also permits PLA soldiers to operate under the direction of PSCs such as the China Overseas Security Group, which protects key infrastructure projects, including joint China-Myanmar oil and gas pipelines. Another example of insecurity came as a proposed train linking Muse along the Chinese border in Shan State to Kyaukphyu in Rakhine State was delayed because of Brotherhood Alliance advances across both states.¹⁹ A 2025 Lemkin Institute analysis noted that the blurring of lines between private security companies and direct PLA involvement in Myanmar has been made less opaque by reports from EAOs on social media alleging that Chinese troops, drone pilots, or drone trainers have been operating on Myanmar soil, with sightings of Chinese military convoys in northern Shan State.²⁰ Further, the dividing line between private security or military companies (PMCs), is blurred, as corporate leaders and rank-and-file personnel have come directly from the PLA, the People’s Armed Police, or other Chinese security ministries.²¹ Regardless, PSCs are likely the core motivation behind the expansion of these entities, particularly as the capacity of the Tatmadaw remains diminished and the probability of it being able to defend China’s economic

assets continues to decline. Further blurring the rules of engagement for Chinese personnel operating either as active-duty PLA members or through a PSC, China has been reluctant to engage its military in ground operations. The last time Chinese forces were deployed in the region, in Vietnam in 1979, the outcome was less than favorable, with as many as 26,000 troops killed in action.²²

However, there are restrictions for PSCs on both ends. The 2025 Private Security Service Law requires that staff cannot be active-duty members of any foreign military, a provision that is in line with Myanmar's own 2008 constitutional ban on foreign forces. In addition, the law requires that 75 percent of hired private security staff be Myanmar citizens, with companies providing private security services required to comply with existing laws on weapons. However, this local requirement is not a complete deterrent, as PLA soldiers can simply resign their commissions in the PLA before assuming roles in PSCs, which can constitute a Chinese military presence in Myanmar without the diplomatic or political ramifications. A Soufan Center analysis in 2025 also identified the same tactic in Pakistan, where China had allegedly deployed personnel from PSCs to protect Chinese nationals working on China-Pakistan Economic Corridor (CPEC) projects in the country.²³

Institutional Corruption and Subsequent CCP Control of the PLA

A plausible explanation for the distinct lack of direct influence over the regime in Myanmar comes from China's anti-corruption campaign, seen in two major crackdowns: one in

2012 that saw 31 generals removed, and the other in January 2026, when more than 50 officers, including the PLA's top two uniformed officers, were removed. Firm control over the PLA was a major effort by Xi shortly after assuming power in 2012, with various units accused of corruption, profiteering, misappropriation of state resources, and bribery. The largest expulsion was that of Gen. Guo Boxiong, the former Vice-Chairman of the CMC from 2002 through 2012 and a Member of the Politburo, who was accused of using his influence to seek promotions for others and accepting bribes.²⁴ The second purge of PLA leadership saw the investigation of Generals Zhang Youxia and Liu Zhenli for corruption, with reports suggesting that they had leaked secrets to the United States.²⁵ Their investigations were seen as a continuation of the CCP's October 2025 plenum. However, the systematic removal of CMC officers was judged to be a calculated, long-term process by Xi,²⁶ as several were seen as sources of embarrassment for Beijing. In a specialized branch of the PLA known as the Rocket Force, corruption in the procurement process related to ballistic missiles led to reports of fuel being switched with water, and defective silo doors in fields located in Xinjiang.²⁷ However, these two crackdowns are part of a larger trend within Chinese institutions, as contradictory decision-making has undermined institutional logic. While there has been elements of personalist decision-making that allowed the PLA to have a greater degree of independence and consequently led to cronyism and the aforementioned acts of corruption, the primary cause of the problem within the PLA was a lack of oversight that allowed unprofessional conduct to persist.²⁸

It is not surprising, then, that data from the Stockholm International Peace Research Institute (SIPRI) revealed that revenue generated from China's largest state-owned defense companies dropped 10 percent in 2024, with the steep decline attributed to delayed or canceled contracts due to purges within the PLA and major state-owned defense contractors, such as NORINCO, the Aviation Industry Corporation of China (AVIC), and the China Aerospace Science and Technology Corporation.²⁹

Direct Cooperation Between the PLA and the Myanmar Junta?

While Chinese influence over the regime in Myanmar is well documented, direct ties, or avenues of direct cooperation are limited to assigned military liaisons and periodic joint exercises. As previously mentioned, the CCP manages control over state-owned defense contractors to curtail power within the PLA. In that relationship, the influence of Chinese contractors is outsized, with the UN Special Rapporteur for Myanmar in a May 2023 report to the Human Rights Council reporting that between February 2021 and December 2022, more than USD 267 million in weapons were sold, including six FTC-2000G multirole trainer jets, parts for MI-2 and Airbus H120-B helicopters, spare parts and repair, Chinese A-5IIK ground-attack fighter jets, F-7IIK, K-8W, and JF-17 fighter jets, as well as upgrades to Type-59 and Type-63 tanks.³⁰ Expansions arms sales included the 2025 purchase and usage of Chinese-made aerial attack drones, including the CH-4 Rainbow and CH-3A models, as well as military engineers receiving training at a military academy in Kunming.³¹ Despite increased capacity building and the growing transac-

tional relationship between the regime and Chinese weapons manufacturers, there is little support for a PLA-Tatmadaw relationship that rivals China's other partnerships with regional powers.

Limitations of PLA Influence in Myanmar

This broad analysis suggests that the PLA's influence in Myanmar has potential, but is limited by the CCP's control of the CMC. The institutional relationships established previously, including those involving the Southern Theater Command that operates along the shared border, are tightly controlled and arguably restrained by China's non-interference principle—which also helps explain the opaque security tactics evidenced in the creation of PSCs. China's reforms of civilian and military agencies that were created under Deng Xiaoping, particularly the old Commission for Science, Technology and Industry for National Defense (COSTIND), which was responsible for weapons research and military procurement under the umbrella of the CMC, resulted in its abolition and replacement by the State Administration for Science, Technology and Industry for National Defense (SASTIND) in 2008.

Individual relationships with the ruling military-backed government that would see a more robust relationship between defense attachés or intelligence liaisons are instead managed more closely by other institutions. These interactions are limited. China's Defense Minister welcomed Myanmar's Gen. Tin Aung San, along with 1,800 delegates, at the 2024 Beijing Xiangshan Forum. Tin Aung San was received by Gen. He Weidong, who was

then-vice chairman of the CMC. However, he was expelled from his post and stripped of his rank seven months after the National People's Congress in March 2025.³² At the same Xiangshan Forum, an event for security personnel, Myanmar's delegation toured China's industrial technology companies to learn more about aviation technology, specifically drone production and military-grade equipment for electronic warfare and air defenses.³³

However, again these relationships are not managed through CMC channels, but through state-owned defense companies. Thus, it is

clear that the PLA's influence is thin compared with that of other institutions, but within a network of state-owned conglomerates and PSCs, it remains critical to supporting China's objectives of protecting its assets and BRI investments in Myanmar. In short, the PLA is a robust and more powerful institution in terms of capacity and technological advantage, but in the context of a larger question about whether it is a determining factor in the military government's survival, state-owned enterprises and higher-level state institutions remain primary, while the PLA itself is currently a secondary influence.

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From Dependency to Dominance: Myanmar and the Growing Influence of China

Sanjay Pulipaka

Introduction

In the realm of international politics, sovereign states often attempt to influence the behavior of other states. Attempts to influence can involve the use of force or the threat of force. There are also softer dimensions of influence that involve economic incentives and the reframing of other countries' norms and values. As long as influence operations result in mutually beneficial outcomes, they go uncontested. On the other hand, influence operations could result in the suppression of local voices, interests, and domestic initiatives. While it is critical to evaluate the impact of operations on a sovereign state's ability to act independently, the challenge is that such operations are often difficult to identify.

Influence operations can be broadly categorized into two types. First, sovereign states engage specific individuals or organizations in other countries to ensure they are favorably disposed towards their initiatives. Often, such operations are conducted clandestinely and

are therefore very difficult to evaluate. On the other hand, sovereign states also attempt to influence the political and economic processes of other countries. For instance, while the United States' Marshall Plan aimed to rebuild Europe, devastated by war, it was also guided by a political imperative to contain the spread of communism into Western Europe. Such behavior by sovereign states in influencing others is relatively more amenable to evaluation.

Since China has emerged as a major power, it has become necessary to study and evaluate its influence operations abroad. This chapter uses China-Myanmar interactions as a case study to examine the tools and tactics Beijing deploys to promote and protect its interests in neighboring countries such as Myanmar. China has a multi-pronged approach—modulating the trajectory of ethnic conflict, selling weapons, facilitating ceasefires, providing diplomatic support on international platforms, and engaging economically—to project influence in Myanmar.

Ethnic Conflict

Myanmar-China relations are often described as a “Pauk-phaw” friendship, which connotes a fraternal relationship.¹ China and Myanmar share a 2,204-km border, dotted with ethnic communities on both sides. There is considerable power asymmetry between the two countries. China is a permanent member of the United Nations Security Council (UNSC) and had a GDP of approximately USD 18.74 trillion in 2024.² China's rise as a major power has been rapid and dramatic. It clocked double-digit economic growth for over two decades and continues to be the world's largest exporter. China has a very large army with over 2 million active personnel.³ On the other hand, since its independence, Myanmar has experienced persistent political instability, as various armed groups controlled large parts of the country. Because of its autarkic economic policies, Myanmar has remained a least developed country (LDC).

During the Second World War, Myanmar served as a transit country through which the Kuomintang (KMT) received supplies from the Allied powers. After the Second World War, large numbers of KMT troops moved into Myanmar and used it as a base to launch attacks on China. Although the then-government of Myanmar played no role in supporting the KMT, the bilateral relationship between the two countries was marked by suspicion. China sought to gain leverage in its relations with Myanmar by extending support to the Communist Party of Burma (CPB). The prolonged communist insurgency, along with other Ethnic Armed Organizations (EAOs), ensured that Myanmar was tied down in managing internal stability.

After Mao Zedong's death and Deng Xiaoping's rise, China's support for the CPB began to wane. By the late 1970s, the CPB had lost momentum and collapsed completely by the end of the 1980s.⁴ The shift in Chinese strategy was guided by geopolitical and geo-economic considerations. Myanmar's geopolitical location became increasingly salient for China. Myanmar provides China with access to the Indian Ocean region and is critical to Beijing's two-ocean strategy. China was also eager to deepen economic ties with Southeast Asian countries to drive growth in its south-western provinces, such as Yunnan, which shares a long border with Myanmar. Furthermore, Myanmar has significant natural resources that could be used to power economic growth in provinces such as Yunnan in China.

Weapon Sales

However, the end of the communist guerrilla movement did not mark the end of insurgency in Myanmar. Although various EAOs (such as the Kachin Independence Army and the Karen National Liberation Army) have operational histories dating back to the 1940s, the CPB's collapse led to the consolidation of other EAOs, including the Wa and Kokang armed groups.

It should be noted that numerous reports suggest that the Wa and Kokang armed groups have close relations with China and were able to procure arms from China. For instance, there were reports that the United Wa State Army (UWSA) procured military helicopters, air-to-air missiles, and man-portable air defense systems from China.⁵ However, Chinese officials often dismissed such reports, stating that “the Chinese Government holds a clear

and consistent policy of respecting the sovereignty and territorial integrity” of Myanmar.⁶ Nonetheless, reports of the supply of Chinese weapon systems to other armed ethnic groups, such as the Arakan Army in Myanmar, continue to persist.⁷

China sought to maintain a balance in its relations with the EAOs and the Myanmar military. Consequently, China has also provided the Myanmar military with a large supply of weapons, ammunition, spare parts, and machinery required to manufacture weapons. It is estimated that China may have supplied Myanmar with weapons worth USD 267 million since the military coup in February 2021.⁸ Myanmar purchased the FTC-2000G fighter jets and K-8 aircraft, which were extensively used against rebel groups in recent years.⁹ There were also reports that the Myanmar military modified Chinese commercial drones to carry bombs for targeting ethnic armed groups.¹⁰ Interestingly, China also provided Myanmar’s defense forces with a Type 035B Ming-class diesel-electric attack submarine.¹¹ There were reports that Myanmar procured surveillance technologies from China, which were deployed against protesters calling for the return of democracy.¹²

Mediation and Ceasefires

To protect its economic interests, including substantial investments in infrastructure projects such as oil and gas pipelines, China engaged with various stakeholders in Myanmar.¹³ In the process, China emerged as an important facilitator of ceasefires in Myanmar and sought to balance its relations with ethnic armed groups and the Myanmar military. For

instance, in 2013, peace talks were held in Ruili, China, between the Myanmar government and the Kachin Independence Army. China played an important role in arranging security and in shaping the negotiation agenda.¹⁴ These talks marked a significant departure, as China formally served as a mediator. Subsequently, to support national-level ceasefires, China’s Special Envoy on Asian Affairs, Sun Guoxiang, announced that Beijing had extended financial assistance of “US\$3 million via the UN in support of Myanmar’s peace process.”¹⁵ In May 2017, China encouraged various EAOs to participate in the Second Panglong Conference, which sought to address ethnic conflict by promoting a federal system.¹⁶

After the military coup in February 2021, there was a perception that China played a significant role in shaping the trajectory of the civil war. There were instances when China used the EAOs to achieve its security objectives inside Myanmar. In 2023, the Three Brotherhood Alliance—comprising the Ta’ang National Liberation Army (TNLA), the Arakan Army (AA) and the Myanmar National Democratic Alliance Army (MNDAA)—launched operations, seized large tracts of land, and attacked criminal syndicates operating in the border regions. China had long complained to the Myanmar military that these online criminal syndicates were targeting its citizens. Disappointed by the Myanmar military’s lack of a decisive response, China nudged the Three Brotherhood Alliance to seize control of territories from which the criminal syndicates operated.

However, China also did not fully lean towards the EAOs. Beijing deployed a range

of tactics, such as border closures, to ensure that the EAOs negotiated with the military.¹⁷ In 2024, China hosted talks in Kunming and facilitated a ceasefire, the Haigeng Agreement, between the Myanmar military and the Brotherhood Alliance.¹⁸ Chinese officials called on all the relevant parties in Myanmar to “exercise maximum restraint toward each other and solve the issues through dialogue and consultations.”¹⁹ Subsequently, China also supported the elections organized by the Myanmar military, which were boycotted by leading political parties. The Chinese Foreign Ministry spokesman stated that “China congratulated Myanmar on a steady and orderly general election with active turnout,” and added that “China stands ready to continue deepening the comprehensive strategic cooperation with Myanmar.”²⁰

Diplomatic Support

On the international stage, China stood firmly in support of the Myanmar military. In 1988, the student protests were suppressed, and the Myanmar military did not honor the results of the 1990 election. As the international community censured Myanmar and imposed sanctions, China extended diplomatic support and emerged as a vital economic partner. After the 2021 military coup, China was perceived as supporting the Myanmar military's actions. Chinese newspapers referred to the coup as a mere cabinet reshuffle.²¹ While much of the international community shunned engagement with military leaders, China's foreign minister visited Myanmar in July 2022 to attend the Lancang-Mekong Cooperation meetings.²² In 2023, China's foreign minister called on the international community to respect Myanmar's

sovereignty and play a constructive role in helping Myanmar achieve peace and reconciliation.²³ Although the foreign minister did not explicitly refer to them, the statement could be interpreted as aimed at Western countries, specifically the U.S., which has been advocating for full democracy in the country. China's President Xi Jinping met with Myanmar's leader, Min Aung Hlaing, in Moscow in May and again at a Tianjin Guest House in August 2025.²⁴ Subsequently, China's Foreign Minister Wang Yi visited Myanmar in April 2026. These high-level interactions were seen as an endorsement of Myanmar's election process.

Economic Footprint

The multipronged influence operations enabled China to scale up its economic footprint in Myanmar. The Shwe gas fields, off the Rakhine coast, were discovered by a consortium that included Indian and South Korean energy companies. However, the gas from these fields is being shipped to Yunnan Province, China, via pipelines. The decision to export the gas may have been made by the military because China had a dominant presence in other international forums and held veto power in the UNSC, which the Myanmar military needed. China has been a principal beneficiary of timber and other mineral exports, such as jade. In 2024, Myanmar accounted for almost 57 percent of China's rare earth resource imports.²⁵ China was also involved in mining, hydropower, and a host of infrastructure projects under the Belt and Road Initiative. Through the China-Myanmar Economic Corridor, the Kyaukpau Deep-Sea Port and Special Economic Zone, the Yangon New City Project, the Border Economic Cooperation Zones, and a host

of other initiatives, China has become deeply embedded in Myanmar's economy.

Conclusion

Based on the above analysis, the following are a few important takeaways on the growing influence of China in Myanmar. First, given the fractured character of the Myanmar polity, China engaged not only with the Myanmar military but also with a host of EAOs, providing both with arms and ammunition. On the border, China supported various ethnic armed groups and also engaged with the Myanmar military, supporting it on various international platforms.

Second, China prefers political stability in Myanmar to protect its investments. However, a preference for stability did not imply addressing fundamental political fault lines in Myanmar. Despite prolonged engagement and deep ties, China has not been able to nudge the various stakeholders in Myanmar towards a durable peace. Perhaps a fragmented polity with multiple groups controlling different parts of the country offers China greater opportunities to exert influence in Myanmar.

Third, Chinese economic activities enabled it to gain greater political influence in Myanmar's political and social spheres. Enhanced

political and diplomatic engagement enabled China to expand its footprint in Myanmar's economic landscape.

Finally, because the Myanmar military often required China's support on various international platforms, including the United Nations Security Council, it was not in a position to openly express its disapproval of Chinese policies. However, there were instances when Myanmar's disappointment with Chinese policies spilt onto the streets. There were protests against Chinese projects such as the Letpadaung copper mine and the Myitsone hydro-electric project. There were demonstrations in front of Chinese diplomatic establishments, demanding that Beijing refrain from supporting the Myanmar military after the coup. Numerous Chinese firms and factories were targeted and set on fire in March 2021, as many people in Myanmar disapproved of what they perceived as Chinese support for the Myanmar military's actions.²⁶

The China-Myanmar case study demonstrates that, despite power asymmetry, influence operations can be contested. A stable Myanmar with a federal democratic polity will be better positioned to manage Beijing's influence operations.

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PART III

Bangladesh: Beijing's Expanding Gateway into the Bay of Bengal

Corridors, Coasts, and Contestation: Sino–Bangladesh Relations in the Bay of Bengal and the BCIM Space

Shahab Enam Khan

The Strategic Context

The chapter’s title—“Corridors, Coasts, and Contestation”—names the three structural axes through which Bangladesh’s strategic environment is now legible to the BNP government: the corridors of infrastructure financing and connectivity that bind Dhaka to Beijing’s Belt and Road network and define its eastern frontier; the coasts where the Bay of Bengal-to-Malacca maritime stretch is being reconfigured by competing powers; and the contestation between rules-based logic, the U.S.–Bangladesh Reciprocal Trade Agreement, and the transactional logic that defines the post-2025 international order. Read together, these axes describe not separate stories but a single bind, in which the choices available to Dhaka are increasingly set by where ports, pipelines, and political alignments meet.

Bangladesh enters mid-2026 in a position that is paradoxically clearer and more constrained than at any point since the 1990s. The Awami League’s political collapse in July 2024, the Yunus interim government’s tariff preferences

with Washington, the BNP’s two-thirds parliamentary mandate in the credible February 2026 national election, the parallel emergence of Jamaat-e-Islami as a formidable parliamentary opposition, and Tarique Rahman’s swearing-in on February 17 have produced a whole-of-politics realignment rather than a partisan one.¹ The structural backdrop, however, has hardened. The Trump administration’s *National Security Strategy 2025* institutionalizes “flexible realism” and binds market access to geopolitical alignment.² What the international political-economy literature now describes as *weaponized interdependence*—the deliberate use of asymmetric positions in cross-border financial, trade, and technology networks for coercive ends—has become the operating logic of the post-2025 trading system, and supply-chain geopolitics has displaced trade liberalization as its organizing frame. In South Asia, the Iran war and the Islamabad-mediated ceasefire of April 2026 have elevated Pakistan to a category of strategic relevance not seen since 1971.³ The World Bank, effective fiscal year 2026, has quietly removed Pakistan from its South Asia

grouping—a bureaucratic change with strategic consequences.⁴ Europe, too, is recalibrating eastward.

