

Structural Power, the Copenhagen School and Threats to Chinese Security

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Abstract

This article engages with current debates surrounding China's security by employing the concept of structural power and the Copenhagen School approach to security studies to measure threats to China's security. Building on existing Chinese and English language research on China's security drivers, the article develops a mechanism for determining how China's economic relations with small states in Asia negatively affect their domestic stability and how this instability then loops back to undermine China's strategic position. The article uses China's relations with Cambodia, Nepal and Mongolia as case studies.

Keywords: China; Cambodia; Nepal; Mongolia; security drivers

Realism remains the theory of choice among scholars engaged in debate over China's strategic environment. While essential in determining China's systemic threats, realism's statist account of security, however, falls short in providing a comprehensive account of China's security drivers. Scholars such as Jia Qingguo 贾庆国, Zhu Feng 朱锋, Chen Fengying 陈凤英, Li Xiangyang 李向阳, Lowell Dittmer and David Zweig have sought to build on realist approaches in two important ways. First, they consider threats to China's security at different levels of analysis and look at security actors other than the state. Second, they examine China's role in regional security with a particular eye towards ways in which China contributes to its own insecurity.

A common theme within these scholars' work is that China's economic relations with small states in Asia contribute to instability within the small state. This instability, in turn, translates into insecurity for China. However, this line of inquiry has stopped short of providing a mechanism for determining how Chinese economic relations with small states in Asia contribute to instability in the state. Neither does it provide a fully developed argument for how this instability then translates into a threat for China. This article will contribute to the debate by developing a pluralist framework for analysis that will provide both the mechanism and explanation.

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In drawing on the international political economy (IPE) concept of structural power, the article will argue that China's asymmetrical economic relations with small states in Asia have developed into Chinese influence over the state's domestic institutions. Using the Copenhagen School's widened account of security, its use of securitization and its allowance for multiple securitizing agents, the article will demonstrate how Chinese structural power over small states in Asia contributes to instability within the states and how this instability loops back to threaten Chinese security.

Using this pluralist framework, the article will examine China's relations with three small states in Asia: Cambodia, Nepal and Mongolia. It focuses on these states for four reasons. First, the three states are all small states in terms of economic development, military power, population size and political influence. Second, they all share geographic proximity to China. Third, they are all in different geographic regions (South-East, North-East and South Asia) and so provide a holistic account of China's peripheral security. Fourth, the three states all have economic relations with China.

The article will demonstrate that China's economic relations with the three states – all inherently asymmetrical in nature – have allowed it to develop structural power over a wide range of their domestic institutions. This structural power materializes into domestic insecurity in the small states' economic, political, environmental, societal and military sectors. Domestic insecurity in the small states translates, or has the potential to translate, into greater regional insecurity for China either at the systems level (state-to-state relations) or sub-system level (state-to-society).

An important point to make is that this article does not seek to offer an alternative to realist interpretations of China's security environment, but to develop a complementary theory that can explain the state's security drivers where realism fails. Such an amendment is useful in that it contributes to a far more holistic account of China's security challenges.

China's Security Drivers

Debate on China's security drivers is varied. For organization's sake, this section will divide the current debate into three categories. The first category is the "power transition" approach, which argues that the United States is directly engaged in policy aimed at undermining China's rapid growth and forestalling its rise. Yan Xuotong 阎学通 sums up this position in noting that the gap between US and Chinese power is shrinking and that the US is using its comprehensive national strength to stop China's rise.¹ Dong Manyuan 董漫远 also identifies the US "factor" as the principal contributor to China's increased insecurity.² In an article on China's geopolitical and security strategy, Pan Zhongqi 潘忠岐

1 Guo 2011.

2 Dong 2011.

and Huang Renwei 黄仁伟 argue that China's major security challenge is US hegemony and its strategy to encircle China.³ Huang Peiyi 黄培义 compares the US military presence in Asia to a wolf at China's door, arguing that it presents a strategic threat to China's regional security.⁴ Stephen Walt notes that the US "pivot" to Asia is a realist-minded strategy aimed at tying China down so it cannot develop a sphere of influence in Asia.⁵ So, too, according to Avery Goldstein, is the hybrid concept of "conengagement" based on an understanding that the US is ultimately determined to contain China.⁶

The power transition approach to China's security drivers falls short in that it overemphasizes US power as the principal agent for China's insecurity in the region, a simplification that cannot adequately explain China's worsening relations with states such as India, South Korea, Japan, Vietnam, the Philippines, Myanmar, Indonesia, or Mongolia (and other states, more subtly). It also underplays China's regional influence and its bilateral relations by presenting the country as an almost passive victim, rather than a regional great power engaged in multi-directional diplomacy. The power transition approach also limits its depth of analysis to the system level, ignoring potential sub-state forces of instability.

The second approach is "great power penetration." This approach differs from the power transition approach in that it assumes a degree of endogenous conflict rather than presenting the US as the sole source of insecurity. While the US remains China's greatest security challenge, the threat it poses is not innate but results from its drawing on regional tensions to advance its own security interests in Asia.

Proponents of this approach highlight the United States' partnerships with Asian states. Shen Dingli 沈丁立 argues that the US has capitalized on China's diminishing relations with South Korea and Japan to increase its own military cooperation with the two states and expand military activities off China's coast.⁷ Li Daguang 李大光 points to the United States' "internationalization" of local security issues as a cause for regional instability, arguing that such developments exacerbate regional tensions and lead to arms races between Asian states.⁸ Li Jingzhi 李景治 argues that the US takes advantage of regional incidents such as North Korea's sinking of the *Cheonan* to drive wedges between China and regional states such as South Korea.⁹ Le Yucheng 乐玉成, assistant minister in China's Ministry of Foreign Affairs, states that the US return to Asia has worsened China's security environment and that China must engage in diplomacy to lessen this impact.¹⁰ Walter Russell Mead points to the US

3 Pan and Huang 2011, 4.

4 Zou 2010.

5 Walt 2011.

6 Goldstein 2008, 218.

7 Shen 2011.

8 Li, Daguang 2011/12, 23

9 Li, Jingzhi 2010.

10 China Network for the Asia-Pacific Research 2011; "Waijiaobu: Taipingyang zugou kuang rong de xia Zhong-Mei 2 daguo huzuo" (Ministry of Foreign Relations: the Pacific Ocean is large enough to allow China and the US to work together), *Huanqiu ribao*, 19 December 2011.

consolidation of its alliances and cooperation on missile defence in Asia as being directed against China.¹¹ Aaron Friedberg advocates closer cooperation between the US and its allies in Asia to maintain a military advantage over China.¹²

The great power penetration approach has analytic limitations similar to the power transition approach. It assumes that the US has the ability to manipulate states in the Asian region to turn against China, while discounting any effect China might have on regional security. The approach does not take into account the motivations of Asian states, and presents a false dichotomy of states having to choose between partnership with the US or China.

The third category takes a markedly different approach to theorizing about China's potential security threats. This category, the "maybe China contributes" approach, looks critically at China's foreign relations with small states in Asia to examine its role in its own security. While acknowledging the challenges China faces at a system level, the scholars working within this approach are more interested in providing a comprehensive account of China's security drivers.

Jia Qingguo argues that the lack of certainty over whether China is a revisionist or status quo power causes Asian states to worry about its intentions. Jia notes that such concern is entirely justified as China itself is not sure what type of power it will become.¹³ Zhu Feng agrees with Jia's position, arguing that states on China's periphery will not automatically accept China's rise as a benign development and will come to view China as a threat if it does not successfully manage its relations with these states.¹⁴ Zhu specifically points to China's economic relations with states in Asia, noting that China is gaining influence over other states' political and security environments in such a way that small states feel threatened. Men Honghua 门洪华 agrees with Zhu, stating that China's economic exchanges with states in Asia have a spillover effect on their security, politics, society and culture.¹⁵ Chen Fengying notes that China's rise and its economic activities abroad have created controversy that contributes to insecurity.¹⁶ Li Xiangyang states that China must maintain good relations with small states in Asia to ensure its own security.¹⁷ Lowell Dittmer and David Zweig identify China's unequal economic exchange with small and developing states as a source for poor state-to-state and state-to-society relations.¹⁸

While the "maybe China contributes" approach does offer a fuller account of China's security environment, it does not offer a mechanism for thinking about how China's economic relations with small states translate into insecurity. The

11 Via Media. 2012. "Game of thrones: missile defense in Asia," 24 August, <http://blogs.the-american-interest.com/wrm/2012/08/24/game-of-thrones-missile-defense-in-asia/>. Accessed 19 November 2012.