For Bangladesh, the upshot is that “balancing”—a posture to which the country’s political and foreign-affairs communities have long been habituated—is no longer a posture; it is a continuous revaluing of options. The argument of this brief is straightforward. In this environment, China is the most consequential fit for most of the material questions Dhaka now faces—energy, supply chains, infrastructure financing, and the eastern frontier—even as it remains a complex fit for regional architecture. The United States is the other consequential partner, more so since the Bangladesh–U.S. Reciprocal Trade Agreement was signed under the interim government headed by Dr Muhammad Yunus on February 9, 2026.⁵

The BRI Trajectory After the Election

That structural framing now finds direct expression in Beijing’s recalibration since the election. The BNP’s pre-inauguration messaging has settled the scenario that had most concerned Chinese observers — that a post-Hassina government would push Bangladesh away from China and re-anchor its external relations in the West. Beijing’s skepticism had sharpened during the Yunus interim period, when the induction of several advisers and individuals with publicly Western-leaning policy commitments into critical economic and foreign affairs portfolios was read by many observers of Sino-Bangladesh relations as a deliberate political signal. The post-election picture has reset that read. Uneasiness, however, continues as some of the interim government’s

key personnel remain in place under the BNP government. However, within hours of the Chinese spokesperson’s congratulatory message, the BNP confirmed it would “enhance cooperation with China in trade, investment, infrastructure, and connectivity” and continue ongoing BRI projects.⁶ Premier Li Qiang’s note to Prime Minister Rahman went further, framing the relationship as a “comprehensive strategic cooperative partnership” anchored in “high-quality cooperation under the Belt and Road Initiative.”⁷

The reset was consummated in June. Prime Minister Rahman’s first bilateral tour beyond South Asia—to Malaysia and then China, from June 22-26, 2026—produced fifteen memoranda of understanding, two agreements, and only the third joint communiqué the two states have issued in fifty years of diplomatic relations.⁸ The aggregate matters more than any single instrument: roughly USD 300 million in Chinese grant assistance; an agreed exploration of a foreign-and-defence “2+2” dialogue; Chinese support for the Teesta comprehensive management project; Chinese support for Bangladesh’s Shanghai Cooperation Organisation partnership application; and—most consequentially for this brief’s argument—a framework for the modernization and expansion of Mongla Port, alongside Chinese industrial and economic zones at Chattogram and Anwara.⁹ The partnership was simultaneously elevated to a “community with a shared future in the new era,” Beijing’s most formal designation short of alliance.¹⁰ The port instruments are the decisive ones. Chinese involvement on the Bangladeshi coast has thus moved from financing to operations—a different order of

presence, and a different order of exposure.

The continuity, however, is partly substantive. Between March 2025 and January 2026, China extended approximately USD 2.1 billion in additional loans to Bangladesh, bringing cumulative Chinese commitments to over USD 42 billion across projects, finance, and trade.¹¹ China has also extended duty-free access for 99 percent of Bangladeshi tariff lines until 2028, a non-trivial cushion as Bangladesh approaches Least Developed Country graduation—formally scheduled for November 2026, though Dhaka has now requested a deferral—and the potential loss of Western preferences.¹² As of February 2026, Bangladesh's total external debt stands at roughly USD 78 billion, with the World Bank, the Asian Development Bank, and Japan still ranked above China—a structural fact that makes the persistent “debt trap” framing analytically thin (see Annex A).¹³ Bangladesh's posture toward the BRI is therefore less an ideological embrace than what an emerging analytical literature describes as *graduated autonomy*: selective retention, transparent renegotiation and active dependency management.¹⁴

At the same time, defense cooperation remains substantive—Bangladesh has been one of China's most consistent clients for regional procurement for over two decades. What is shifting is the frame: the relationship is moving beyond procurement toward a *diversification of cost-effective platforms* matched with the artificial intelligence and technology augmentation that Bangladesh's force structure now requires. This shift is no longer prospective. On August 25, 2026, Bangladesh Prime Minister's

Information and Broadcasting Adviser, Zahed Ur Rahman, confirmed that draft agreements for the procurement of J-10CE multirole fighters and attack helicopters had been negotiated and forwarded to the Armed Forces Division and other ministries for approval, with implementation contingent on whether funds could be found within the current fiscal year. The rationale offered was explicitly comparative on both price and combat record. Chinese aircraft, the adviser noted, are substantially cheaper than European platforms of comparable quality, and he cited the type's reported performance in the May 2025 India–Pakistan air exchange that followed the Pahalgam attack—“The J-10 performed very well in combat,” he said—before adding that Dhaka was concentrating on this option accordingly.¹⁵ Pakistan's JF-17 Thunder Block III remains a secondary option on the same cost logic, at a unit price roughly one-third that of comparable Eurofighter or Rafale platforms.¹⁶ The significance lies less in the airframe and more in a doctrine of national-interest primacy.

The deeper complication, however, is upstream. Defense modernization, like the industrial transition, will increasingly depend on advanced semiconductors, AI accelerators, surveillance systems, and unmanned platforms that sit at the center of the U.S.–China technology contest. As Washington tightens export controls and Beijing scales indigenous alternatives, every Dhaka procurement decision will be read by both capitals—and how Bangladesh navigates that bind will define Sino–Bangladesh relations more decisively than any single infrastructure or supply project. Defense diversification is therefore not a discretionary

matter but the precondition for strategic autonomy across the Bay of Bengal and the eastern frontier; both China and the United States, particularly after the Bangladesh-U.S. Reciprocal Trade Agreement, will compete for that procurement space pragmatically rather than ideologically.

Energy and Supply Chains: The West Asian Aftershock

If procurement is the visible face of Sino-Bangladesh dependence, energy is the structural one. The Iran war and the Strait of Hormuz disruption have done to Bangladesh what the 2022 LNG crisis foreshadowed: they have shown that fossil-fuel-import dependency is a strategic, not merely a fiscal, problem. With approximately 65 percent of fuel for power generation now imported, and projections suggesting up to 90 percent dependence by 2041 absent a transition, every percentage-point shift in spot LNG, oil, or coal prices translates directly into manufacturing competitiveness—and therefore into the viability of Bangladesh's USD 39 billion ready-made garment economy.¹⁷

This is the context in which Tarique Rahman's June 2025 environmental pledges—a National Green Recovery Plan, the planting of 250–300 million trees over five years, “renewable green energy,” and sustainable agriculture—must be read.¹⁸ The interim government's June 2025 target of 20 percent renewable electricity by 2030 and 40 percent by 2040 has been retained. Achieving it requires raising renewable capacity from roughly 1,000 MW today to 17,470 MW by 2040, and generating an annual investment flow of about USD 980 mil-

lion, according to estimates by the Institute for Energy Economics and Financial Analysis (IEEFA).¹⁹

The supply chain of the transition runs through China. Beijing controls roughly 80 percent of global solar photovoltaic manufacturing, dominates lithium-ion battery cell production, and has secured upstream positions in lithium, cobalt, and rare earths.²⁰ In a market where Western firms still face cost disadvantages, Chinese solar, wind, and storage technology may be the only realistic path to the BNP government's targets within budget. This is the terrain on which supply-chain geopolitics is now contested: the green transition cannot be financed, sourced, or built at scale without engaging Chinese chokepoints, and the policy choice is no longer whether to engage Beijing but how to do so without surrendering strategic autonomy.

The pattern of European and traditionally U.S.-aligned states deepening commercial and energy engagement with China, even amid official decoupling rhetoric, is now widespread. Here, three illustrations are telling. First, CATL's €7.34 billion battery gigafactory in Debrecen—the largest greenfield foreign investment in Hungarian history—has anchored an EU member-state's strategic embrace of Chinese clean-energy manufacturing.²¹ Second, in late 2024, Stellantis and CATL announced a €4.1 billion joint venture in Zaragoza to produce lithium-iron-phosphate cells for the European electric-vehicle market, effectively domesticating Chinese battery technology on Spanish soil.²² Third, in the Gulf, Saudi Aramco's acquisition of a roughly 10 percent stake

in Rongsheng Petrochemical—worth approximately USD 3.6 billion—taken together with the comprehensive strategic partnership signed during Xi Jinping's December 2022 Riyadh visit, has woven Riyadh's downstream petrochemical and renewable-energy ambitions into Chinese supply chains in ways that no Western counterpart matches on price or speed.²³

Beyond these examples, ASEAN and China upgraded their Free Trade Area to Version 3.0 in 2024–2025, Japan and South Korea revived the trilateral economic dialogue with Beijing, and Germany's automotive and chemicals industries have continued large-scale investment in China.²⁴ The 2026 ISEAS *State of Southeast Asia* survey confirms the regional logic: when forced to choose between the United States and China, a slim majority of Southeast Asian elites now tilt toward Beijing, citing concerns over the Trump administration's trade and security trajectory.²⁵ For Dhaka, the implication is uncomfortable but clear: a green transition financed by a mix of Western capital and Chinese hardware is a feasible model.

Corridors and Coasts: Reading the Indian Ocean Port Ecosystem

If supply chains are the soft architecture of the new Bangladesh–Asia geography, ports are the hard architecture. This brief reads China's growing presence through three structures—ports, infrastructure corridors, and the wider Bangladesh, China, India and Myanmar (BCIM) space—because that is where strategic competition has actually settled. The era of experimental multilateralisms is also waning. BCIM now reads more accurately as BCM and may yet evolve into a BCMP+ configura-

tion. Frameworks such as BBIN have proved inadequate for an economy of 180 million people that now ranks as the 32nd largest in the world. Connectivity, moreover, is asymmetric: India enjoys substantive transit access through Bangladesh, while Bangladesh's own connectivity to India and onward to Central Asia, and the operationalization of the 2015 Bangladesh, Bhutan, India, and Nepal (BBIN) Motor Vehicles Agreement, remain effectively unmet—leaving the BBIN architecture lopsided when measured against Bangladesh's economic requirements.²⁶

On the eastern flank, Myanmar's stability is the critical variable for Bangladesh's connectivity with China and Southeast Asia; without it, Dhaka's realistic options narrow to China-led and ASEAN-led initiatives, despite their well-documented limitations. The 2026 West Asia crisis has made the wider point unavoidable as Bangladesh, India, Myanmar, and China share an objective interest in keeping the maritime stretch from the Bay of Bengal to the Strait of Malacca stable, free, and open, regardless of how each capital frames the politics. This is substantiated by events on June 26, when President Xi put a concrete proposal to Prime Minister Rahman at the Great Hall of the People: a China–Myanmar–Bangladesh Economic Corridor linking Yunnan, through Mandalay, to Bangladesh's territory and port system.²⁷ The design is BCIM minus India—highways, railways, inland waterways, land ports, energy infrastructure, special economic zones and digital connectivity, built outward from the existing China–Myanmar Economic Corridor and extended westward to Chattogram and Mongla.²⁸ For Bangladesh, the potential is transformative

rather than incremental. It would give the eastern frontier an economic function it has never had; it would supply a strategic rationale for infrastructure already built or half-built, including the Dohazari–Cox’s Bazar railway, operational since 2023, and its long-planned extension toward Ghumdhum on the Myanmar border; and it would offer the first credible route to correcting a trade relationship in which Bangladesh imported roughly USD 18.6 billion from China last fiscal year against exports of about USD 694 million.²⁹ The BCM configuration this brief anticipated has, in other words, emerged as a formal proposal rather than an analytical inference.

Six external ports illustrate how the Indian Ocean rim has taken shape, as Dhaka would read it. Gwadar, on Pakistan’s Makran coast, anchors the China–Pakistan Economic Corridor (CPEC) and gives Beijing operational access to the Arabian Sea.³⁰ Kyaukphyu, on Myanmar’s Rakhine coast, anchors the China–Myanmar Economic Corridor (CMEC) and a USD 1.5 billion oil-and-gas pipeline complex running to Kunming, which already allows China to bypass the Strait of Malacca for a meaningful share of its energy imports.³¹ Both projects are politically contested and physically incomplete in 2026—Kyaukphyu’s deep-sea port, originally valued at USD 7.3 billion and renegotiated to USD 1.3 billion for the first phase, remains stalled amid Arakan Army gains across much of Rakhine³²—yet both have done what they were designed to do strategically: lock in long-term Chinese presence on the Indian Ocean rim.

India’s two equivalents have not. Chabahar in Iran, conceived as India’s western Indian Ocean

foothold and an alternative to Pakistan-routed access to Central Asia, is now hostage to Iran’s post-war disorder, U.S. secondary sanctions, and the basic question of whether Tehran retains the bandwidth to be a reliable partner. Kaladan, the multimodal transit-transport project linking Kolkata to India’s Northeast through Sittwe and inland Myanmar, has been functionally suspended since the Arakan Army’s territorial gains. By December 2024, the Arakan Army had taken full control of Myanmar’s 270-km border with Bangladesh and all three relevant Rakhine townships—Maungdaw, Buthidaung, and Paletwa.³³ Whatever Kaladan may eventually become, it will not, in 2026, function as a credible alternative for the regional connectivity Bangladesh actually needs.

The Sri Lankan cases extend the picture and are arguably more instructive for Dhaka than either Gwadar or Kyaukphyu. Hambantota, transferred to China Merchants Port Holdings on a 99-year lease in 2017 after Colombo’s debt-servicing crisis, became the analytic shorthand for the “debt trap” framing—a framing that, on the closer evidence, is empirically thin but politically durable. The Colombo Port City Special Economic Zone, anchored by the China Communications Construction Company, has matured on a different vector into a working financial-services and logistics hub.³⁴ For Bangladesh, the Sri Lankan ports are case studies in how to negotiate, ringfence, and diversify Chinese-financed maritime infrastructure without ceding strategic control—a question the Hasina-era Sonadia and Payra deliberations had to confront and that Dhaka’s negotiating team will face again across the BNP’s term.

Bangladesh's own coastal architecture is the missing piece in most external readings of this map, and it is what gives Dhaka its leverage. The Matarbari deep-sea port and integrated power complex on the Cox's Bazar coast—financed by the Japan International Cooperation Agency (JICA) at roughly USD 4.6 billion under successive yen-loan packages—is, by some distance, Dhaka's single most consequential strategic infrastructure asset. It anchors a Japan-led, non-Chinese alternative on the Bay of Bengal rim, gives Bangladesh sovereign deep-water capacity that neither Chittagong nor Mongla can match, and functions as the country's principal hedge against both economic shocks (LNG and coal logistics) and geostrategic pressure (through a non-Chinese partner of comparable patience and discipline).³⁵ Matarbari is the partial exception that proves the rule that Chinese capital is uniquely patient—and it is the one project that gives Dhaka real leverage in any Beijing conversation. Further south, the Bangladesh Navy's submarine base at Pekua, on the Kutubdia channel—built with Chinese technical assistance, commissioned in March 2023, and berthing the BNS *Nabajatra* and BNS *Joyjatra* Type 035G submarines—completes the eastern coastal arc.³⁶ Pekua is not Gwadar or Kyaukphyu in scale or strategic intent, but it gives Bangladesh a credible undersea presence in the northern Bay of Bengal and, read alongside Matarbari, anchors a coastal posture that is neither wholly Chinese nor wholly Japanese, which is, in 2026, the pragmatic answer to the corridor-coast bind.

Altogether, the six external ports and the two Bangladeshi nodes form a single graduated

theater: Chinese-financed deep-water infrastructure on the Pakistani, Myanmar and Sri Lankan flanks; Indian projects stalled by political volatility in the middle; and a Japan-anchored Bangladeshi node—Matarbari-Pekua—that gives Dhaka the only realistic platform from which to negotiate the rest. For Dhaka, this asymmetry matters less for delivery competence than for what it tells the foreign-policy establishment about realistic timelines. Strategic projects fail or succeed on the financier's willingness to absorb risk; by that measure, Beijing has demonstrated more patience, deeper pockets, and a higher tolerance for political volatility than any other actor on the BCIM map. Tokyo, through Matarbari, is the partial exception. Any post-2026 Bangladeshi China policy must read this geography accurately: not as a contest between blocs, but an inventory of what works, what does not, and where Dhaka's own coastline gives it leverage.

Pakistan's Mediator Turn and the Quiet Redrawing of "South Asia"

The port map is also being redrawn by a less visible cartographic shift. The Islamabad Talks of April 2026—the first U.S.–Iran negotiations of their scale and visibility since 1979—have done two things to South Asia's political psychology at once. They have given Pakistan a category of legitimacy, backed by both Washington and Beijing, which it has not held since the 1970s.³⁷ And they have, in effect, ratified the World Bank's reclassification of Pakistan into the new MENAAP grouping—Middle East, North Africa, Afghanistan, and Pakistan—with effect from fiscal year 2026, separating it administratively from South Asia.³⁸

This bureaucratic shift is more consequential than it appears. World Bank classifications drive the organization of billions in development finance, sovereign credit ratings, and comparative analytics. Pakistan's MENAAP designation is expected to be propagated by the Asian Development Bank, the Islamic Development Bank, and major data providers.³⁹ In the analytics that matter for capital flows, South Asia will mean India, Bangladesh, Sri Lanka, Nepal, Bhutan, and the Maldives—with India accounting for roughly 80 percent of the region's GDP.

The implications cut three ways. For Beijing, the reclassification consolidates what its own foreign-policy architecture has long assumed: that Pakistan belongs to a wider West Asia–CPEC theater running from Gwadar to the Gulf, not to a South Asia in which India sets the analytical center of gravity. For Dhaka, it removes the rhetorical convenience of treating Pakistan as a regional peer, makes the residual South Asian map smaller, denser, and more India-shaped, and widens the rationale for trans-regional engagement (RCEP, BRICS-adjacent finance, ASEAN sectoral dialogue, and Gulf labor and investment corridors). For the Beijing–Dhaka relationship specifically, the effect is to make trilateral and minilateral architecture—the Bangladesh–China–Pakistan mechanism inaugurated in June 2025, BCIM-derived configurations, and BRICS-adjacent finance—the natural frame for engagement, rather than SAARC or BIMSTEC mechanisms that no longer maps onto strategic reality.⁴⁰ The post-Iran-war environment is likely to accelerate that minilateral turn.

Myanmar: The Limits of Chinese Patience

Where the Pakistan reclassification reimagines the western edge of Bangladesh's strategic neighborhood, the unresolved Myanmar question redraws the eastern one—and on this, Beijing's strategic patience has clear ceilings. China's interests in Myanmar—pipelines, Kyaukphyu, the CMEC, and the protection of Chinese personnel and overseas investments—are real, but Beijing has demonstrated through 2024–2026 that it will not overextend itself to manufacture stability. The Arakan Army's capture of all three Bangladesh-bordering townships, the methamphetamine economy that has migrated from production toward maritime trafficking through the Naf River, and the unresolved presence of more than a million Rohingya in Cox's Bazar continue to define Bangladesh's eastern flank.⁴¹

A pragmatic understanding is necessary. Myanmar's stabilization will not come from external choreography alone. It will require its military institutions and surviving political processes—the Tatmadaw, the National Unity Government, the major ethnic armed organizations, and a federal arrangement that may potentially emerge—to converge on a workable settlement. The volume and diversity of armed actors involved limit what any external power, including China, can deliver. Beijing's leverage is significant in commerce, pipelines, and elite-level mediation; it is nuanced in the ethnic-political bargain Myanmar actually needs. For Bangladesh, this means the Rohingya question will be resolved alongside, rather than before, Myanmar's internal political settlement, and Dhaka's task is to manage the

costs of waiting while keeping the Chinese, the U.S., and ASEAN tracks active. The Matarbari–Pekua coastal arc gives Dhaka an advantage that the Myanmar file otherwise denies it, providing a sovereign deep-water and under-sea platform on its own coast that is contingent neither on Naypyidaw's stability nor on Beijing's patience. Keeping that arc operational is the silent precondition for everything else.

The corridor proposal nevertheless alters the incentive structure around that approach, and this is the strongest reason to treat it as more than an infrastructure offer. No seamless overland route from Yunnan to Chattogram can be financed, insured, or operated through Rakhine in which territorial control is contested, and more than a million displaced Rohingya remain in Bangladesh. For the first time, Beijing's commercial interest and Dhaka's central diplomatic objective point in the same direction. During the June visit, Chinese officials undertook to assist repatriation negotiations with Naypyidaw, and Dhaka has restated that progress on connectivity must be accompanied by conditions permitting the safe, voluntary and dignified return of roughly 1.2 million refugees.⁴² That linkage is Bangladesh's principal source of leverage for drawing the protracted Rohingya crisis into the corridor negotiation.

However, assessments have been close to unanimous that the corridor is not buildable on any near-term horizon as the route traverses an active conflict zone, the Arakan Army holds most of Rakhine as of August 2026, a Chinese-backed power plant at Kyaukphyu was progressively dismantled and relocated from late 2024 as fighting closed in, and infrastruc-

ture through contested territory risks financing the armed actors it must pass.⁴³ The corridor is therefore best understood as a strategic frame with economic rationale rather than a construction proposal only. But it is a frame that, uniquely among the options available to Dhaka, converts the Rohingya issue from a humanitarian burden the country absorbs into a negotiable interest that a great power now shares.

The Dhaka Gap and Delhi's Continuity

The risks this brief has so far described are external. The deeper risk is internal. Bangladesh's foreign-policy establishment has navigated the post-July 2024 environment with reasonable competence—the 19 percent reciprocal-tariff deal of February 2026, which was signed immediately before the BNP government was sworn in, the trilateral mechanism with China and Pakistan, cautious BIMSTEC re-engagement, and the BNP-era reset with India all suggest institutional capacity. Political society, however, is moving on a different track. The median age of the July 2024 protesters was under 22, accountability has been democratized in ways that cut against quiet establishment statecraft, and anti-India sentiment rises and falls on social media in ways that constrain diplomatic flexibility—a problem the academic literature increasingly treats under the heading of *weaponized information ecosystems*.⁴⁴ Foreign-policy resilience now depends on a political society that grants the establishment room to act transactionally; the post-July 2024 polity does not yet reliably provide it.