12 Friedberg 2011, 274.

13 Charhar Institute 2011.

14 China Network for the Asia-Pacific Research 2011.

15 Men 2008.

16 China Network for the Asia-Pacific Research 2011.

17 Guo 2011.

18 Dittmer 2010; Zweig 2010.

approach identifies the potential cause of insecurity, but does not pursue it beyond a conceptual phase.

Structural Power, the Copenhagen School and Threats to the Chinese State

Structural power and the Copenhagen School

The concept of structural power, together with the Copenhagen School's approach to security studies, provides a framework for expanding the "maybe China contributes" line of reasoning. Together, structural power and the Copenhagen School provide both a theoretical approach and a methodology for measuring the negative outcome of China's relations with small states in Asia, and for conceptualizing how this translates into security threats for China. Such an approach is otherwise absent from this school of thought.

The concept of structural power is at the base of this approach. Alluded to in the work of IPE scholars such as Heirshman, Wallerstein, and Strange, structural power is the power an economically dominant state gains over a dependent state's domestic institutions. Structural power develops through asymmetrical economic interaction when the dominant state gains control over the dependent state's factors of production.¹⁹ This control, or influence, expands outwards into other spheres within the dependent state, including the political, societal, environmental and military sectors.²⁰ A dominant state can seek structural power purposefully or gain it unconsciously, simply by "being there."

Structural power can account for how China's economic relations with Cambodia, Nepal and Mongolia have resulted in Chinese influence over those states' domestic institutions. In some instances, such as Cambodia's political system, Nepal's societal sector and Mongolia's economic sphere, China has purposefully sought structural power so as to influence the small countries' domestic development. In other instances, Chinese structural power is the unintended outcome of its dominant position vis-à-vis its smaller neighbouring states. This article does not treat consciously sought or unintentionally developed Chinese structural power differently within its analysis. Rather, it will examine the effect Chinese structural power has on the states' domestic institutions and how actors within the states perceive China's structural power. Neither outcome is dependent on how China developed its structural power; only that such power exists.

The Copenhagen School's approach to security studies provides the means for measuring structural power across the states' different sectors and the mechanism for determining whether, and to what degree, states view Chinese structural power as a threat. First, the Copenhagen School employs a widened account

19 Strange 2004, 24–25.

20 Ibid., 26.

of security that includes economic security, political security, environmental security, societal security and military security.²¹ This presentation of security allows for analysis of China's structural power within the small state on a sector-specific basis. In this respect, the Copenhagen School's widened account of security and structural power are extremely complementary.

Second, the Copenhagen School uses the concept of securitization to measure the presence and degree to which an issue becomes a threat. Securitization is a speech act that raises a concern to the level of a threat by giving it the name "security."²² Securitization can occur within political dialogue, media accounts, or within social groups. The concept of securitization is particularly important for analysis as it provides criteria to judge whether China's structural power over the small states' domestic institutions has translated into security.

Third, the Copenhagen School argues that societies and groups, as well as states, can be securitizing actors.²³ This treatment of security actors moves security away from a statist concept to include non-state actors. This conceptualization of security actors is in line with this article's approach. In many instances, it is the societies within the states that securitize China's influence, not the states themselves.

Threats to China's security environment

The securitization of Chinese structural power in Cambodia, Nepal and Mongolia negatively affects China's security environment in three important ways. First, China's ability to project soft power – or the power based on "such resources as the attraction of one's ideas or on the ability to set the political agenda in a way that shapes the preferences of others" – in all three states is diminished.²⁴ This suggests that China cannot rely on a charm offensive alone to shape its peripheral environment, but must at times use coercion. The use of coercion will lead to further securitization of China's activities and call into question Beijing's claim that it is only interested in pursuing "win-win" relations. Coercion will also raise doubts about the nature of China's non-intervention policy, particularly whether it is a euphemism for exploitation. All these potential outcomes will complicate China's security environment.