The counterpart-side observation is symmetric. India's strategic posture toward Dhaka,

constructed during the Awami League period on a party-to-government alignment, is unlikely to be reinvented simply because the partisan counterpart in Dhaka has changed. What is more likely is *optical modification*. That means the substantive playbook of connectivity, transit, water, and security cooperation will be broadly preserved, increasingly instrumentalized through a “counter-Islamist” framing that allows Delhi to rationalize continued engagement to its own domestic audience. While the West Bengal elections brought the Bharatiya Janata Party, ruling at the center, to govern the state assembly in May 2026, the party will have to take a decisive position on Teesta water sharing and deliver a better, renewed Ganges treaty, as West Bengal politics was portrayed as the key obstacle to water sharing with Bangladesh. However, a Bangladesh that mistakes optics for a genuine reset will discover too late that the optics were always fungible while the substance was not. There remains, therefore, room for cautious optimism—that a genuine Indian interest in seeing Dhaka beyond security and Hindutva, and beyond domestic-political myopia, will prevail, anchored in the recognition that the Dhaka of the Awami League years is no longer available.

The “Bangladesh First” Test: Closing the Dhaka–Beijing–Washington Gaps

The substantive test of the next two years is not institutional—it is strategic. “Bangladesh First” is the slogan around which the BNP government has organized its foreign-policy posture; whether it survives contact with the Beijing–Washington bind will determine the doctrine’s credibility. Three gaps define that bind, and each must be closed if

“Bangladesh First” is to mean more than electoral signaling.

The first is the *energy and supply-chains gap*. The Reciprocal Trade Agreement signed in February 2026 anchors Bangladesh’s export economy in the United States, but Bangladesh’s industrial base—solar and storage hardware, advanced batteries, processed inputs for the ready-made garment value chain—runs through Chinese chokepoints. A “Bangladesh First” position cannot hold if Washington reads Beijing-sourced industrial inputs as evidence of geopolitical drift, or if Beijing reads U.S. tariff preferences as evidence of bandwagoning. Closing this gap requires Dhaka to articulate, publicly and consistently, that its trade and supply-chain choices are driven by domestic necessity—energy security, employment, post-LDC competitiveness—rather than by alignment, and to negotiate, where possible, hardware-and-standards arrangements that make this legible to both capitals.

The second is the *technology and defense gap*. Defense diversification—the J-10CE and JF-17 conversation, the trilateral architecture with Beijing and Islamabad and potential inclusion of Myanmar, and the integration of artificial intelligence, advanced semiconductors, and unmanned platforms into the force structure—will increasingly be read in Washington through an export-controls lens and in Beijing through a strategic-partnership lens. A “Bangladesh First” framing requires Dhaka to make explicit what it will and will not co-produce with whom, on what timetable, and against what national-security benchmark. Strategic ambiguity, which served Bangladesh

adequately in a rules-based order, is a liability in a transactional one.

The third—and most consequential—is the *political-society gap*. Foreign-policy resilience, be it in terms of Bangladesh-China, Bangladesh-U.S., or any other spectrum, now depends on a domestic constituency that grants the state room to act transactionally at both the regional and international levels. The post-July 2024 polity does not yet reliably provide it: anti-India and anti-China sentiment moves on social media at speeds bilateral diplomacy cannot match, while the Reciprocal Trade Agreement is read through the partisan lens of who signed it rather than the structural lens of what it secures. Closing this gap is not a communications exercise. It requires the BNP government to make the China-U.S. trade-off legible to citizens—that energy security, supply-chain resilience, dignity at the border, and the viability of the export economy are domestic necessities, and that the foreign-policy choices required to deliver them are necessarily transactional.

The previous era is instructive precisely because it failed all three tests. Foreign policy was treated as the private project of factions and individuals; the costs are still being paid in the unresolved Rohingya repatriation file and the brittleness of an overly single-capital-centric relationship. “Bangladesh First,” read seriously, is the inversion of that pattern, a doctrine that subordinates partisan calculation to a national interest defined by what citizens, the export economy, and the eastern frontier actually require. The BNP government’s two-year window is the period in which that doctrine

has to be operationalized—or seen, in retrospect, as having been a slogan.

Implications and Outlook

Four projections follow.

First, Sino-Bangladesh momentum will continue to deepen along its current vector. Energy, supply chains, defense diversification (with the new regionalism now including the Bangladesh-China-Pakistan trilateral architecture), and infrastructure financing will keep Beijing structurally embedded. The June 2026 visit, the Mongla port framework, the J-10CE procurement track and the proposed China-Myanmar-Bangladesh corridor have already converted a directional argument into an observable one. The 99 percent duty-free arrangement until 2028 is a material cushion against LDC-graduation costs that no other partner is offering on a comparable scale.⁴⁵

Second, Bangladesh will deepen transregional engagement to compensate for the failure of South Asian institutions and the slow pace of BIMSTEC. Expect renewed RCEP-related diplomacy, ASEAN sectoral dialogue partner engagement, BRICS-adjacent finance arrangements, and Gulf-South Asia labor and investment corridors. The BNP’s stated intent to seek ASEAN engagement is consistent with this direction, even if the timeline is contested.⁴⁶

Third, the most likely failure mode is not foreign—it is domestic. If political society and the foreign-policy establishment cannot close the consensus gap, transactional multipolarity will produce sharp short-term wins followed by reactive corrections. Hence, the Bangla-

desh-India-China-U.S.-West Asia-Southeast Asia equations will become increasingly complicated in the absence of political consensus.

Fourth, the depth of Sino-Bangladesh relations across 2026–2030 will be set by four operational vectors rather than by political rhetoric. One, defense modernization oriented toward keeping the Bay of Bengal-to-Malacca corridor stable, free, and open; two, the stabilization of Myanmar and the corridor question that now rides on it; three, the supply-chain geopolitics of the energy transition; and four, the integration of artificial intelligence and advanced technologies into Bangladesh’s industrial base under conditions of weaponized interdepen-

dence. The new regionalism that transcends SAARC and BIMSTEC—RCEP, BRICS-adjacent finance, ASEAN sectoral mechanisms, and Gulf–South Asia corridors—will be the institutional environment in which these vectors are negotiated.

The chapter’s central claim is therefore as modest as it is unsentimental. Bangladesh’s deepening engagement with China is not a strategic choice; it is about available options under conditions Dhaka did not create—a matter of necessity, not preference.⁴⁷ The task ahead is to make that necessity legible to citizens, neighbors, and a foreign-policy establishment that has historically preferred ambiguity to candor.

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Hedging, Not Pivoting: Bangladesh's China Policy Under the BNP Government

Tristan Eng

Introduction

In July, Bangladesh's Foreign Minister Khalilur Rahman attended the ASEAN Foreign Ministers' Meeting in Manila, using the gathering to signal the newly elected Bangladesh Nationalist Party (BNP) government's commitment to regional engagement by holding bilateral meetings with the foreign ministers of China, the United States, and Russia.¹

His meeting with Chinese Foreign Minister Wang Yi was of particular importance, coming after Prime Minister Tarique Rahman's June visit to Beijing, where both sides issued a joint communiqué agreeing to elevate ties to a “comprehensive strategic cooperative partnership to jointly build a China–Bangladesh community with a shared common destiny in the new era” (提升中孟全面战略合作伙伴关系，构建新时代中孟命运共同体).² Much was made of Prime Minister Rahman's choice to visit China as his second overseas visit since taking office and the first to a major power—a spot usually reserved for India.³

Following his return from Beijing, Prime Minister Rahman sought to frame the deepening relationship with China as an application of

his government's broader “Bangladesh First” foreign policy.⁴ Addressing parliament on June 27, Rahman argued that his overriding responsibility was to protect the interests of Bangladesh and its people, and that his foreign trip to China contributed to the prosperity of Bangladesh.⁵

Yet, as seen at the ASEAN Foreign Ministers' Meeting, closer ties with Beijing have not prevented Dhaka from developing its relations with other major powers. Dhaka has sought to have a ‘fresh start’ with India after bilateral ties cooled in the years following the fall of former Prime Minister Sheikh Hasina.⁶ At the same time, the BNP government has expanded high-level diplomatic and economic engagement with Washington, with Prime Minister Rahman publicly signaling that he wants to strengthen ties with the Trump administration.⁷

Bangladesh's foreign policy under the BNP is best understood through the framework of strategic hedging.⁸ Rather than indicating a pivot toward China or any other major power or regional bloc, diplomatic signals and official documents suggest a strategy aimed at maximizing the benefits of closer cooperation be-

tween the major powers while resisting alignment with any single power.⁹

China as Bangladesh's Strategic Alternative

China has long provided Bangladesh with economic, diplomatic, and military options that reduce its vulnerability to Indian predominance in the region. China continues to be Bangladesh's dominant supplier of major conventional arms, accounting for roughly three-quarters of its arms imports over much of the past decade.¹⁰ China has also provided significant loans and infrastructure finance to the country. Data suggest that China has committed approximately USD 20.6 billion in financing to Bangladesh between 2000 and 2023, of which 96 percent supported infrastructure development. Energy projects alone accounted for more than half of total commitments, while transport projects accounted for another 28 percent. China Eximbank has been particularly central to this funding, providing around 71 percent of total financing.¹¹

The June joint communiqué was a significant milestone in Sino-Bangladeshi relations. Alongside the decision to build a “China–Bangladesh community with a common destiny in the new era,” the two sides agreed to establish a foreign-minister-level strategic dialogue, explore a diplomatic and defense “2+2” mechanism, and deepen defense and maritime cooperation.¹² The communiqué commits both sides to cooperation on the Belt and Road Initiative (BRI) and to exploring “newer options for regional connectivity,” language which may allude to a future China–Myanmar–Bangladesh transport corridor, even though no such corridor is named explicitly in the document.¹³

Bangladesh in China's Foreign Policy Vision

While Bangladesh and China had already entered into a “comprehensive strategic cooperative partnership” (全面战略伙伴关系) under former Prime Minister Sheikh Hasina, the commitment by both countries to “jointly build a China–Bangladesh community with a shared common destiny in the new era” (构建新时代中孟命运共同体) is both strategically and rhetorically significant.

Though originating during the Hu Jintao era, the ‘community of common destiny for mankind’ (CCDM, 人类命运共同体) concept has become a defining feature of Chinese foreign policy toward “Global South” countries under Xi Jinping.¹⁴ The CCDM vision places China as the leader of the “Global South,” drawing on its developmental success story to present itself as an alternative source of political, economic, and developmental leadership to the West, while also inducing states within this “community” to act in ways more compatible with Beijing's own national ambitions.

In Chinese discourse, “neighboring countries” (周边国家) like Bangladesh play a crucial role in realizing the CCDM vision, especially since Xi has elevated the “neighborhood” to a central place in China's overall foreign-policy strategy and its pursuit of national rejuvenation.¹⁵ As such, at the landmark 2013 Conference on Neighboring States Diplomacy, Xi Jinping stated it was vital for the “consciousness of a community of shared destiny to take root in neighboring countries” (命运共同体意识在周边国家落地生根).¹⁶

Bangladesh is not the only South Asian country to commit to building bilateral communities of common destiny. Other South Asian countries like the Maldives,¹⁷ Sri Lanka,¹⁸ and Pakistan have, to varying degrees, committed to this vision. However, Bangladesh is the only other South Asian country besides Pakistan whose official bilateral documents frame building this community in the “new era” (新时代).¹⁹ This formulation links bilateral relations with the Xi period’s defining slogan of the ‘new era of socialism with Chinese characteristics’ (新时代中国特色社会主义思想), an ideological framework that, when used in a foreign policy context, marks the relationship as part of the ideological architecture of the Xi era and its more activist conception of China’s international role.²⁰

By placing Bangladesh within Xi-era diplomatic language most closely associated in South Asia with Pakistan, Beijing appears to signal an ambition for a deeper relationship with Dhaka based on the Pakistan model. There are indeed many echoes between China’s approach to Pakistan and its recent approach to Bangladesh, including an emphasis on infrastructure and connectivity projects.

Bangladesh and the BRI

Among Chinese scholars and analysts, there has been debate over whether the recent joint statement signals a change in Bangladesh’s stance toward China or instead reflects a continuation of its previous foreign policy. Before Rahman’s visit, some Chinese scholars had characterized Bangladesh as pursuing a policy of “Great Power Balancing Diplomacy” (大国平衡外交), particularly in relations with the United States, India and China.²¹ However, some have

interpreted Prime Minister Rahman’s visit as evidence of Dhaka pivoting toward Beijing and as demonstrating that the BRI “is welcomed by countries in the region” (表明共建 “一带一路” 倡议受到地区国家的欢迎).²²

Yet a comparison of Chinese and Bangladeshi accounts regarding Dhaka’s stance on connectivity projects and the BRI suggests neither balancing nor pivoting, but rather the adoption of a hedging strategy. In international relations theory, hedging can be defined as a strategy of “non-alignment via multi-alignment”—in other words, cultivating relationships with competing powers without fully siding with any one of them.²³ In Bangladesh’s case, it has historically used closer ties with China to offset its dependence on India and expand its economic and strategic options, while continuing to maintain close relations with New Delhi.

This is reflected in Dhaka’s use of diplomatic language to preserve ambiguity and avoid signaling exclusive alignment with China. For example, in Beijing’s readout from the July ASEAN Foreign Ministers’ Meeting, it attributes to Bangladesh Foreign Minister Khalilur an explicit commitment to “advance cooperation on the China–Myanmar–Bangladesh Economic Corridor.”²⁴ Bangladesh’s account, by contrast, does not identify the proposed corridor by name, referring instead more generically to a “multi-modal transport corridor.”²⁵

Bangladesh’s wording is in line with the more cautious tone of the joint communiqué, which states generally that both sides are to “explore newer options for regional connectivity,” without naming a specific project.²⁶ The discrepan-

cy does not necessarily indicate disagreement over the implementation of the project itself but may suggest that Dhaka remains cautious about publicly framing regional connectivity through what has become a project within China's Belt and Road Initiative (BRI).

Commentators were quick to point out the similarities between this initiative and the now-dormant Bangladesh–China–India–Myanmar Corridor (BCIM).²⁷ The BCIM concept grew out of efforts in the 1990s and 2000s to improve connectivity between southwestern China, eastern India, Bangladesh, and Myanmar, with a particular focus on linking Kunming to Kolkata through a multimodal transport corridor. Beijing later folded the project into the BRI, but progress stalled as India refused to endorse the initiative, citing transparency and sovereignty concerns.²⁸ Since then, while attempts have been made, it is unlikely BCIM will be revived, although the idea of linking Yunnan with the Bay of Bengal through Myanmar and Bangladesh remains relevant to the newer Chinese corridor proposal.

Beijing, perhaps aware of the political sensitivities it touched on when it brought BCIM into the BRI, appears to be pursuing this corridor idea incrementally through bilateral connectivity projects rather than waiting for all states to commit to a single framework project. Chinese statements have continued to frame the corridor as one that New Delhi could still join.²⁹

Myanmar as a Strategic Fault Line

Myanmar provides a clear example of Dhaka's hedging strategy, as it seeks to cooperate with Beijing on regional connectivity while preserving an independent position on the Rohingya

issue. For Bangladesh, relations with Myanmar are primarily seen through the Rohingya crisis and the necessity of repatriating over a million refugees currently in camps in Bangladesh, as seen in its readout from the recent foreign ministers' meeting.³⁰ China, on the other hand, places greater emphasis on stability within Myanmar and Myanmar's place as a transport node and supplier of resources.³¹

Myanmar has become a key piece in China's dominance of rare-earth materials.³² Between 2017 and 2024, Myanmar supplied roughly two-thirds of China's rare-earth imports by volume, with exports to China rising sharply after the 2021 military coup that saw the overthrow of Aung San Suu Kyi's National League for Democracy.³³ Beijing has consequently cultivated relations not only with the military government but also with insurgent groups like the Arakan Army, the armed wing of an ethnic political group the United League of Arakan within Myanmar's Rakhine State.³⁴ Recent research argues that China has used these groups' dependence on cross-border trade and rare-earth revenues to influence their behavior, while India has itself begun exploring ties with insurgent groups to secure access to critical minerals and offset Chinese influence.³⁵

With the Arakan Army now controlling substantial territory in Myanmar's Rakhine State, reports suggest Dhaka may be willing to engage with the insurgent group and the military junta to resolve the refugee crisis.³⁶ It should be noted, however, that the Arakan Army has itself been accused of abuses against Rohingya civilians and has resisted recognition of Rohingya identity.

While agreeing to regional connectivity as a goal while maintaining an independent position on Rohingya repatriation, Dhaka employs a form of adaptive offset, thereby limiting the risks of over-alignment with Beijing.³⁷ However, Dhaka must also contend with the fact that Beijing's overriding interest is likely to be primarily stability across Myanmar to protect investments and access to strategic resources, even if that requires accommodating whichever armed actors exercise control. Dhaka must be careful not to lean too heavily into Beijing's priorities, lest it fail to address its own. For its strategy to succeed, any economic project between the three countries must address both the stability of the Rakhine region and the repatriation of Rohingya refugees to be politically satisfactory for both Bangladesh and China.

India, Infrastructure, and Water Politics

Despite the differences noted above, it cannot be denied that Beijing and Dhaka have deepened their relationship, particularly through domestic development initiatives and infrastructure cooperation. Of the 13 memoranda of understanding signed during the visit, most focused on practical areas of economic and human development.³⁸ The agreements covered a range of economic areas, including investment promotion and cooperation to develop special economic zones, as well as health and education cooperation under the Global Development Initiative (GDI), one of China's four global initiatives, which aims to advance Beijing's preferred approaches to global development.³⁹

Significantly, China has also committed in the June communiqué to assisting Bangladesh with the Teesta River Comprehensive Management

and Restoration Project (TRCMRP). The project is intended to make the section of the Teesta River within Bangladesh more resilient against floods during the monsoon season and to support irrigation during the dry months.⁴⁰ As of 2022, 91.4 percent of the country's renewable water resources originated outside its borders, overwhelmingly through the Ganges-Brahmaputra-Meghna river system, whose main branches flow from India into Bangladesh.⁴¹

Water sharing has remained a persistent sore point in Bangladesh–India relations. Despite decades of negotiations, the two countries have yet to conclude a formal long-term agreement on sharing the Teesta, a major tributary of the Brahmaputra flowing from India into northern Bangladesh.⁴² The problem is particularly acute during the dry season, when flows decline sharply and there is insufficient water to satisfy competing irrigation demands on both sides of the border.

India remains indispensable to any agreement over the volume of Teesta water reaching Bangladesh, and Chinese support is not going to change this reality.⁴³ India's indispensability to Bangladesh is not just limited to transboundary water issues but also extends to other forms of infrastructure and economic connectivity. The Protocol on Inland Water Transit and Trade, for example, integrates and facilitates regional connectivity between Bangladeshi waterways and India's National Waterways 1 and 2.⁴⁴ Bangladesh's import of 40 MW of hydropower from Nepal is only possible through Indian territory and transmission infrastructure—a key resource as Bangladesh often struggles with its own electricity security.⁴⁵

At the societal level, India has also played an important role for Bangladeshi medical patients and tourists.⁴⁶ This goes both ways, as Indian businesses were also affected when India restricted visa services following the political upheaval of 2024, though New Delhi has subsequently begun restoring tourist visas as of 2026.⁴⁷ These factors do not prevent Dhaka from deepening cooperation with China, but they impose structural limits on how far it can align with Beijing, thereby constraining the extent of its hedging in China's favor.

Hedging into the Future

Bangladesh's recent approach to BRICS is illustrative of the likely future direction of its hedging strategy, as Dhaka seeks to preserve flexibility across its relationships with China, India, and other major powers. At the time of writing, Prime Minister Rahman had rejected the invitation to attend the BRICS summit to be held in New Delhi.⁴⁸ Reports suggest that this was in retaliation to a recent press conference held by the now deposed Prime Minister Sheikh Hasina in India where she vowed to return to Bangladesh.⁴⁹

The Rahman government has at the same time signaled interest in participating in the recent Saudi Arabia–Pakistan–Türkiye Mecca Joint Defense Agreement at the invitation of Saudi Arabia.⁵⁰ Joining the Mecca Agreement would be a significant change in Bangladesh's foreign policy as the pact includes a collective defense clause where an armed attack on one member is treated as an attack on all.⁵¹ While China

has publicly welcomed the Agreement, some have argued that a grouping led by relatively autonomous powers such as Saudi Arabia and Türkiye could complicate Beijing's position by giving Pakistan, and potentially Bangladesh, strategic alternatives and reducing China's influence in the region.⁵²

What, then, should be made of these developments? Rahman's decision not to attend the BRICS summit is better understood as a reflection of strained bilateral ties with India than as a reflection on closer ties with China through BRICS or BRICS itself. Similarly, Bangladesh is unlikely to become a full member of the Mecca Agreement, as doing so would ally itself with Pakistan and is likely to irreparably damage its relationship with India. Rather, by adopting a strategy of ambiguity and maintaining relationships that often seem mutually incompatible, Dhaka retains a degree of "fallback maneuverability," allowing it to compensate for deterioration in one relationship by drawing more heavily on others.⁵³

Conclusion

Bangladesh's recent engagement with China is better understood as strategic hedging than as a pivot toward Beijing. Though the June communiqué marked a genuine deepening of ties with China, Bangladesh remains deeply intertwined with India and other major partners. Thus, the BNP government's strategy going forward appears to be preserving room for maneuver rather than committing to a single alignment.

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PART IV

The Maritime-Sub-Regional Nexus and Ambitions

Blue Economy, Strategic Seas: China's Maritime Statecraft in Southeast Asia and Bay of Bengal

Jessica C. Liao

Introduction

Historically a land-centric continental player, China's transition into a proactive maritime power is a central tenet of modern Chinese nationalism and its pursuit of world-class status. From the dynastic era through the Republican period, leaders have long viewed maritime capability as the indispensable prerequisite for safeguarding national interests and establishing the stable order required for global commerce. In the modern era, this vision has evolved from a secondary ambition into an existential strategic necessity. Propelled by an inescapable reliance on global trade, post-reform China views maritime stability as the bedrock of its continued growth and prosperity.

Central to this shift is a critical geographic vulnerability: approximately 80 percent of China's crude oil imports transit the narrow, highly contested Strait of Malacca. This strategic bottleneck, famously termed the "Malacca Dilemma" by former President Hu Jintao, remains a primary driver of Beijing's maritime insecurity.¹ While his predecessors identified

the problem, President Xi Jinping inherited a China with the financial and military resources to resolve it. Over the past decade, under Xi's leadership, China has undergone a profound strategic metamorphosis, transitioning from a reactive coastal defender into a dominant, proactive maritime power.²

To resolve its strategic vulnerabilities and secure critical supply chains, Beijing has deployed a comprehensive, dual-theater maritime strategy. This chapter argues that China's approach relies on a calibrated triad of economic "carrots," normative rhetoric, and coercive "sticks." Specifically, Beijing integrates large-scale infrastructure investment and a coordinated maritime diplomacy campaign with the proactive application of coercive tools to achieve deterrence.

The following analysis examines how this strategy has manifested in Southeast Asia—the operational heart of China's maritime grand strategy and the center of an emerging Sino-centric order. It subsequently compares

these developments to Beijing's westward expansion into the Bay of Bengal, highlighting the distinct strategic logic applied in that theater. Finally, this chapter evaluates the empirical results of this dual-theater strategy and considers its broader implications for the regional security architecture.

Evolving Policy Doctrines and the Centrality of Southeast Asia to China's Maritime Interests

To discuss China's maritime strategies and related actions, one must first trace the evolution of the high-level policy doctrines that catalyzed them. Under Xi Jinping, the ambition to transform China into a "strong maritime power" (*haiyang qiangguo*) has been elevated from a peripheral defense contingency to a core pillar of the "Great Rejuvenation of the Chinese Nation."³ This paradigm shift has been operationalized through a synchronized overhaul of China's foreign, domestic, and defense policies.

The foreign policy vanguard of this shift began with the 2013 launch of the 21st Century Maritime Silk Road—the oceanic pillar of the Belt and Road Initiative (BRI). Announced by Xi during his state visit to Indonesia, this initiative leverages physical infrastructure and economic connectivity to project strategic influence. By designating Southeast Asia as the indispensable primary node, Beijing set the stage for deep regional integration across Asia and the Indo-Pacific with China at the center.⁴

Integral to this geoeconomic expansion is Beijing's promotion of the "Blue Economy" (*haiyang jingji*)—a framework that illustrates how

China's domestic economic imperatives serve as a primary engine for its maritime foreign policy. From the 12th, 13th, and 14th Five-Year Plans, Beijing has consistently prioritized the expansion of maritime space, framing the ocean as the next critical frontier for national wealth and a vital engine of growth.⁵ This economic offensive was fortified by a profound reorientation of China's defense policy. The landmark 2015 *China's Military Strategy* White Paper explicitly mandated that the "traditional mentality that land outweighs the sea must be abandoned."⁶ This directive catalyzed the structural transition of the People's Liberation Army Navy (PLAN) from a localized, reactive doctrine of "offshore waters defense" (*jinhai fangyu*) to a globalized operational focus on "open seas protection" (*yuanhai huwei*).

Furthermore, Beijing is working to establish a China-led normative framework to legitimize its new maritime strategy. Since taking office, Xi has pushed for a more proactive Chinese stance in global governance.⁷ Thus, the 2019 Defense White Paper introduced the concept of the "Maritime Community with a Shared Future",⁸ which is reinforced by the 14th Five-Year Plan.⁹ This framework guides China's growing efforts to reshape maritime multilateralism, challenging the long-standing dominance of Western norms and policy discourses.

Infrastructural Statecraft and Blue Economy in the South China Sea

Southeast Asia, geopolitically indispensable as the vital maritime conduit bridging the Pacific and Indian Oceans, naturally serves as the epicenter of China's economic and infrastructural statecraft. Under the auspices of the BRI,

Beijing has systematically financed maritime infrastructure across Southeast and South Asia to engineer economic path dependency, integrate regional economies into its proprietary supply chains, and secure strategic logistics nodes.¹⁰

The most high-profile manifestation of this strategy is the proliferation of port networks that, while primarily commercial, possess clear latent military utility.¹¹ This dual-track calculation is best exemplified in Cambodia, where the commercial development of Sihanoukville established an economic foothold that facilitated major Beijing-funded expansions at the nearby Ream Naval Base beginning in June 2022. While Beijing and Phnom Penh deny that Ream is a Chinese base—citing Cambodia's constitutional ban on foreign military facilities—the facility reportedly operates under a secret 30-year agreement.¹² This arrangement grants the PLA exclusive access to specific areas, a *de facto* reality underscored by the persistent, “rotational” docking of Chinese corvettes. Upgrades at Ream include a 5,000-ton dry dock and a 650-meter deep-water pier designed to accommodate aircraft carriers and large combatants. This expansion culminated in the April 2026 transfer of a Type 056C guided-missile corvette to the Royal Cambodian Navy.¹³ While Ream has recently hosted non-Chinese vessels, this transfer—paired with a near-permanent rotation of Chinese personnel and PLAN ships since late 2023—grants Beijing sustained logistical access to the Gulf of Thailand. This presence positions Chinese naval power perilously close to the Malacca Strait's critical eastern approaches.¹⁴

Still, the bulk of Beijing's maritime infrastructure development centers on commercial interests. State-supported Chinese firms are aggressively embedding themselves into the region's economic fabric through integrated, multi-modal “port-park-rail” complexes. In Malaysia, the Kuantan deep-water port operates in tandem with adjacent Chinese-invested industrial parks that support mining and petrochemical sectors, facilitating the export of minerals, timber, and palm oil to China.¹⁵ It also links to the development of the Chinese-financed East Coast Rail Link (ECRL) in Malaysia that, when completed, may support the expansion of these commercial activities.

In Indonesia, Chinese maritime infrastructure explicitly targets the vertical integration of critical minerals. The Morowali port complex in Central Sulawesi and the North Kalimantan Industrial Park (KIPI) fuse Chinese capital with dedicated port infrastructure to dominate localized processing for global nickel and EV battery supply chains. Simultaneously, Chinese-backed capacity expansions at Indonesia's Kuala Tanjung and Bitung ports position them as high-volume competitors along the Malacca Strait and Pacific lanes.

This outward expansion is also driven by China's domestic “Blue Economy” modernization.¹⁶ Since the 2010s, Beijing has established “National Maritime Economic Development Demonstration Zones” in coastal hubs like Shenzhen and Qingdao to incubate high-end marine manufacturing, deep-sea technologies, and commercial shipbuilding. These zones serve as domestic springboards, generating the maritime industrial and facility surplus and

technological standards that China now exports to regions like Southeast Asia.¹⁷

Crucially, the 14th Five-Year Plan accelerated the integration of domestic development with regional trade, positioning Hainan Island as the centerpiece of efforts to tether China's Blue Economy to the Indo-Pacific. Since its 2018 designation as a Free Trade Port, Hainan's transformation culminated in the landmark December 2025 "island-wide customs closure" (*fengguan yunzuo*). As an autonomous, zero-tariff territory defined by seamless capital flows and specialized commercial courts, Hainan exemplifies Beijing's ambition to redraw regional and global shipping routes. Most recently, the port has become the anchor for the newly operationalized Batam-Hainan Corridor, which links Indonesian industrial zones to the island to institutionalize bilateral cooperation and deepen supply chain integration.¹⁸

Maritime Diplomacy and Ocean Governance

Since its categorical rejection of the 2016 arbitral tribunal ruling, Beijing has intensified its efforts to challenge the Western-led maritime order. This strategy seeks to reshape the domain's underlying norms and discourses to better reflect Chinese interests and narratives. In multilateral forums and foreign policy venues, Chinese diplomats systematically critique the status quo as an unfair, U.S.-centric construct, promoting instead a "Maritime Community with a Shared Future" that positions China as a primary provider of maritime public goods.¹⁹ This shift was encapsulated by Foreign Minister Wang Yi at the 2024 Symposium on Global Maritime Cooperation and

Ocean Governance, where he advocated for "blue partnerships" and sustainable development.²⁰ Notably, his emphasis on resolving disputes through consultations between "parties directly concerned" uses cooperative rhetoric to delegitimize and exclude non-claimant states—specifically the United States—from the regional security architecture.

This diplomatic campaign is further codified in the 2026–2030 ASEAN-China Plan of Action. By prioritizing non-traditional security over sovereignty debates, Beijing aims to outflank rivals' critiques across four vectors: marine environmental sustainability, Blue Economy development, sea line security, and maritime safety protocols against transnational crime. Crucially, these initiatives also bolster China's standard-setting power. For example, joint search-and-rescue and navigation safety operations provide a normative pretext for the presence of Chinese maritime law enforcement within ASEAN Exclusive Economic Zones (EEZs). Simultaneously, Beijing promotes "green shipping lanes" using proprietary digital systems. Integrating systems such as the National Public Information Platform for Transportation & Logistics (LOGINK) platform, which already connects 21 ports across China, East Asia, Europe, and ASEAN, including Malaysia's Kuantan and Klang, is a key component of Beijing's digital maritime strategy. As it expands into regional trade corridors, LOGINK's ability to centralize logistics data could grant China "data supremacy" over Southeast Asian commerce.²¹

This diplomatic offensive is reinforced by defense diplomacy. The PLAN has long deployed

non-kinetic assets, such as the hospital ship *Peace Ark*, to project soft power and cultivate regional goodwill.²² Medical engagements in Southeast Asia have expanded rapidly since the COVID-19 outbreak.²³ Concurrently, institutionalized joint exercises—such as Golden Dragon in Cambodia and Falcon Strike in Thailand—foster military ties while expanding a non-confrontational naval presence.²⁴

The “Dark Side”: Deterrence through Gray-Zone Coercion and Lawfare

Beijing's approach to maritime disputes reflects a stark dichotomy: while it offers economic incentives and “blue” cooperation, it simultaneously projects a robust deterrence posture by wielding coercive tools to enforce its maximalist territorial claims in the South China Sea. Despite decades of posturing regarding a binding Code of Conduct (COC), negotiations remain stalled.²⁵ Amid this diplomatic stalemate, Beijing has been unilaterally altering the status quo. At the forefront of this strategy are the China Coast Guard (CCG) and the People's Armed Forces Maritime Militia, which have conducted over 500,000 “rights protection” sorties since 2021.²⁶ By employing swarming, water cannons, acoustic weapons, and physical ramming—specifically against the Philippines at Second Thomas Shoal and Sabina Shoal—China seeks to exhaust rival claimants and assert de facto control while remaining below the threshold of kinetic conflict.²⁷

This physical coercion is supported by a “lawfare” strategy, wherein Beijing institutionalizes domestic legal frameworks to provide a veneer of sovereignty to its extraterritorial aggression, pushing back against the 2016 in-

ternational arbitral tribunal ruling. The 2021 Coast Guard Law, which authorized lethal force against foreign vessels, marked a pivotal shift. This was escalated by CCG Order No. 3 in June 2024, which authorized the detention of foreign vessels and crews for up to 60 days for “trespassing” in contested waters. By criminalizing routine maritime activities within neighboring EEZs, China has established a system of legal intimidation, forcing regional states to choose between compliance with Chinese domestic law or physical confrontation.²⁸

Simultaneously, Beijing resorts to large-scale engineering to weaponize the maritime domain. The transformation of submerged reefs into fortified outposts has continued since the mid-2010s. More recently, a significant escalation occurred between late 2025 and early 2026 at Antelope Reef in the Paracel Islands. Utilizing dredging fleets that damage local ecosystems, China reclaimed approximately 1,490 acres of land, a scale comparable to the militarization of Mischief Reef.²⁹ Satellite imagery reveals a 250-meter-wide canal for heavy naval cruisers, electronic warfare arrays, and foundations for a 10,000-foot runway capable of supporting H-6K strategic bombers. These forward-deployed hubs project a robust counter-intervention capability that secures operational supremacy over the northern South China Sea while deterring Vietnam's concurrent island-building activities.

Bay of Bengal as a Necessary Expansion of China's Maritime Ambitions

As a critical link to the Middle East, the Bay of Bengal represents a deliberate strategic expan-

sion for Beijing. Unlike its coercive approach in Southeast Asia, China's strategy here emphasizes economic enticements and infrastructure-led statecraft to enhance its geopolitical and geoeconomic interests. By prioritizing regional integration, Beijing has operationalized its "Corridor Space" framework, tethering the Bay's deep-water ports directly to China's landlocked southwestern provinces.

This strategy is exemplified by the \$7.3-billion Kyaukphyu Deep-Sea Port in Myanmar, a critical node of the China-Myanmar Economic Corridor (CMEC).³⁰ Located on Madaya Island, the port serves as the terminus for a 770-kilometer pipeline system that has delivered oil and gas to Yunnan Province since 2017. What is particularly illustrative of China's strategic resolve is the project's continuity amidst profound chaos. Amid Myanmar's descent into a fragmented civil war and the Arakan Army's encirclement of the Kyaukphyu region, the military junta has become increasingly dependent on Beijing. Leveraging this desperation, Chinese state conglomerates, including CITIC, and junta officials met in March 2025 to accelerate the deep-sea port and industrial zone construction.³¹ The deployment of Chinese personnel to Madaya Island through early 2026 for site preparations underscores Beijing's resolve to secure a Malacca bypass and insulate energy supply chains from potential naval blockades.

This strategic footprint is reinforced by the region's proximity to key junta installations, such as the Thit Poke Taung Naval Base, which docked a new Chinese-built submarine in 2022, and Great Coco Island, which report-

edly houses expanded military facilities.³² Although direct Chinese activity on Great Coco remains unverified, Beijing's status as the junta's primary military benefactor ensures that these assets remain central to China's regional power projection.

Further south, Sri Lanka's Hambantota Port highlights the dual-use utility within China's commercial investments. Following the sovereign debt crisis that resulted in a 99-year lease to China in 2017, the facility has raised strategic alarms, underscored by visits from the *Yuan Wang 5* and other hydrographic vessels capable of maritime reconnaissance. In response to pressure from India and the U.S., Colombo established a new standard operating procedure in April 2026 to regulate foreign research vessels and safeguard its neutrality. While Beijing views Hambantota as a key "Corridor Space" node, Sri Lanka has thus far maintained its agency by barring foreign military bases and combat operations.

Recently, the most significant maritime development has been the operationalization of the USD 1.21-billion BNS Sheikh Hasina submarine base at Pekua. Built by a Chinese state-owned enterprise to support Bangladesh's "Forces Goal 2030," the facility can berth six submarines and eight warships simultaneously.³³ While the project was initially viewed as a cornerstone of the defense relationship between Beijing and the administration of former Prime Minister Sheikh Hasina, its status following the political transition in August 2024 demonstrates the durability of the bilateral economic and security ties. Despite the change in leadership in Dhaka, the relationship has remained

resilient, grounded in significant ongoing infrastructure projects and trade commitments that the new government has found pragmatic to maintain. More significantly, China has deepened its commercial footprint through multi-dimensional involvement in the development of three major Bangladeshi ports: Chattogram, Mongla, and Payra. This engagement fulfills Beijing's pledge of extensive infrastructure investment designed to facilitate bilateral commercial ties and enhance connectivity across the manufacturing and trade sectors.³⁴

By modernizing the naval and logistical infrastructure of key regional partners, China has transformed defense and economic diplomacy into strategic partnerships within politically permissive environments. This approach bolsters Beijing's maritime posture and signals a persistent capacity to deter regional rivals without resorting to overt coercion. The strategy's efficacy is evidenced by India's burgeoning "Three-Front Dilemma."³⁵ Pressured by Bangladesh and Myanmar to the east, Sri Lanka to the south, and Pakistan to the west, New Delhi is increasingly forced into a reactive posture. This encirclement compels India to divert critical resources toward its eastern seaboard and the Andaman and Nicobar Islands, while expanding strategic partnerships with Japan and Australia to maintain its regional influence.³⁶

Conclusion

While Beijing has undeniably expanded its maritime influence and logistical reach across the Indo-Pacific, characterizing this strategy as an unmitigated success overlooks significant structural headwinds. China's infrastructural statecraft frequently encounters complex local

realities; for instance, the Morowali Industrial Park in Indonesia has faced persistent labor unrest and environmental protests, while the Kyaukphyu project in Myanmar remains vulnerable to the country's internal political volatility. Moreover, enduring controversies over debt sustainability in Sri Lanka and the latent dual-use nature of commercial hubs have prompted regional governments to approach Chinese financing with heightened scrutiny.

Strategically, Beijing's coercive gray-zone tactics in contested waters have generated a paradox: rather than ensuring compliance, these maneuvers have catalyzed regional counter-balancing. This trend is most evident in the Philippines' recent expansion of the Enhanced Defense Cooperation Agreement (EDCA) with the United States³⁷ and Vietnam's accelerated modernization of its maritime law enforcement capabilities.³⁸ By driving neighboring states to expand joint patrols and deepen defense ties with regional partners like Japan and Australia, Beijing's assertive posture has inadvertently strengthened the very security architectures it sought to restructure.

Despite these setbacks, China's commitment to expanding its maritime power remains resolute under the 15th Five-Year Plan (2026–2030). This blueprint aims to elevate the Blue Economy into a phase of "high quality" development and technological leadership. Beijing is accelerating breakthroughs in advanced manufacturing and deep-sea extraction while promoting proprietary digital platforms to secure global supply chain data supremacy.³⁹ Importantly, China is also prioritizing its transition from a participant in maritime governance

to a primary architect of its rules and institutions. This shift is highlighted by Beijing's bid to host the UN's BBNJ (High Seas Treaty) Secretariat in Xiamen and the implementation of the 2026 Arbitration Law, which has the potential to expand China's judicial reach over foreign-related maritime disputes. Through these maneuvers, Beijing seeks to construct a China-led "rule-of-law" framework that legitimizes its strategic interests through a new normative order.⁴⁰

Beijing's maritime strategy in Southeast Asia and the Bay of Bengal underscores the high cost of long-standing neglect by other regional and global powers toward smaller states in both regions. To prevent the emergence of a closed, Sino-centric maritime order, these powers must transition from reactive posturing to revitalized, sustained engagement. Ensuring an open and rules-based maritime domain requires a comprehensive approach: first, providing viable economic alternatives—ranging from infrastructure financing to green

energy—that offer small states genuine choices; second, maintaining a unified front against maritime encroachment; and third, fostering deeper regional partnerships to achieve these ends. The burgeoning collaboration between India and Japan serves as a prime example of this model, offering a sustainable path toward integrated security and prosperity across the Indo-Pacific.⁴¹

The coming decade will determine whether the Indo-Pacific remains a "public sea" governed by international law or fragments into exclusive spheres of influence. For the international community, the challenge is no longer just observing China's rise, but actively building a competitive, inclusive architecture that protects the autonomy of smaller nations and the integrity of the global maritime commons.

Disclaimer: The author's views expressed here are personal and do not reflect the official policy or position of the U.S. Department of War or any U.S. government entity.

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China's Maritime and Military Strategy in the Bay of Bengal and the Indian Ocean

J. Mohan Malik

The disruption of the Strait of Hormuz during the Iran war has cast a long shadow over another critical maritime chokepoint: the 900-km (550-mile)-long Strait of Malacca which provides the shortest sea route from East Asia to the Middle East and Europe. As the weaponization of strategic sea lanes becomes a feature of geopolitical competition, attention has shifted to the world's busiest waterway, between Indonesia, Malaysia, and Singapore. At its narrowest point, Malacca is only 2.8 km (1.7 miles) wide, yet it carries nearly a quarter of global maritime trade, including roughly 16 million barrels of oil per day and over 90,000 vessels annually. The narrow and congested waterway has been strategically important to Beijing, with around 65 percent of China's seaborne crude oil and gas imports passing through it from the Middle East and Africa, while Japan and South Korea depend on it for over 80 percent of their imports. Malacca is the world's largest "oil transit chokepoint" and the only one larger than the Strait of Hormuz. Any disruption—whether accidental, political, or deliberate—

would reverberate across global energy markets and supply chains.

Furthermore, all shipping transiting the Strait of Malacca must pass through the Six Degree Channel, a vital sea lane located within India's Exclusive Economic Zone (EEZ). This gives India a commanding position over the western approaches to one of the world's most critical maritime chokepoints. While Malaysia, Singapore, and Indonesia dominate the Strait's immediate littoral, India occupies the broader strategic high ground through the Andaman and Nicobar Islands, particularly Great Nicobar Island, situated barely 40 nautical miles from Malacca's entrance. New Delhi's ambitious Great Nicobar Project could significantly alter the strategic balance: plans include a major International Container Transshipment Terminal, a dual-use airport capable of supporting rapid naval and air force deployment, and the strengthening of the Andaman and Nicobar Command as a forward-operating hub. This is not just an infrastructure project but, once completed, will amount to the cre-

ation of an “unsinkable aircraft carrier,” extending India’s surveillance, logistics, sea denial, and power-projection capabilities astride China’s critical energy and trade arteries.¹

In 2003, Chinese leader Hu Jintao coined the “Malacca Dilemma” to describe a harsh reality: China’s economic rise depended on foreign oil passing through a narrow chokepoint that rivals could close in a crisis. For Beijing, this enduring vulnerability lies at the heart of the “Malacca Dilemma”: there is no escape from the tyranny of geography. The alternatives—the Sunda and Lombok Straits—are shallow and hazardous for large tankers and increase transit time and costs. Both routes also pass through Indonesian waters, creating operational and strategic constraints. Recent Indonesian musings about imposing transit tolls—quickly retracted, but nonetheless revealing—underscore a broader lesson drawn from the Strait of Hormuz: once one chokepoint is weaponized, others may not remain immune.² The Iran crisis has thus crystallized long-standing Chinese anxieties over maritime chokepoints and raised broader questions about how the Malacca Strait could be affected in the event of conflict in the South China Sea or the Taiwan Strait.³

As a result, the eastern Indian Ocean is rapidly emerging as one of the world’s most consequential geopolitical theaters, where disruption at one chokepoint can trigger cascading effects across others. The Bay of Bengal has emerged as a strategic hinge between continental and maritime Asia. For Beijing, it serves as both a gateway and a buffer—providing access to the Indian Ocean, linking South Asia to South-

east Asia, and connecting China’s southwestern hinterland to key maritime routes, while enabling a forward presence along India’s eastern flank. As competition over access, influence, and sea-lane security intensifies, the Bay is shifting from a peripheral waterway to a central arena of regional power politics. Geopolitically, the region remains volatile and unstable. Bangladesh is in political flux, while Myanmar remains mired in civil war. At the same time, major regional powers (China and India) and extra-regional actors (the United States, Pakistan, and Türkiye) are expanding their strategic footprints. The result is an increasingly crowded and competitive maritime domain marked by overlapping spheres of influence, mistrust, and rising geopolitical friction.

This Focus Asia examines China’s expanding naval presence in the Bay of Bengal and the Indian Ocean and its implications for maritime competition and Indo-Pacific power dynamics. It analyzes China’s use of infrastructure, connectivity corridors, and naval modernization to expand its influence, and assesses the constraints and regional implications of this strategy.

China’s National Interests and Strategic Objectives in the Eastern Indian Ocean

Contrary to conventional wisdom, China is among the most transparent major powers. Beijing consistently signals its intent through publicly articulated grand strategies, party leadership speeches, and policy documents—ranging from “Go Global,” the “two-ocean” strategy, “far-seas operations” and initiatives such as the China–Pakistan Economic Corridor (CPEC)

and the Bangladesh–China–India–Myanmar (BCIM) corridor (later absorbed into the Belt and Road Initiative (BRI), including its Maritime Silk Road (MSR) component), to frameworks like Civil–Military Fusion, “Made-in-China 2025,” and the Global Security Initiative. Geopolitical thinkers Harold Mackinder and Alfred Thayer Mahan’s theories of land and sea power underpin China’s BRI, aimed at securing overseas markets, resources, and bases. As early as 1993, when China did not have much of a navy to speak of, PLA generals asserted that the Indian Ocean was not India’s ocean and that the South China Sea was China’s sea.⁴ Since then, Chinese policy has pursued this objective with sustained strategic consistency. Why? Because global supply chains are, in fact, maritime supply chains. Oceans and seabeds are the key arenas of strategic competition for critical minerals and rare earth resources.

Over the last two decades, Beijing has poured investment into ports in Cambodia, Thailand, Myanmar, Bangladesh, and Sri Lanka, while projecting an even stronger naval presence across the western Indian Ocean—from the Maldives and Pakistan to Djibouti and Africa’s east coast—positioning itself along critical maritime chokepoints. For Xi Jinping, sea power is central to restoring China’s “rightful place” in the world. With over 370 warships and submarines, China now possesses the world’s largest navy, eroding U.S. predominance at sea.⁵ Having consolidated its hold over the South China Sea by militarizing artificial islands, China’s navy has now set its sights on the Indian Ocean.

As China’s economic stakes have expanded, so too has its naval footprint in the Indian Ocean. By securing port access, conducting anti-piracy patrols, and supplying military hardware to littoral states, China is entrenching itself as a “resident power” in the Indian Ocean.⁶

China’s activities across the Indian Ocean span military exercises, arms transfers, infrastructure development, maritime surveillance, and seabed mapping for both submarine operations and critical mineral exploration, strengthening its defense ties and regional footprint. It has also deployed anti-submarine warfare assets near key chokepoints, enhancing its ability to monitor and influence critical sea lines of communication. Principal recipients of Chinese weaponry include Cambodia, Thailand, Myanmar, Bangladesh, Sri Lanka, Pakistan, and the United Arab Emirates. In parallel, Beijing has secured seabed exploration rights in the southwest Indian Ocean, reflecting the convergence of strategic and resource interests. The launch of the China–Indian Ocean Forum in 2022, which excludes India, further signals its intent to shape regional order without accommodating its principal rival.

The Bay of Bengal and the Strait of Malacca have become key theaters of maritime competition, with Chinese and Indian naval forces operating in increasingly close proximity and raising the risk of friction and miscalculation. Since 2015, China has maintained a near-continuous deployment of warships, submarines, and research vessels in the Indian Ocean, resulting in frequent encounters with Indian naval assets in and around the Bay of Bengal.⁷ In parallel, Chinese survey and fishing vessels

continue to conduct extensive seabed mapping to support submarine operations, undersea warfare, and maritime domain awareness. For Beijing, this sustained presence serves not only commercial and energy-security interests but also broader objectives of influence and power projection across the Indo-Pacific.

China's objectives are to secure its trade and energy lifelines, expand geopolitical influence, sustain blue-water naval operations, and develop dual-use infrastructure under civil-military fusion. Since the early 2000s, it has pursued a multifaceted maritime strategy combining diplomacy, naval modernization, and economic statecraft—investing in ports, pipelines, rail corridors, and digital networks while building overseas access points and logistics support. Simultaneously, it has diversified energy sources, expanded strategic reserves, and reduced exposure to maritime chokepoints through overland and alternative supply routes. The cumulative effect is a layered strategy that transforms connectivity into influence, infrastructure into access, and economic presence into long-term strategic leverage. In regions marked by institutional fragility and infrastructure gaps, such as the Bay of Bengal, China is able to translate economic engagement into durable political influence and operational advantage.

Connectivity as Geostrategy: Dual-Use Infrastructure

Chinese industrial growth, manufacturing resilience, and energy security remain closely tied to uninterrupted access through Indian Ocean chokepoints. This dependence produces what Chinese strategists describe as a “vulnerability dilemma”: reliance on sea lanes that are

heavily influenced by the United States, India, and allied naval powers. Beijing's response has been gradual strategic positioning rather than direct confrontation. Under the Maritime Silk Road, China has invested in ports, industrial zones, logistics hubs, telecommunications systems, and overland corridors stretching from the South China Sea to the Arabian Sea. While commercially framed, these projects collectively expand access, presence, and strategic optionality along key maritime routes. Chinese state-owned enterprises further reinforce this ecosystem through their dominance in shipbuilding, port operations, insurance, and freight logistics, deepening China's embeddedness in global maritime trade.

More broadly, Beijing has pursued a layered strategy combining infrastructure finance, industrial engagement, energy cooperation, digital connectivity, and security partnerships to shape regional environments without formal alliances or overt coercion. This is reinforced by maritime capacity-building, arms transfers, bureaucratic ties, and port access arrangements that collectively allow China to influence local strategic choices while remaining below the threshold of direct military alignment.

It helps that Bay of Bengal states actively seek external investment to support development and economic diversification. And there is no shortage of distressed strategic assets in the IOR: financially stressed shipyards, ports, and logistics infrastructure that smaller states struggle to sustain independently. China invests where no one else would. For capital-constrained governments, Chinese financing is fast, large-scale, and relatively free of

policy conditionality, creating both development opportunities and longer-term strategic dependence.

A defining feature of this “connectivity as security” strategy is the integration of continental and maritime geographies. China has linked Bay of Bengal ports to overland corridors such as the Bangladesh–China–India–Myanmar Economic Corridor (BCIM) and the China–Myanmar Economic Corridor (CMEC). Although BCIM has stalled due to Indian opposition, its underlying logic persists: connecting Yunnan to Myanmar and Bangladesh through highways, railways, pipelines, and industrial networks that feed into maritime nodes. Kyaukpyu, already connected to landlocked Yunnan province via oil and gas pipelines, illustrates this land–sea interface. Collectively, this architecture reduces China’s dependence on the Strait of Malacca while reorienting the Bay of Bengal as an extension of its southwestern hinterland.

At the core of this strategy is a network of strategically located ports and corridors—often referred to as a “String of Pearls”—extending from the Bay of Bengal to the Arabian Sea. Key nodes include Kyaukpyu, Chittagong, Hambantota, and Gwadar, the western anchor linking China to the Arabian Sea and the Gulf.⁸ These ports are located near major sea lanes and integrated with inland transport and digital infrastructure. Taken together, they function as dual-use assets that enhance commercial connectivity while enabling logistics support, maritime access, and potential military utility.

Cambodia: Official denials by Phnom Penh and Beijing notwithstanding, Cambodia’s Ream Naval Base is being developed with substantial Chinese involvement. Located near the Gulf of Thailand, it offers strategic access to maritime routes connecting the South China Sea with the eastern Indian Ocean. Given Cambodia’s deep dependence on Chinese political, military, and economic support, PLAN access to Ream would extend China’s operational reach along the western approaches to the Strait of Malacca and other critical sea lanes.⁹ Its significance is further amplified by emerging overland connectivity linking Yunnan to mainland Southeast Asia through rail and transport corridors running through Laos and potentially onward to Cambodia.

Thailand: Bangkok’s proposed Kra Land Bridge offers a practical alternative to the long-discussed Kra Canal, providing a multi-modal corridor linking the Andaman Sea and the Gulf of Thailand that could bypass the congested Strait of Malacca and reduce transit times by several days. For China, participation promises logistical resilience and potential integration with the China–Laos–Thailand rail network, strengthening overland–maritime connectivity. However, Thailand’s hedging strategy—including its U.S. alliance and its insistence on a multi-investor, sovereignty-first model—means the project is unlikely to become a China-dominated strategic asset.

Myanmar: The Kyaukpyu deep-sea port and Special Economic Zone form a critical pillar of the CMEC, linking China’s Yunnan directly to the Bay of Bengal through pipelines, planned railways, highways, and maritime infrastruc-

ture. Located in conflict-ridden Rakhine State, Kyaukpyu provides China with an alternative access route to the Indian Ocean, partially bypassing the vulnerable Strait of Malacca. Existing oil and gas pipelines from Kyaukpyu to Kunming already serve as an important energy corridor for Middle Eastern and African imports, while future transport links could further integrate southwestern China with Indian Ocean trade networks.

Beyond economics, Kyaukpyu carries major strategic implications. It complements China's wider network of Indian Ocean access points—from Gwadar to Hambantota and Djibouti—and reflects Beijing's long-term effort to expand its maritime reach into the Bay of Bengal. Myanmar's internal conflict and the weakness of central authority increase the permissiveness of the environment for Chinese intelligence collection and maritime surveillance activities. China's signals intelligence facility on Myanmar's Coco Islands lies just about 55 km north of India's Andaman and Nicobar Islands and includes an airstrip of roughly 7,500 feet. Although no Chinese base has been confirmed, periodic visits, infrastructure improvements, and Myanmar's instability have fueled concerns about incremental strategic entrenchment. Together, Kyaukpyu and the Coco Islands deepen China's strategic presence in the eastern Bay of Bengal, offsetting India's parallel initiatives in Sittwe and the Andaman–Nicobar Islands. Furthermore, a significant share of China's rare earth supplies is mined in war-torn, and fragmented Myanmar, where Beijing's arms and influence have hindered the progress of Indian connectivity projects, including the Kaladan corridor and the India–Myanmar–Thailand highway.

Yet Kyaukpyu also illustrates the limits of China's infrastructure-led influence in unstable environments. Since the 2021 coup and the escalation of fighting in Rakhine State, the project has faced mounting security, political, and implementation challenges. While Beijing has sought to protect its investments through engagement with both the junta and ethnic armed groups, Myanmar's instability constrains the corridor's full commercial and strategic potential. Kyaukpyu therefore embodies both the promise and the vulnerability of China's Indian Ocean strategy: an attempt to secure long-term maritime access and strategic influence, constrained by local conflict, political instability, and intensifying regional competition.

Bangladesh: Chinese involvement in upgrading the ports of Payra, Chittagong, and Mongla, together with support for submarine-related infrastructure at BNS Sheikh Hasina, has expanded Beijing's strategic footprint in the Bay of Bengal. Although Dhaka maintains that these projects strengthen Bangladesh's own naval capabilities, enhanced facilities could also support Chinese submarines and surface combatants. While there is no evidence of a permanent Chinese military presence, the scale and specifications of the facilities have fueled Indian concerns that they could eventually provide Beijing with greater operational access and logistical flexibility in the Bay of Bengal, thereby complicating India's eastern maritime security environment.¹⁰

It is worth emphasizing that China's strategy is not port-centric but corridor-centric. Beijing seeks to integrate ports with railways, high-

ways, pipelines, industrial zones, digital networks, and energy infrastructure linking maritime nodes to China's interior. As noted earlier, the CMEC links Kyaukpyu to Yunnan, reducing dependence on the Strait of Malacca, while the CPEC connects Gwadar to western China through overland routes across Pakistan. Similar connectivity initiatives have linked Bangladesh and Myanmar more closely to southern China. The strategic logic is clear: ports without hinterland connectivity lack strategic depth.

Within this framework, ports such as Hambantota and Colombo in Sri Lanka, Gwadar in Pakistan, and emerging projects in the Maldives, Mauritius, and East Africa serve as critical nodes in a wider network. With the exception of China's military base in Djibouti, these facilities are officially commercial, but many possess clear dual-use potential that could support future PLA Navy operations. Port acquisitions through equity stakes, concessions, and long-term leases further embed Chinese influence within local economies and transport systems. Aligning with smaller states to counter big ones (*he xiao da gong*) is a strategy pursued by both China and the United States, to maintain a favorable balance of power that serves their interests.

By integrating maritime infrastructure into broader economic corridors, China diversifies supply routes, mitigates vulnerability to maritime chokepoints—particularly the “Malacca Dilemma”—and deepens the dependence of partner states on Chinese capital, technology, and security cooperation. These projects exemplify Beijing's dual-use approach to connec-

tivity: commercial infrastructure that simultaneously expands strategic access and political influence. Although some initiatives face delays stemming from political instability, debt concerns, local resistance, and growing geopolitical competition, they have nevertheless increased China's presence across the Indian Ocean and drawn many smaller littoral states more deeply into the strategic rivalry between China and India.

From Connectivity to Power Projection and “Far Seas Operations”

Since the early 2000s, and especially under Xi Jinping, China has transformed from a predominantly continental power into the world's leading maritime state.¹¹ It has pursued dominance across shipping, shipbuilding, logistics, and marine technologies to secure sea lanes, protect global supply chains, exploit ocean resources, and project power beyond its immediate periphery.¹² Beijing increasingly treats the maritime domain—alongside space and the polar regions—as “new strategic frontiers” central to twenty-first-century geopolitical competition.¹³ Reflecting this shift, China has become the world's largest naval and maritime power in aggregate terms, with the PLAN, Coast Guard, maritime militia, fishing fleet, and marine research vessels operating alongside extensive overseas port access and infrastructure networks. Between the PLAN and Chinese Coast Guard (CCG), China operates well over 1,000 surface vessels, with 558 in the PLAN and 546 in the CCG.¹⁴

China's military presence in the IOR has expanded steadily over the past two decades. Since 2008, the PLAN has maintained contin-

uous deployments in the region, starting with anti-piracy missions in the Gulf of Aden that evolved into a sustained operational presence of surface task groups, submarine patrols, and joint exercises. Commercial port access agreements and replenishment arrangements have progressively matured into overseas logistical support facilities, most notably China's military base in Djibouti. Ports such as Gwadar and Hambantota provide Beijing with latent basing capabilities, enabling access, resupply, and operational reach without the political costs of formal military alliances or permanent overseas bases.

China has also intensified maritime, air, and land exercises across the IOR. The deployment of anti-submarine warfare (ASW) assets near key chokepoints, alongside expanded intelligence, surveillance, and reconnaissance (ISR) networks, reflects Beijing's growing emphasis on maritime domain awareness and sea-lane security.¹⁵ Regular PLA Navy deployments for refueling, hydrographic surveying, and surveillance have further deepened operational familiarity with the region while blurring civilian and military roles in ways consistent with broader gray-zone strategies.¹⁶

China's expanding defense partnerships with Pakistan, Sri Lanka, Bangladesh, Myanmar, Thailand, and Cambodia also reinforce its regional influence and deepen strategic dependencies. Since its first submarine deployment to the Indian Ocean in 2014, Beijing has steadily expanded its undersea presence, including the transfer of eight Yuan-class submarines to Pakistan, which will enhance Pakistan's regional naval capabilities.¹⁷ Looking ahead, Chi-

na's growing ability to operate carrier strike groups in the IOR suggests that a permanent or semi-permanent Indian Ocean naval command—potentially supported by one to two carrier groups—is increasingly likely.

This expanding footprint reflects the development of a dual-capability force combining sea-control and sea-denial functions. China is building an expeditionary blue-water navy centered on carrier strike groups while simultaneously expanding submarine forces and anti-access/area-denial (A2/AD) systems to constrain adversary operations in both near and far seas. Its submarine fleet has more than doubled over the past decade, underscoring the scale of this shift.¹⁸

Unlike most navies, which consist of “white hull” coast guard vessels and “grey hull” naval warships, China operates a distinctive four-tiered maritime force. In addition to the PLA Navy and the CCG, Beijing deploys a large maritime militia of blue ships and a lightly armed fishing fleet. Together, these forces intimidate neighbors, alter the territorial status quo, and conduct coercive gray-zone operations across the South China Sea.

People's War at Sea

A study in *U.S. Naval Institute Proceedings* argues that China may be adapting Mao Zedong's “People's War” doctrine to the maritime domain for far-seas conflict. A 2025 analysis by Chen Li and Li Yan in *Military Art* similarly proposes using asymmetric and hybrid tactics to offset U.S. naval superiority, including the exploitation of “civilian cover” by pre-positioning commercial, fishing, and research ves-

sels in the western Pacific and Indian Ocean. This reflects an extension of “Unrestricted Warfare” logic, in which civilian maritime assets function as latent military reserves within a networked battlespace involving unmanned systems and “invisible hybrid warfare” (隐形混合战).¹⁹

In contested waters, sea denial shapes outcomes. Cheap asymmetric sea-denial capabilities can impose disproportionate effects on energy markets, insurance systems, and global shipping networks. One need not control the sea; one need only disrupt access and create uncertainty. The core vulnerability lies not in the open ocean, but in narrow chokepoints: Hormuz, Bab el-Mandeb, and Malacca, where limited missile and drone activity can trigger commercial “self-closure,” surge insurance costs, and voluntary rerouting without the need for a formal blockade. Iran’s “coercion without control” strategy shows how asymmetric “chokepoint warfare” with anti-access/area denial tools can impose major costs without defeating a powerful navy.²⁰ What Iran is doing in Hormuz is replicable elsewhere, for example, by China in the Taiwan Strait or the South China Sea. We are drifting toward a fragmented, broken maritime order, where access becomes conditional because might is right.

China’s expanding sea-denial capabilities—supported by militarized bases in the South China Sea, long-range missiles, unmanned systems, maritime militia, and surveillance networks—provide significant leverage to disrupt or constrain maritime traffic across key East Asian sea lanes. While full blockade scenarios remain contingent and escalatory, even limit-

ed interdiction campaigns, as demonstrated by actors such as Iran and the Houthis, can generate disproportionate economic and strategic effects. China, however, possesses these capabilities on a far greater scale and with greater technological sophistication. Beijing has closely studied Iran’s drone-enabled disruption of shipping in the Strait of Hormuz and is likely assessing how analogous asymmetric tools could be applied in the Taiwan Strait. In a “quarantine” scenario, sea-denial capabilities could probe and shape adversary responses while staying below the threshold of war. China’s growing inventory of unmanned systems, mines, and anti-ship missiles makes such calibrated coercion increasingly feasible.²¹

In parallel, Chinese naval and research vessels are conducting sustained surveillance and ocean-mapping activities across the IOR. Under the Blue Ocean Information Network, research platforms are deploying seabed sensors linked to the Beidou satellite system, contributing to a wider undersea surveillance architecture. Chinese survey ships—including Yuan Wang 5, Shi Yan 6, and Lan Hai 101—have operated near the Chagos–Lakshadweep Ridge and the Investigator Ridge southeast of the Andamans, including along missile-test trajectories and key maritime chokepoints, often under the guise of scientific research. Reports also indicate broader efforts to map and instrument regions such as the Malacca Strait, Andaman Sea, and central Indian Ocean ridges, enhancing both submarine detection and undersea operational awareness.²² In March 2025, the research vessel *Dong Fang Hong 3* surveyed waters between Sri Lanka and Indonesia, collecting deep-sea data to improve submarine

deployment and anti-submarine warfare capabilities. Together, these efforts provide China with increasingly sophisticated capabilities to detect rival submarines and operate its own in the Indian Ocean.²³

More broadly, these developments reflect China's evolution into a blue-water navy capable of both sea denial and sea control, securing its near seas while increasingly operating beyond the first island chain to protect expanding overseas interests. A key strategic objective is to prevent the emergence of regional peer competitors such as India and to consolidate China's status as a "resident Indian Ocean power" through a network of dual-use facilities and persistent naval presence. Consistent with its historic approach of advancing expansive maritime claims, China often raises questions about territories long regarded as settled. In 2016, a Chinese ambassador remarked that "someone in the future may dispute the ownership of the Andaman and Nicobar Islands."²⁴ Manufacturing disputes where none exist is a well-tested subduing tactic. The eastern Indian Ocean—particularly the waters around the Andaman and Nicobar Islands and the western approaches to the Malacca Strait—remains the most likely theater of Sino-Indian naval confrontation, given its strategic geography and the relative advantages each side enjoys in adjacent maritime domains.

Challenges, Constraints, and Vulnerabilities

China's expanding footprint is reshaping the eastern Indian Ocean in three ways. First, it is transforming the region from an open maritime commons into a more contested space.

Second, commercial investments are generating strategic leverage, as ports, logistics hubs, and connectivity corridors create political influence and potential military utility. Third, a **local or regionalized balance** is giving way to a broader multi-actor contest involving China, India, the United States, Japan, Australia, and other Indo-Pacific powers, particularly in the Bay of Bengal and eastern Indian Ocean.

Despite these gains, Beijing's strategy remains constrained by its enduring dependence on maritime trade. Approximately two-thirds of China's oil imports continue to transit the Strait of Malacca, and alternative routes provide only partial diversification. The Myanmar corridor, Gwadar, and Central Asian links remain limited in scale and vulnerable to instability and geography, while Arctic routes are seasonal and commercially marginal.²⁵ The Myanmar pipelines bypass Malacca but handle only a fraction of China's import requirements (*Kyaukphegyu* is located in territory controlled by the separatist Arakan Army); Gwadar faces the security, infrastructure, and terrain challenges; Central Asian routes remain supplementary; and Arctic shipping is seasonal and marginal. Even proposed alternatives such as Thailand's Kra Land Bridge would diversify rather than eliminate vulnerability, effectively substituting one chokepoint for another.

China's overseas infrastructure network also remains dependent on host-country politics. Sovereignty concerns, domestic instability, insurgencies, and periodic renegotiation of Belt and Road projects continue to constrain implementation across South and Southeast Asia. Experiences in Sri Lanka, Myanmar, and Pa-

kistan illustrate both the utility and fragility of Chinese influence, as many regional states simultaneously hedge by deepening ties with India, Japan, the United States, and other external partners.

Paradoxically, China's growing presence has intensified regional balancing. India views Chinese port projects in Myanmar, Bangladesh, Sri Lanka, and Pakistan through the lens of strategic encirclement, prompting a sustained maritime response. India has unveiled plans to expand its naval fleet from 140 to over 200 by 2035—an ambitious buildup to secure its seas, including four nuclear submarines and three carrier battle groups—deployed in the Arabian Sea, Bay of Bengal, and northern Indian Ocean.²⁶ New Delhi has expanded naval deployments, strengthened the Andaman and Nicobar Command, enhanced anti-submarine warfare capabilities, and deepened cooperation with the Quad. The maritime domain surveillance initiative and stronger partnerships with the United States, Japan, Australia, and ASEAN states are steadily increasing the costs of Chinese power projection in the Indian Ocean. Together, these developments are increasing the operational costs and complexity of Chinese power projection in the region.

The wider Indo-Pacific is responding in similar fashion. The United States is strengthening defense ties with key littoral states, including Indonesia, while Japan and Australia are boosting cooperation with India and Southeast Asia through investments in maritime infrastructure, domain awareness, and surveillance networks stretching from the Andaman Sea to the western Pacific. There is some crystalliza-

tion of rival blocs, with U.S. allies and partners, such as India, Indonesia, and Vietnam, on one side, and China's network of allies and partners, including North Korea, Cambodia, Myanmar, Bangladesh, and Pakistan on the other. The result is a classic security dilemma: China's efforts to secure access and reduce vulnerability are driving counter-balancing coalitions that make its operating environment more contested.

Moreover, the Malacca Dilemma itself may be overstated. Unlike Japan, China is not an insular island state but a continental power with multiple overland connections. Any attempt to close the Strait would disrupt the energy supplies and trade flows of allies and adversaries alike, imposing severe costs on the global economy. For this reason, U.S. strategy has emphasized distant blockade options rather than physically sealing chokepoints used by partners such as Japan, South Korea, Taiwan, and India.²⁷ India's own energy security depends on both Hormuz and Malacca, while 95 percent of its trade by volume moves by sea. For India, strategic competition with China begins not at Malacca but in the South China Sea. Beijing could also respond to any Indian role in disrupting Chinese shipping by escalating pressure along the Himalayan frontier. Nevertheless, the vulnerability remains strategically significant because Chinese leaders fear that maritime pressure during a crisis could be combined with military and economic coercion across multiple domains.

In the long term, China's growing Indian Ocean presence is likely to generate vulnerabilities as well as opportunities. Its expanding

network of ports, bases, and logistical facilities increases access and influence in peacetime, but also creates fixed assets that must be defended in wartime. Long supply lines, dependence on host-country stability, exposure to piracy, terrorism, and great-power competition, and the vulnerability of coastal infrastructure to conflict and climate change all complicate Beijing's ambitions. Even so, China's political, economic, and military influence across the Indian Ocean is likely to continue expanding, ensuring that the region remains a central arena of strategic competition for decades to come. Dual-use infrastructure generates more than logistical access—it creates dependencies and leverage. China's reported success in persuading Mauritius, Seychelles, and Madagascar to deny airspace access to Taiwan's President Lai Ching-te suggests that states benefiting from Chinese investment may be reluctant to oppose Beijing on issues that it regards as core national interests.

Conclusion

China's Maritime Silk Road stretches from the Chinese coast through the Indonesian straits and across the Bay of Bengal and Indian Ocean littorals. Within this vast arc, the Bay of Bengal has emerged as a critical hinge zone linking continental Asia to maritime Asia while providing access to strategically important littoral states such as Bangladesh, Myanmar, and Sri Lanka. As a result, the Bay is no longer a peripheral space but a central contested theater in China's "two-ocean" strategy.

China is not simply building ports; it is constructing a maritime operating system across the Indian Ocean. Ports, pipelines, corridors,

logistics hubs, digital infrastructure, and naval access arrangements are integrated into a broader strategy that fuses economic penetration with strategic positioning. The Bay of Bengal forms the critical middle layer of this system, linking continental China to global sea lanes while enabling the expansion of Chinese influence and operational reach. In this sense, connectivity has become strategy, infrastructure has become presence, and geography has become leverage.

A key analytical error is to separate Chinese projects into economic and military categories. In practice, commercial and strategic functions are deeply intertwined and mutually reinforcing. State-owned enterprises, dual-use infrastructure, maritime logistics networks, and continental corridors collectively advance Beijing's geopolitical objectives. Even economically unviable projects can have high strategic value when embedded within long-term geostrategy. The result is a two-vector strategy: inland penetration through continental connectivity and offshore positioning through maritime nodes.

This strategy reflects China's broader transformation from a continental power into a hybrid continental-maritime actor with global reach. Supported by a rapidly expanding blue-water navy, overseas logistical access, digital infrastructure, and growing influence over maritime connectivity networks, Beijing is steadily increasing its ability to shape the strategic environment across the Indian Ocean.

For India, this represents a long-term structural challenge requiring sustained naval mod-

ernization, stronger regional partnerships, and enhanced maritime surveillance across the eastern Indian Ocean. China's rise is reshaping the strategic geography of the Indo-Pacific. The Indian Ocean is no longer a secondary theater but a principal arena of great-power competition. Just as the Western Pacific remains central to the U.S.–China balance, the Indian Ocean is emerging as the critical space where continental and maritime power intersect. Control over key nodes—particularly the Andaman Sea and approaches to Malacca—will shape the In-

do-Pacific balance. Circumventing American and Indian defenses and penetrating the Andaman Sea are crucial to China's Indian Ocean goals. If the 20th century's geopolitical competition played out across the Atlantic and Pacific, the 21st century's geopolitical contestation is unfolding across an integrated Indo-Pacific maritime space in which the Indian Ocean is central, not peripheral.

Disclaimer: The views expressed here are those of the author.

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Navigating China's Maritime Silk Road and Economic Coercion

Stephen Nagy

Introduction: The Strategic Logic and Evolution of the Maritime Silk Road

Launched in 2013 by President Xi Jinping during an address to the Indonesian parliament, the 21st-Century Maritime Silk Road (MSR) invokes the historical legacy of Admiral Zheng He's voyages to project an image of peaceful trade and cultural exchange.¹ Ostensibly, it is a massive infrastructure and investment project designed to connect China's coastal provinces with Southeast Asia, South Asia, Africa, the Middle East, and Europe.² However, beneath the veneer of "win-win" economic cooperation and the rhetoric of a "Community of Common Destiny" lies a highly calculated grand strategy.³

The MSR serves multiple overlapping imperatives for the Chinese Communist Party (CCP). Strategically, it aims to secure vital sea lines of communication (SLOCs) and mitigate China's "Malacca Dilemma",⁴ its acute vulnerability to a potential naval blockade of the Strait of Malacca, through which the majority of its energy imports flow. Economically, it serves as a spatial fix for exporting domestic industrial overcapacity and securing access to emerging markets.

The MSR can act as a conduit for economic coercion. Economic coercion in this context rarely manifests as overt sanctions, embargoes, or kinetic threats; rather, it operates more subversively through the creation of asymmetric economic interdependence. By financing megaprojects in developing nations—often projects that Western institutions deem too risky or environmentally damaging—China cultivates structural leverage. When recipient states inevitably face debt distress due to the economic unviability of these projects,⁵ Beijing can convert its economic leverage into strategic and political concessions.⁶ These concessions range from alignment in UN voting and the suppression of anti-CCP rhetoric to the acquisition of dual-use port facilities. Understanding this phenomenon requires looking beyond traditional international relations theories and examining the ideological, institutional, and strategic drivers within the CCP.⁷

Theoretical Frameworks: Decoding Beijing's Strategy

To fully grasp the multifaceted nature of MSR coercion, it is necessary to analyze the initiative through three distinct lenses: grand strategy, domestic institutional economics, and ideological neo-authoritarianism.

Rush Doshi: Grand Strategy and Hegemonic Displacement

In his seminal work “The Long Game: China’s Grand Strategy to Displace American Order,” Rush Doshi argues that China’s grand strategy is systematically designed to displace American hegemony, first regionally in the Indo-Pacific, and eventually globally.⁸ Doshi divides China’s strategy into distinct chronological and operational phases: blunting American power (post-Cold War to 2008), building Chinese power (2008 through 2016), and expanding Chinese power globally (2017 onwards).

The MSR is the ultimate instrument of the building and expanding phases. Through the MSR, China is building an alternative, Sino-centric economic architecture that bypasses U.S.-dominated Bretton Woods institutions such as the World Bank and the International Monetary Fund (IMF). The establishment of the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund represents institutional manifestations of this strategy. Doshi’s framework highlights how the MSR creates asymmetric vulnerabilities. By becoming the primary creditor, technology provider, and infrastructure developer for the Global South, China ensures that recipient nations are highly dependent on Beijing, while Beijing remains relatively insulated from them.

This asymmetry allows China to exercise significant influence over the foreign policies of MSR host nations, effectively neutralizing potential coalitions that the U.S. might build to constrain Chinese behavior. For example, China has successfully leveraged its economic investments in ASEAN countries such as

Cambodia and Laos to block unified ASEAN statements condemning its actions in the South China Sea.⁹ The MSR, therefore, is not merely an economic venture but a strategic wedge designed to fracture U.S. alliance networks, rewrite global governance norms, and establish a network of pliant client states.

Xu Chenggang: Institutional Economics and the Export of Overcapacity

While Doshi explains the geopolitical “pull” of the MSR, economist Xu Chenggang provides the vital institutional “push”. Xu’s framework of “Regionally Decentralized Authoritarianism” (RDA) explains how China’s domestic political economy inherently drives its foreign economic policy.¹⁰ Under RDA, local CCP officials are incentivized to achieve high GDP growth targets to secure political promotion. This system, combined with soft budget constraints for state-owned enterprises (SOEs) and the proliferation of local government financing vehicles (LGFVs), led to massive, debt-fueled overinvestment in infrastructure and heavy industry within China throughout the 1990s and 2000s.

By the early 2010s, China faced a severe crisis of industrial overcapacity in sectors such as steel, cement, aluminum, and heavy construction. The domestic market could no longer absorb the output of these bloated SOEs. The MSR was conceived, in large part, as a macroeconomic spatial fix for addressing this domestic institutional crisis. By financing infrastructure abroad, Beijing could keep its SOEs employed, export its surplus materials, and prevent massive domestic layoffs that could threaten social stability.

Xu's framework is crucial for understanding why China often funds economically unviable projects in MSR countries. The primary goal is not necessarily to achieve a long-term return on investment for the host country but to ensure the immediate absorption of Chinese overcapacity and the employment of Chinese labor. Chinese state banks provide the loans, but the money often flows directly back to Chinese construction firms. When these economically flawed projects inevitably fail to generate sufficient revenue, the host nation falls into debt distress, inadvertently (or intentionally) creating the conditions for the strategic coercion outlined by Doshi.

Wang Huning: Neo-Authoritarianism and the "China Model"

To understand the ideological underpinnings of the MSR, one must look to Wang Huning, the CCP's chief ideologue, the current Chairman of the Chinese People's Political Consultative Conference, and the intellectual architect of the "Chinese Dream." Wang's philosophy, rooted in neo-authoritarianism, emphasizes strong centralized state power, cultural confidence, and the explicit rejection of Western liberal democratic norms. In his early work "America Against America,"¹¹ Wang identified the internal contradictions, extreme individualism, and cultural fragmentation of Western democracies, concluding that China must forge its own path based on centralized authority and social cohesion.

Through the MSR, China is actively exporting this "China Model" of state-led development. Unlike Western development finance, which is often conditioned on governance reforms,

human rights benchmarks, and environmental standards, MSR financing is famously "no strings attached," consistent with China's Five Principles of Peaceful Coexistence.¹² Wang's ideological framework therefore makes the MSR highly attractive to authoritarian and hybrid-authoritarian regimes in the Global South.

Furthermore, the physical MSR is augmented by the "Digital Silk Road," which exports Chinese surveillance technology, facial recognition systems, and internet censorship tools.¹³ By providing this technology, along with elite enrichment and regime-stabilizing infrastructure, Beijing bolsters authoritarian leaders.¹⁴ In return, these leaders become politically beholden to Beijing, facilitating a global environment that is conducive to autocracy and deferential to the CCP's core interests.

Comparative Case Studies of MSR Coercion and Influence

The theoretical frameworks of Doshi, Xu, and Wang manifest differently depending on the political, economic, and institutional resilience of the host nation. The following case studies illustrate the broad spectrum of MSR influence, ranging from successful debt-equity swaps and military basing to pushback by democratic institutions.

Sri Lanka: The Debt-Equity Swap Paradigm (Hambantota)

Sri Lanka represents the most widely cited example of MSR economic coercion and the realization of Doshi's concept of asymmetric vulnerability. Following the end of its brutal civil war, the government of Mahinda Rajapaksa

sought massive infrastructure investment to stimulate the economy. Driven by Xu's model of SOE expansion, Chinese firms eagerly financed the Hambantota Port in the president's home district, despite multiple international feasibility studies indicating that it was economically unviable due to its proximity to the already well-established port of Colombo.

The project was characterized by deep elite capture, aligning with Wang Huning's model of supporting centralized, strongman leadership. When the port predictably failed to attract sufficient shipping traffic to generate revenue, Sri Lanka faced a severe balance-of-payments crisis. In 2017, unable to service the mounting debt, Colombo was forced to hand over the port and 15,000 acres of surrounding land to China Merchants Port Holdings under a 99-year lease.

This debt-equity swap provided China with a strategic foothold in the Indian Ocean, directly adjacent to vital global shipping lanes. While Beijing vehemently denies military intentions, the dual-use nature of the port allows for potential future naval logistics, thereby perfectly illustrating Doshi's concept of building maritime power to displace U.S. and Indian influence in the region.

Pakistan: The Crown Jewel and Security Nexus (CPEC)

The China-Pakistan Economic Corridor (CPEC) is the USD 62 billion crown jewel of the BRI and the MSR. Centered on the deep-water port of Gwadar in Balochistan province, CPEC is designed to provide China with direct overland access to the Arabian Sea, bypassing

the Malacca Strait and directly addressing Beijing's primary strategic vulnerability.

In Pakistan, MSR coercion is less about so-called debt-trap diplomacy and more about deep, structural entrapment. Pakistan's chronic economic instability and adversarial relationship with India have made it highly reliant on Chinese financial and military lifelines. Under Xu's framework, Chinese SOEs have secured highly lucrative energy and infrastructure contracts with guaranteed rates of return, often at the expense of the Pakistani taxpayer.

The strategic implications are profound. Gwadar is heavily fortified and widely suspected of becoming a future logistical base for the People's Liberation Army Navy (PLAN). Furthermore, China's deep economic penetration has given it unprecedented influence over Pakistan's domestic security apparatus. However, the project has also sparked intense local insurgencies, with Baloch separatists frequently targeting Chinese nationals, highlighting the limits of Wang Huning's state-centric model when applied to complex, multi-ethnic societies where local populations feel marginalized.

Malaysia: Democratic Pushback and Renegotiation (ECRL)

Malaysia provides a crucial counter-narrative, demonstrating that MSR coercion is not invincible when faced with democratic accountability and institutional resilience. Under former Prime Minister Najib Razak, Malaysia signed highly inflated contracts for MSR projects, notably the East Coast Rail Link (ECRL) and several pipeline projects.¹⁵ These projects were deeply intertwined with the 1MDB sovereign

wealth fund corruption scandal, reflecting the elite capture mechanisms often utilized in MSR diplomacy.

However, in 2018, the Malaysian electorate ousted Najib in a historic election, largely driven by public outrage over corruption and the opacity of Chinese investments. The new Prime Minister, Mahathir Mohamad, immediately suspended the ECRL and other MSR projects, famously warning against a “new version of colonialism.”

Because Malaysia possesses stronger institutional capacity, a more robust civil society, and a more diversified economy than Sri Lanka or Pakistan, it was able to push back effectively. Beijing, eager to avoid a public relations disaster that would validate the debt-trap narrative across Southeast Asia, agreed to renegotiate. The cost of the ECRL was slashed by nearly one-third, and the route was altered to better serve domestic Malaysian interests. This case demonstrates that the institutional overreach predicted by Xu Chenggang can be checked by host-nation agency and democratic transparency.

Djibouti: From Commercial Port to Military Outpost

Djibouti illustrates the ultimate endpoint of Doshi's expansion phase. Located at the critical geostrategic chokepoint of the Bab el-Mandeb Strait, linking the Red Sea to the Gulf of Aden, Djibouti initially engaged with the MSR through commercial port developments (including the Doraleh Multipurpose Port) and a railway linking the coastal nation to landlocked Ethiopia.

Over time, China's share of Djibouti's external debt rose to more than 70 percent of GDP. Leveraging this immense economic dependency, China transitioned its presence from purely commercial to explicitly military. In 2017, China opened its first overseas military base in Djibouti, located just miles from Camp Lemonnier, the primary U.S. military facility in Africa.

This transition from commercial MSR infrastructure to a sovereign military base perfectly encapsulates the dual-use strategy of Chinese maritime statecraft. It provides the PLAN with vital logistical support for projecting power into the Indian Ocean, the Middle East, and the Mediterranean, fundamentally altering the regional security architecture.

Cambodia: Elite Capture and Naval Access (Ream Naval Base)

Cambodia represents perhaps the most successful application of Wang Huning's model of elite capture and authoritarian reinforcement. Prime Minister Hun Sen (and now his son, Prime Minister Hun Manet) has aligned Cambodia almost entirely with Beijing in exchange for massive MSR investments, including the Dara Sakor investment zone and extensive infrastructure in Sihanoukville.

The strategic payoff for China has been immense. Economically, Cambodia functions as a reliable proxy for Beijing within ASEAN. Militarily, U.S. and allied intelligence agencies have confirmed that China is funding the expansion of Ream Naval Base on the Gulf of Thailand, securing exclusive access to a portion of the facility for the PLAN. This gives

China a critical military foothold in Southeast Asia, expanding its power projection capabilities south of the South China Sea and directly threatening the maritime security of U.S. allies such as Thailand and the Philippines.

Policy Recommendations

Countering the coercive elements of the MSR requires a comprehensive, proactive strategy that goes beyond mere rhetoric and reactive condemnation. The U.S. and its allies must address the underlying infrastructure deficit in the Global South while actively building the resilience of vulnerable states.

Operationalize and Scale Competitive Alternatives

The U.S. and its allies cannot fight something with nothing. Developing nations require infrastructure, and if the West does not provide it, they will turn to Beijing.

Initiatives like the G7's Partnership for Global Infrastructure and Investment (PGII) and the Blue Dot Network must be rapidly scaled from conceptual frameworks to operational realities with tangible funding.

The U.S. Development Finance Corporation (DFC) should be granted greater risk tolerance, expanded funding caps, and streamlined bureaucratic processes to compete directly with Chinese SOEs in strategic maritime nodes.

All initiatives should focus on quality over quantity. Western alternatives should emphasize green energy, digital connectivity, and transparent financing, contrasting sharply with the environmental degradation and opacity of-

ten associated with MSR projects. The temptation to prioritize scale is understandable, but sustainable projects that deliver meaningful growth without strings attached cultivate trust and long-term partnerships.

Enhance Host-Nation Capacity and Institutional Resilience

As demonstrated by the Malaysian case study, strong domestic institutions are the most effective defense against MSR coercion.

In line with this experience, the U.S. State Department and allied development agencies should deploy rapid-response legal, environmental, and financial advisory teams to assist developing nations in negotiating complex infrastructure contracts with Chinese SOEs.

Funding should be increased for civil society organizations, anti-corruption watchdogs, and independent investigative journalism in MSR host nations to expose elite capture and the hidden environmental and financial costs of Chinese megaprojects.

Implement Comprehensive Debt Transparency Initiatives

China relies on strict non-disclosure agreements and hidden debt (often channeled through LGFVs or other off-balance-sheet entities) to maintain asymmetric leverage over host nations.

Accordingly, the U.S. should use its voting power and influence in the IMF, World Bank, and Paris Club to promote strict debt transparency as a prerequisite for multilateral debt relief or restructuring.

Through international collaboration in an expandable plug-and-play minilateral, participating states should establish an international, publicly accessible clearinghouse to track and publish the terms of Chinese bilateral lending, stripping Beijing of the secrecy that enables coercion.

Strengthen Maritime Domain Awareness (MDA)

To counter the dual-use nature of MSR ports and the potential for rapid militarization, the U.S. and its allies must continuously monitor commercial infrastructure.

The Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA) should be expanded to include nations in the Western Indian Ocean, the Persian Gulf, and East Africa. Partner nations should also receive commercial satellite imagery and AI-enabled tracking tools.

Intelligence sharing must be increased with regional partners regarding the activities of Chinese SOEs, maritime militias, and the PLAN in commercial ports, ensuring that host nations are fully aware of the security implications of their commercial agreements.

Leverage Multilateral Coalitions and the Private Sector

The U.S. cannot counter the MSR alone; it requires a burden-sharing approach. It should utilize the Quad (U.S., Japan, India, and Australia) to coordinate regional infrastructure investments, pooling capital and technical expertise to outbid Chinese SOEs on critical port projects in the Indo-Pacific. A plug-and-play approach based on functional cooperation

could bring significant capital to the region.

It is important to incentivize Western private sector investment in emerging markets through enhanced political risk insurance and tax incentives, mobilizing private capital to far exceed state-led Chinese investments.

Conclusion

China's 21st-Century Maritime Silk Road is far more than a benign infrastructure connectivity initiative; it is a highly sophisticated vehicle for grand strategy, driven by domestic economic imperatives and ambitious ideological goals. By leveraging the theoretical insights of Rush Doshi, Xu Chenggang, and Wang Huning, it becomes clear that the MSR is systematically designed to secure critical sea lines of communication, export industrial overcapacity, and create asymmetric economic dependencies that can be weaponized for geopolitical gain.

The diverse case studies of Sri Lanka, Pakistan, Malaysia, Djibouti, and Cambodia demonstrate the varied outcomes of this strategy. They highlight its potent coercive power when applied to fragile states, its ability to reshape political and economic relationships in advanced economies, and its vulnerabilities when confronted with democratic pushback and institutional transparency. To secure a free, open, and rules-based global maritime order, the United States and its allies must move beyond reactive postures. They must offer viable, transparent, and high-quality economic alternatives to Chinese maritime statecraft, while actively bolstering the institutional resilience and maritime domain awareness of vulnerable nations across the globe.

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Photo credit: Emi UFO

Annexure

CHINA-MYANMAR-BANGLADESH ECONOMIC CORRIDOR (CMBC) FACT SHEET

China has undertaken several projects to increase its role in the Bay of Bengal region and circumvent the Malacca Strait. This has been done through the Belt and Road Initiative (BRI), including investments in port infrastructure and multiple new economic corridors. One of these corridors was the Bangladesh, China, India and Myanmar Economic Corridor (BCIM) which, following Indian disengagement, has evolved into the China-Myanmar-Bangladesh Economic Corridor (CMBC).

Timeline for CMBC

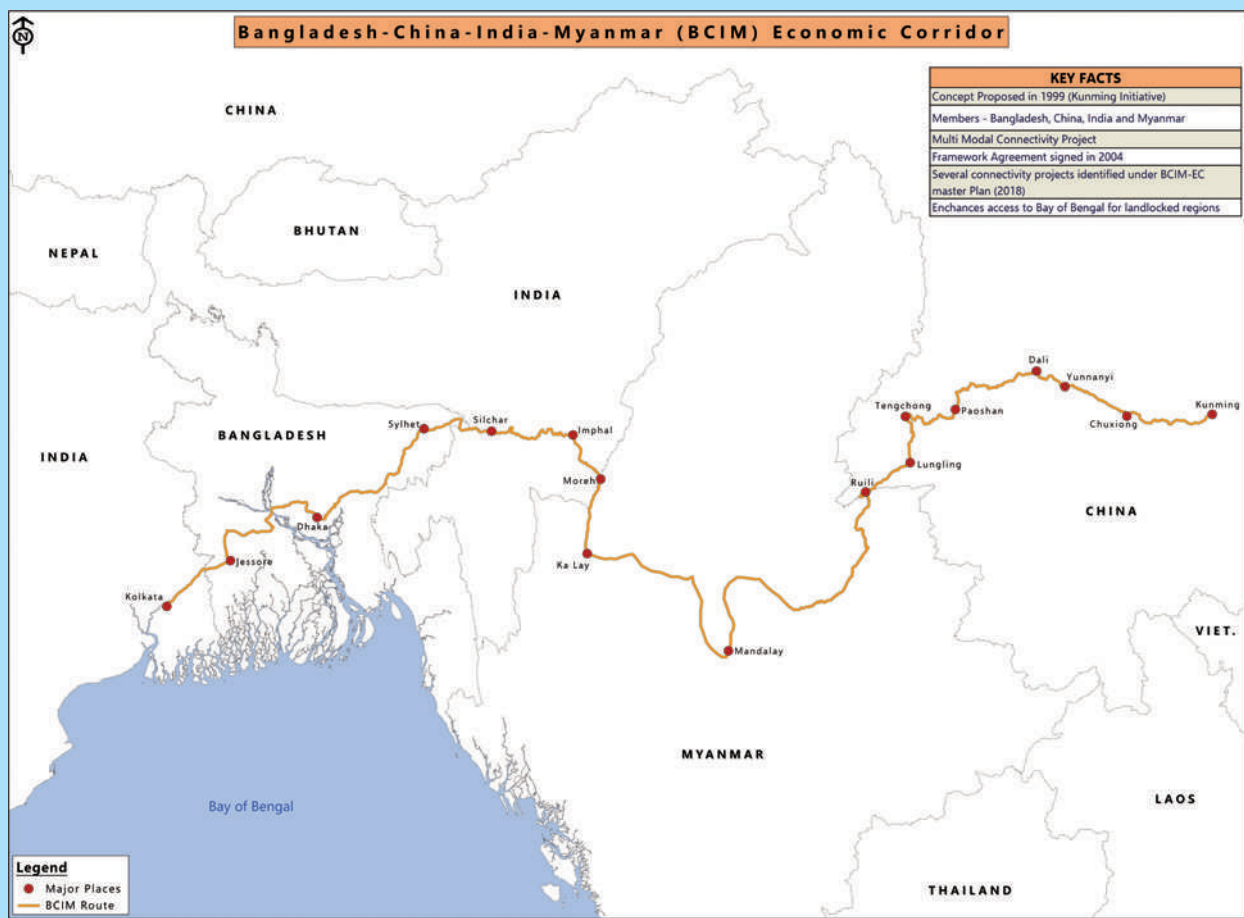
1999	Kunming initiative: The foundation of a multinational economic corridor linking China to the Bay of Bengal. This agreement is subsequently undertaken as the Bangladesh, China, India and Myanmar Economic Corridor (BCIM).
2003	Then-President Hu Jintao articulated his concern regarding the “Malacca dilemma” and Chinese reliance on energy imports through this chokepoint.
2013	First intergovernmental Joint Study Group meeting of the BCIM countries is held, steering cooperation from the level of civil society to intergovernmental.
2017	India boycotts the Belt and Road Forum (BRF) for the first time.
2017	The China-Myanmar Economic Corridor (CMEC) is proposed.
2018	CMEC is formalized with the signing of a 15-point Memorandum of Understanding.
2019	Seven projects linked to BRI are under construction, planned, or proposed in Bangladesh and Myanmar.
2019	India is sidestepped in the cooperation and BCIM is excluded from the list of projects covered by the Belt and Road Initiative (BRI).
2021-Today	A military coup d'état takes place in Myanmar and a military government takes power. Myanmar is gripped by a civil war involving multiple parties.
2026	A new economic corridor linking Bangladesh, Myanmar, and China is formally proposed as the China-Myanmar-Bangladesh Economic Corridor (CMBC).

Sources: Atlas Institute for International Affairs, BSS News, Ministry of Foreign Affairs People's Republic of China, Ministry of Foreign Affairs People's Republic of China, National University of Singapore, PortEconomics, Rand Corporation, The Daily Star, The Hindu, The State Council of the People's Republic of China

The Bay of Bengal

- ♦ The Bay of Bengal is the **Northeastern part of the Indian Ocean**. It is flanked by the Indochinese Peninsula to the east, by the Indian subcontinent on the west, and by the Bengal region in the north.
- ♦ It is connected to **the Strait of Malacca**, making it a crucial geopolitical chokepoint for international trade.
- ♦ Approximately **80% of China's oil imports** pass through the Strait of Malacca.
- ♦ Around **30% of global trade** flows are handled by ports in the Bay of Bengal region.

Sources: Atlas Institute for International Affairs, CSEP, IndiaNetzone



Significant ports

in the Bay of Bengal region

	Annual capacity	Throughput (year)	Construction started	Operational	External funding
BANGLADESH					
Chattogram (Chittagong)		3.1 Million TEUs (2024–25)		1887	China
Matarbari		0.6–1.1 Million TEUs (by 2029)	2020	Planned 2029	Japan
Mongla		14.5 Million Tons (2024)		1950	China
Payra		5 Million Tons (FY24)	2019	Planned 2026	China and India
MYANMAR					
Kyaukphyu		4.9 million TEUs (planned)	2015	Planned 2025; stalled	China
Sittwe	100,000 TEUs (planned)	64,245 TEUs (FY24)	2010	2023	India
SRI LANKA					
Colombo		8.29 Million TEUs (2025)		1912	China and India
Hambantota	300,000 TEUs			1910	China
Trincomalee	250,000 TEU			1956	Japan
INDIA					
Chennai	135 Million Tons			1861	
V. O. Chidambaranar (Tuticorin)	81.5 Million Tons			1868	
Dhamra		43 Million Tons (2023)	1998	2010	

	Annual capacity	Throughput (year)	Construction started	Operational	External funding
Gangavaram	60 Million Tons		2005	2008	
Kamarajar (Ennore)	91 Million Tons	48.41 Million Tons (2025)		2001	
Krishnapatnam		59.2 Million Tons (FY25)		2008	
Paradip		150 Million Tons (FY24)		1962	
Port Blair (Sri Vijaya Puram)	Limited			Historic	
Syama Prasad Mookerjee Port (Kolkata & Haldia)	90.8 Million Tons			1870	
Visakhapatnam	134.2 Million Tons			1933	

Sources: BBC News, Bharat Rakshak, BSS News, Business & Human Rights Resource Centre, Chennai Port Authority, CSIS Reconnecting Asia, Dhaka Tribune, Economic Times, Embassy of Sri Lanka in Beijing, Forbes India, Frontline, Hambantota International Port Group (HIPG), India Today, India's World, Kamarajar Port, Krishnapatnam Port, Ministry of Foreign Affairs of the People's Republic of China, Mongla Port Authority, Myanmar Port Authority, Narinjara News (BNI Online), NK Bangladesh, Observer Research Foundation (ORF), Paradip Port Authority, Port Technology International, Port Today, PortNews, Press Information Bureau (PIB), Saami Marine Service, Ship Technology, Sri Lanka Ports Authority (SLPA), Syama Prasad Mookerjee Port Kolkata, The Business Standard, The Daily Star, The Daily Sun, The Financial Express, The Freight, Times of India, Trincomalee Port (SLPA), V. O. Chidambaranar Port Authority (VOC Port), Vajiram & Ravi, Visakhapatnam Port Authority

Trade between CMBC states

- There are claims of serious discrepancies in the reporting of trade figures between China and Myanmar since the 2021 coup, largely due to illicit trade.
- Bangladesh's trade with Myanmar has been undermined by the 2021 Myanmar coup and subsequent civil war, with trade being severely hindered by ongoing hostilities.
- Formal arms trade between Bangladesh and Myanmar is negligible, however, there are ongoing concerns over illegal weapon smuggling from Myanmar into Bangladesh.

Sources: Institute for Strategy and Policy (ISP) – Myanmar, The Daily Star, Science Publishing Group, South Asia Terrorism Portal

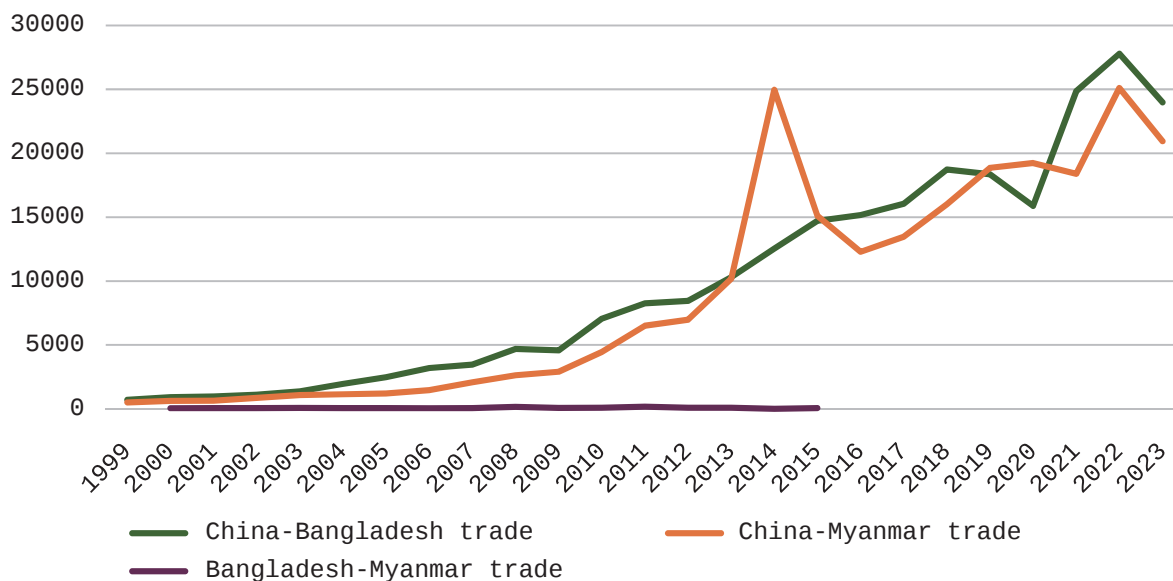


Chart 1. China-Bangladesh and China-Myanmar trade in US\$ millions between 1999 and 2025 as reported by China as well as Bangladesh-Myanmar trade in US\$ millions between 2000 and 2015 as reported by Bangladesh. **Source:** World Integrated Trade Solution

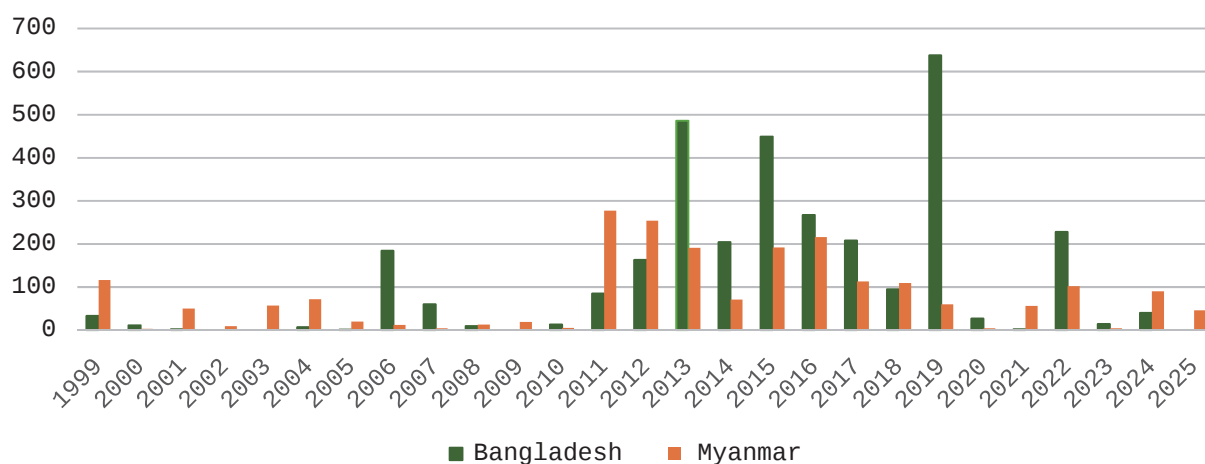


Chart 2. Chinese arms exports to Bangladesh and Myanmar between 1999 and 2025 as reported by SIPRI in trend indicator value (TIV). **Source:** SIPRI

Regional Mechanisms/Initiatives

in the context of BCIM/CMBC

China-centric blocs	Multilateral blocs	India and Japan-centric blocs
China-Indochina Peninsula Economic Corridor (CICPEC, 2010) - Connects southern China and Southeast Asia via modern highways, high-speed railways, and pipelines. - Part of the Belt and Road Initiative (BRI).	Greater Mekong Subregion (GMS, 1992) Member states: Cambodia, Laos, Myanmar, Thailand, Vietnam and China (Yunnan and Guangxi). - Economic program institutionally managed and coordinated by the Asian Development Bank (ADB). - Finances physical infrastructure such as the East-West Economic Corridor and the Southern Economic Corridor.	Bay of Bengal Initiative (BIMSTEC, 1997) Member states: India, Bangladesh, Myanmar, Sri Lanka, Thailand, Bhutan, Nepal. - Founded to foster economic integration around the Bay of Bengal. - Economic and logistical counterweight to China's BRI initiatives in South Asia. - Establishes trade routes that operate without Chinese capital or input.
Lancang-Mekong Cooperation (LMC, 2016) Member states: China, Cambodia, Laos, Myanmar, Thailand, Vietnam. - LMC Special Fund largely supported by Chinese funding. - China plays a central role in the selection and financing of projects. - Strengthens China's role in the provision and management of water and flow data.	Regional Comprehensive Economic Partnership (RCEP, 2022) Member states: The 10 ASEAN states as well as China, Japan, South Korea, Australia, and New Zealand. - Largest free trade agreement, covering around 30% of global economic output. - India withdrew from negotiations due to geoeconomic reasons. - China assumed the economic leadership role within the bloc. - Japan and South Korea secure their component supply chains in Southeast Asia through it.	Mekong-Ganga Cooperation (MGC, 2000) Member states: India, Cambodia, Laos, Myanmar, Thailand, Vietnam. - Soft power approach. - India uses Buddhism to deepen relations with the Mekong states. - Through the MGC, it promotes pilgrimage routes to India and supports projects to restore historical temple complexes. - India creates a platform for academic exchange and specifically awarding scholarships to students from the Mekong states.

Major Development Partners in South Asia: A Comparative Overview

USA

Organization	Way of Funding	Scale	Goals
- USAID (United States Agency for International Development) - US International Development Finance Corporation (DFC) - MCC (Millennium Challenge Corporation)	- Private actor driven (private sector). - Since the 2000s, loans accounted for less than 1% of US foreign aid. - Values-based approach that ties financial support to democracy, good governance, and institutional development.	Once a noteworthy donor but has become less significant in recent years.	- Counter China's influence (economic cooperation with India). - Financial flows can be seen in security and defense sectors rather than in development assistance.

EU

Organization	Way of Funding	Scale	Goals
- Directorate-General for International Partnerships (DG INTPA) - European Investment Bank (EIB) - Global Gateway - Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) - EU Delegations	- Grants. - Private actor driven (private sector). - Global Gateway Strategy to strengthen its long-term presence in the region. - Digitalisation, energy, transport, health, education, green and digital transitions. - Bottom-up approach involves local stakeholders.	Has become more relevant than the USA but is still unimportant in comparison to major actors in that region.	- Alternative to China's Belt and Road Initiative (BRI). - Ties funding to European regulatory frameworks, digital standards, and environmental criteria. - Development and institutional objectives. - Technology transfer, local skills, and institutional capacity.

INDIA

Organization	Way of Funding	Scale	Goals
- DPA (Development Partnership Administration) - EXIM Bank of India - ITEC (Indian Technical and Economic Cooperation) - DPI Export	- Concessional credit at the core of its funding. - State centric. - Requires recipient countries to source materials, equipment, and contractors from Indian companies. - Small, targeted direct grants, to strategically important neighbors. - Few political, environmental, or human-rights conditions.	- Became a significant actor in recent years but is highly concentrated. - Specific, regional important projects are targeted.	- Concentrates funding on immediate neighbors to strengthen India's regional strategic position. - Deepen economic integration and strengthen regional dependence on Indian markets and infrastructure. - Secure vulnerable border regions.

JAPAN

Organization	Way of Funding	Scale	Goals
- JICA (Japan International Cooperation Agency) - JBIC (Japan Bank for International Cooperation) - JETRO (Japan External Trade Organization)	- High-quality, resilient infrastructure, particularly transport, energy, and urban infrastructure. - Japanese expertise and technology often involved while allowing knowledge transfer. - Derisked funding - Combines state-backed highly concessional loans with private sector financing.	- In numbers by far the second most important donor for the region. - Appreciated for its sustainable approach.	- Free and Open Indo-Pacific (FOIP) framework. - Connectivity to the Indian Ocean to open up new, high-growth markets and counter domestic economic stagnation. - Counter single source regional dependencies.

CHINA

Organization	Way of Funding	Scale	Goals
- China Development Bank (CDB) - Exim Bank of China (Export-Import Bank of China) - The Silk Road Fund (SRF) - CIDCA (China International Development Cooperation Agency)	- Large-scale bilateral loans, near-market interest rates. - Mandatory hiring of Chinese contractors, equipment, engineering, and labor. - Utilizes equity stakes or long-term operational leases on strategic physical assets - Prioritizing high-speed execution and direct government-to-government negotiations. - State centric.	- China provides the largest overall volume of external development finance in South Asia. Its financing operates at megaproject scale. - Broad and simultaneous regional presence, with major financing commitments across multiple South Asian states.	- Direct transport and energy corridors to the Indian Ocean to bypass the vulnerable Malacca Strait chokepoint and secure reliable trading routes. - Embeds South Asian economies into Beijing's industrial supply chains. - Clear domestic manufacturing overcapacity and expand market access.

Sources: Statista; U.S. International Development Finance Corporation; USAGov; Carnegie Europe; European Parliamentary Research Service; The Financial Express; Ministry of Foreign Affairs of Japan; World Bank; Chatham House; Stimson; Lowy Institute; Narinjara News; Yusof Ishak Institute; East Asia Forum; Asia News Network

- **General trend:** In 2022, the U.S., UK and EU accounted for **31%** of Official Development Finance (ODF) to Southeast Asia, compared to **30%** from Japan and **24%** in China. By 2025, it was estimated that only **16%** of ODF will come from the U.S., UK and EU, compared to **31%** from Japan and **37%** from China.
- All donor countries, including China, shift to smaller, more targeted financially manageable investments that **focus on green and high-tech infrastructure** rather than large-scale projects.

Key infrastructure projects

Country	China	India	Japan
Vietnam	Lao Cai-Hanoi-Hai Phong railway (11,1 billion USD)	Delhi-Ha Noi Railway Link (no longer a current project)	Ho Chi Minh City Mass Rapid Transit (1,5 billion USD)
Laos	China-Laos Railway (5,9 billion USD)	Delhi-Ha Noi Railway Link (no longer a current project)	Wattay International Airport (26,5 million USD)
Cambodia	Funan Techo Canal (1,2 billion USD)	Delhi-Ha Noi Railway Link (no longer a current project)	Sihanoukville Autonomous Port (357 million USD)
Thailand	Bangkok-Nakhon Ratchasim rail project (financed by Thailand) ♦ phase 1 (5,25 billion USD) ♦ phase 2 (10,41 billion USD)	India/Myanmar/Thailand Trilateral Highway (Initially 700 million USD)	♦ MRT Blue Line (3,77 billion USD) ♦ Purple Line (1,7 billion USD)
Myanmar	♦ Muse-Mandalay Railway (8,9 billion USD) ♦ Kyaukphyu Deep-Sea Port (1,3 billion USD) ♦ Myanmar-China Pipelines project (2.5 billion USD)	♦ Kaladan Project (484 million USD)	Thilawa Special Economic Zone (3,28 billion USD project volume) (2,2 billion private foreign investment, excluded)
Bangladesh	♦ Padma Bridge Rail Link (3,2 billion USD) ♦ Payra Thermal Power Plant Project (2,4 billion USD)	Massive Lines of Credit (LoC) to Bangladesh for transportation infrastructure and energy infrastructure (reduced to 4,68 billion USD)	♦ Dhaka Metro MRT Line 6 (3,04 billion USD) ♦ Matarbari Deep Sea Port (over 4 billion USD) ♦ Dhaka Airport Terminal 3 (2,1 billion USD)
Estimated overall project volume	36,5 billion USD (8 projects)	Over 5 billion USD (3 projects)	19,7 billion USD (8 projects)

Sources: East Asia Forum; Reuters; Ministry of External Affairs, Government of India; ID&E; World Bank; The People's Map of Global China; AIDDATA; Lao News Agency; Lao Inter Post; Business and Human Rights Centre; Nanjing Deers Industrial Co., Ltd.; Construction-property; The Diplomat; Thailand Trains; Foreign Affairs Office, Government of Thailand; Ministry of Road Transport & Highways, Government of India; Institute of Peace and Conflict Studies; 99 acres; Construction World; The star; Japan International Cooperation Agency Institution of Civil Engineers; The daily star; Asia News Network; Observer Research Foundation; Indo-Myanmar Chamber of Commerce; Myanmar Thilawa SEZ Holding Co., Ltd.; ASEAN News Today; International Railway Journal; The Siasat Daily; Bangladesh-China Power Company Ltd.; Prothom Alo; National Maritime Foundation; Bdnews24; NEWAGE of Commerce & Industries; East-West Center.

Chinese funding for projects in the Mekong region

36,5 billion USD
(8 projects)

Sectors:

- ▮ Projects rise from regional connectivity (transportation) to deep seaports
- ▮ Special Economic Zones (SEZ) and
- ▮ Energy infrastructure.

India's funding for projects in the Mekong region

Over 5 billion USD
(3 projects)

Sectors:

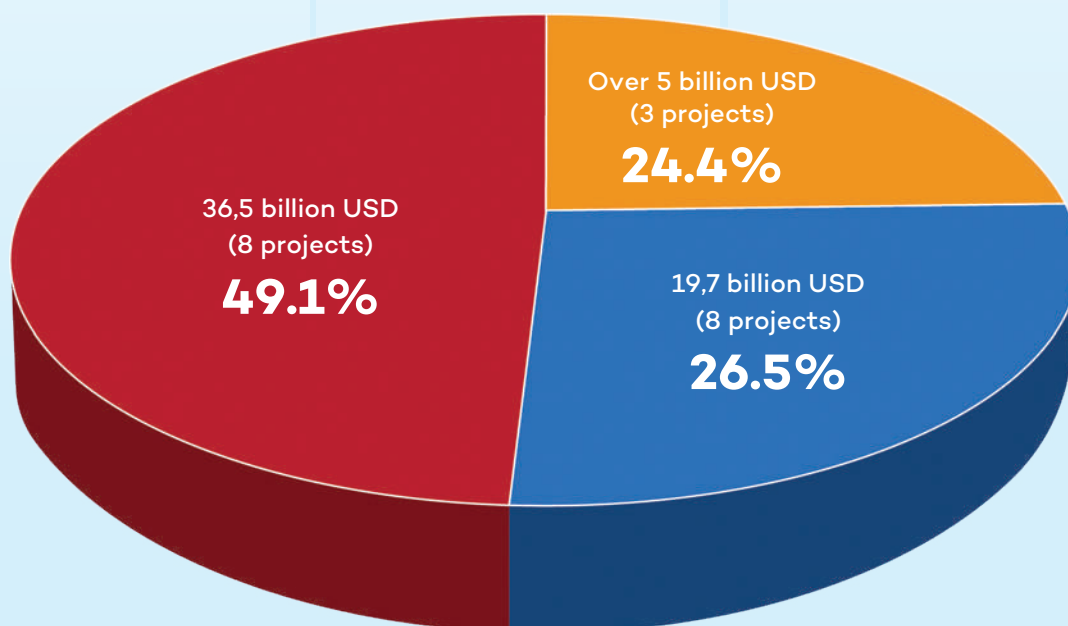
- ▮ All major projects focused on regional connectivity (including deep seaports), namely transportation.

Japan's funding for projects in the Mekong region

19,7 billion USD
(8 projects)

Sectors:

- ▮ Projects rise from regional connectivity (transportation) to deep seaports
- ▮ Special Economic Zones (SEZ)
- ▮ Sustainability
- ▮ Human capital development, and
- ▮ Energy infrastructure.



■ Chinese funding for projects in the Mekong region (36,5 billion USD)

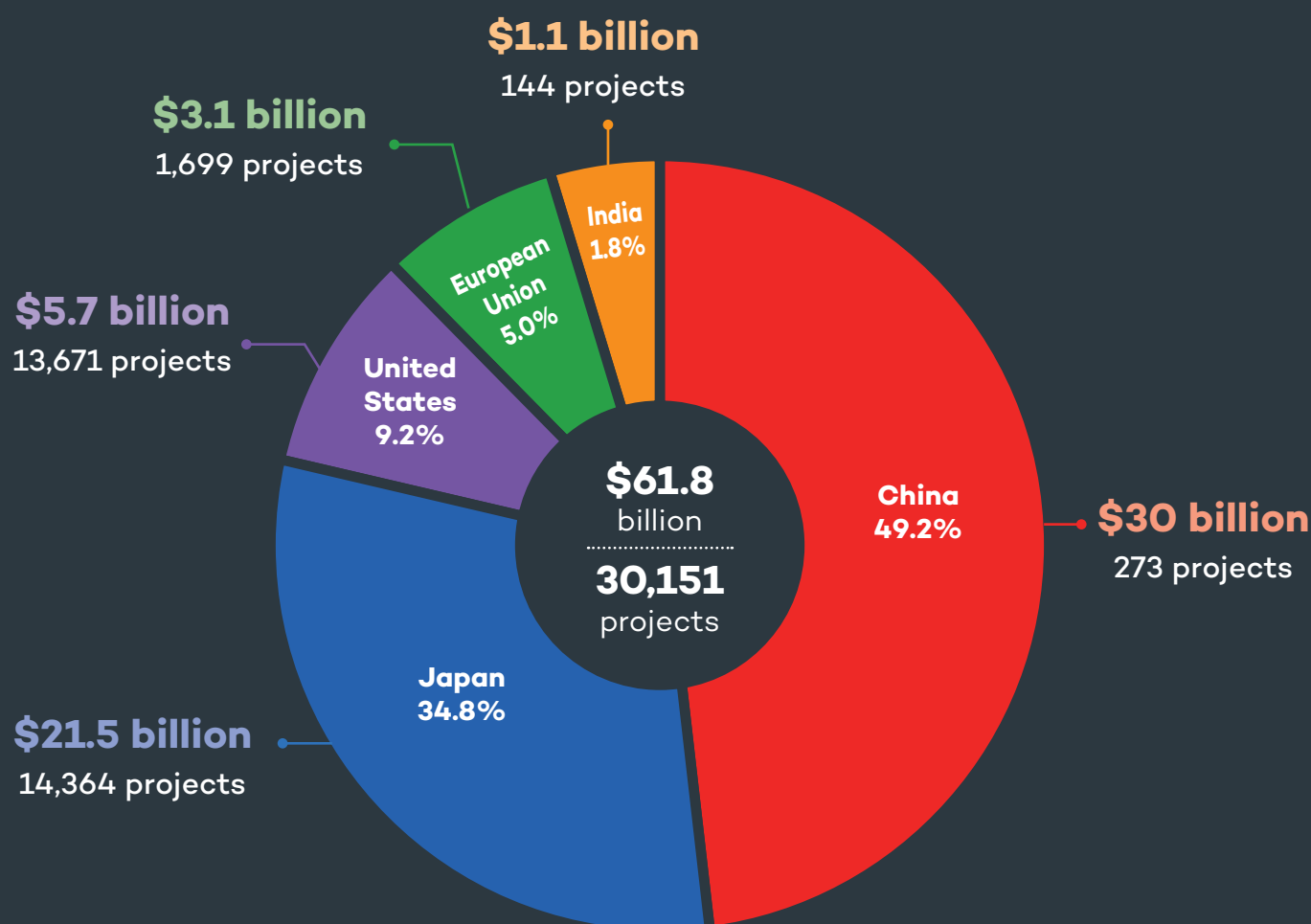
■ India's funding for projects in the Mekong region (Over 5 billion USD)

■ Japan's funding for projects in the Mekong region (19,7 billion USD)

Note: Percentage may not add up to 100% due to rounding.

Development Assistance to Myanmar, Cambodia, Thailand, Laos and Vietnam

Grants and loans provided by major development partners, 2015-2023



Total assistance: **\$61.8 billion** | Total projects: **30,151**

Figures may not add up to 100% due to rounding.

Sources: OECD Data Explorer; Government of India supported Lines of Credit; Government of India Expenditure Profile 2026-2027; Chinese Aid Exports Database University of Goettingen; AIDDATA; U.S. Overseas Loans and Grants (Greenbook); U.S. Foreign Assistance; Lowy Institute.



Three Key Port Projects for CMBC

Kyaukphyu Deep-Sea Port:

- Connected to the Myanmar-China Natural Gas Pipeline and the Myanmar-China Oil Pipeline that run to the Yunnan Province in China.
- This shortens the journey by up to 5,000 km for shipments traveling to China, compared to going via the Malacca strait.
- The natural gas pipeline went online in 2013 while the oil pipeline started operations in 2017.

Chattogram (Chittagong) Port

- The Chinese state and Chinese companies have supported several projects expanding the connectivity of Chattogram (Chittagong) port, including the Dhaka Bypass Expressway and Bangladesh's first sea-land integrated super-large oil storage and transportation system.
- Chinese agreed to jointly advance the development of the Chinese Economic and Industrial Zone in Chattogram (Chittagong) in cooperation with Bangladesh in 2026.

Mongla Port

- In June 2026, a Chinese state-owned company was contracted to develop an economic zone near the Mongla Port in Bangladesh, with Chinese state participation in the Mongla Port Facilities Modernization and Expansion Project.

Sources: Belt and Road Portal, China Research Center, India Today, Ministry of Foreign Affairs People's Republic of China, Xinhua News Agency



3% of Myanmar's population of 59.9 million was estimated to be ethnically Chinese in 2025. This has contributed to Chinese influence over the Wa State, a de-facto **independent state in Myanmar on the Chinese border**, which is supported by China. Influence over the Wa has allowed China to secure part of its border with Myanmar while also increasing Beijing's influence over the conflict in Myanmar.

The Prime Minister of Bangladesh, Tarique Rahman, visited China in June 2026 but postponed his planned 2026 visit to India despite previous hopes that this **visit could restore strained Bangladesh-India relations**. By contrast, Myanmar's President Min Aung Hlaing visited India in May 2026 and China in June 2026, signing 18 cooperation documents with Xi Jinping during the latter visit.

Rare earth mining in Myanmar provides China with international political leverage through its **control of minerals vital** to the modern global economy.

Myanmar's military government passed a law in February 2025 which has enabled the **deployment of Chinese private military company (PMC) forces in Myanmar** to protect Chinese interests.

Sources: Al Jazeera, Asialink, BBC News, Central Intelligence Agency, Geopolitical Monitor, Ministry of Foreign Affairs People's Republic of China, Rest of World, Stimson Center, The State Council of the People's Republic of China

Goals and potential benefits for the CMBC states

China	• Circumventing the Malacca Strait for China's trade, energy, and security needs. • Providing the landlocked Yunnan Province with access to ports in Bangladesh and Myanmar. • Strengthening Chinese power projection capabilities by gaining access to military bases in the Bay of Bengal region. • Increased trade, supply chain development, and investment opportunities for Chinese companies.
Bangladesh	• Economic development by becoming a regional transit hub for the needs of Bangladesh, China, and Myanmar. • Advancing industrialization and agricultural modernization • Deepened defense cooperation with China.
Myanmar	• Strengthening China's support for the State Administration Council and its struggle to regain control over Myanmar. • Advancing industrialization, trade, and investments in infrastructure. • Economic development to relieve funding constraints imposed by the ongoing civil war.

Sources: Associated Press, Center for Strategic and International Studies (CSIS), Ministry of Foreign Affairs of the People's Republic of China, Ministry of Information Myanmar, The Daily Star

Challenges

Geopolitical competition	Funding concerns
• Competing Indian and Japanese investments. • Increased security concerns at the prospect of a Chinese “String of Pearls” strategy from other stakeholders in the Bay of Bengal region, in particular India, Japan, the USA, and security alliances like Quad and AUKUS. • Risk of raising tensions by moving from a focus on freedom of navigation to control of strategic infrastructure.	• Bangladesh and Myanmar both struggle with corruption and economic mismanagement. • Slow progress on infrastructure development in Myanmar. • Bangladesh's ongoing inflation crisis has caused political uncertainty for the incumbent government while also limiting infrastructure spending.
The double Myanmar crises	Struggling projects
• While some rebel groups in the Myanmar Civil War have cooperated with China in developing infrastructure, others have halted progress. • The future of Kyaukphyu port in Rakhine State is unclear as it has been under what are effectively siege conditions since 2025. • The Rohingya refugee crisis has caused diplomatic relations between Bangladesh and Myanmar to deteriorate despite Chinese attempts at mediation. • The conflict has also given rise to significant telecommunications fraud, online gambling and drug trafficking from Myanmar targeting China which has strained relations.	• The Dawei Port was cancelled in 2013 but resumed in 2015, current progress is unclear although Russian and Thai actors have expressed interests in the port's future in 2026. • The planned Chinese development of a deep seaport in Sonadia, Bangladesh, was cancelled in 2016 after India, Japan, and the USA, and India expressed security. • The Payra port was set to become one of the most significant ports in Bangladesh but it was downgraded from a deep seaport to a seaport.

Sources: AidData, Al Jazeera, Anadolu Agency, Asia Times, BBC News, Bangkok Post, Bangladesh Defence Journal, Center for Social and Economic Progress (CSEP), Centre for Policy Dialogue (CPD), China Daily, Daily Sun, Dollar Business, Economic Times Infrastructure, Environmental Justice Atlas (EJAtlas), Institute for Strategy and Policy (ISP) Myanmar, International Institute for Strategic Studies (IISS), International Journal of Research and Innovation in Social Science, IISS Myanmar Conflict Map, Irrawaddy, Leeds Policy Institute, Mongabay, Myanmar Port Authority (MPA), Narinjara News, Observer Research Foundation (ORF), Rediff, Reuters, Springer, The Business Standard, The Daily Star, The Financial Express, The Irrawaddy, The State Council of the People's Republic of China, Transworld Group, Transworld News, U.S. Department of Defense, U.S. Naval Institute (USNI), United Nations.

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