Second, the negative outcomes of Chinese structural power may further weaken what are already weak states. Cambodia, Nepal and Mongolia all have state-society issues related to governance and corruption that China's structural power will exacerbate. The potential of Chinese structural power to weaken state-society relations is most apparent in Mongolia, where a large portion of Mongolian society views the Mongolia government as part of the China

21 Buzan, Waever and de Wilde 1998, 21.

22 Buzan and Waever 2003, 71.

23 Ibid., 44.

24 Nye 2000, 57.

“problem” rather than a potential solution. As individuals and societies in the states on China’s periphery increasingly see their political elite beholden to Chinese economic interests, opposition to domestic political institutions will grow.

This outcome – already evident to varying degrees in all three states – has the potential to translate into instability for China. Society–state conflict can undermine the neighbouring state’s stability, thereby contributing to regional insecurity. China does not want a chaotic state on its periphery, particularly one bordering the Tibet Autonomous Region, the Inner Mongolian Autonomous Region, or the Xinjiang Uyghur Autonomous Region.

Third, if the states on China’s periphery come to view China as a threat, either directly or indirectly, they will be more likely to engage in foreign policy behaviour that will mitigate China’s influence. This change in policy could come in the form of hedging, internal or external balancing. While this potential outcome may seem far-fetched, states in South-East Asia such as Vietnam, Singapore and the Philippines – states predicted by many analysts as little as two years ago to be moving rapidly into China’s sphere of influence – are currently engaged in such behaviour.

The remainder of the article will examine China’s relations with Cambodia, Nepal and Mongolia in order to determine where Chinese structural power has resulted, or is resulting, in insecurity in the state and how this insecurity affects China.

Cambodia

Economic relations

China’s economic relations with Cambodia have grown substantially, particularly since Cambodia became a full member of the Association of Southeast Asian Nations (ASEAN) in 1999. China (including Hong Kong) is now Cambodia’s largest trading partner, accounting for 39.5 per cent of all imports, 26.2 per cent of all exports, and 32.1 per cent of all trade in 2011, which amounted to US\$10.4 billion. This was a 73.5 per cent increase from 2010.²⁵ In contrast, the United States, Cambodia’s second largest trading partner, accounted for just 20.4 per cent of Cambodia’s total trade in 2011, a percentage that has been steadily decreasing in relation to trade with China.²⁶ Trade between Cambodia and China is likely to grow as the latter has eliminated tariffs on 418 import items from Cambodia.²⁷

25 Sovan, Nguon. 2012. “Cambodia’s Trade with China in 2011 up 73.5 pct,” *Cambodia Daily News*, 10 February.

26 European Commission. 2012. “Cambodia: main economic indicators,” 21 March, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113362.pdf. Accessed 19 November 2012.

27 Sovan, Nguon. 2011. “Cambodia: China’s tax free provides impetus for Cambodian producers,” 14

Chinese foreign direct investment (FDI) to Cambodia has also increased, from US\$717 million in 2006 to US\$ 1.1 billion in 2010, making China Cambodia's largest provider of FDI. Since 1994, China has provided US\$8.9 billion in FDI to Cambodia, more than doubling the US\$4.0 billion that South Korea, Cambodia's second largest provider of FDI, provided over the same period.²⁸ China has over 3,000 companies operating in Cambodia.

Chinese overseas development assistance (ODA) to Cambodia is also an important, and growing, component of Sino-Cambodia relations. China is the largest provider of aid to Cambodia.²⁹ Chinese grants to Cambodia have increased from US\$32 million in 2004 to US\$100 million in 2010.³⁰ China has also become an important source of concessional loans for Cambodia, providing US\$500 million between 2000 and 2008.³¹ In 2010 alone, China agreed to a concessional loan of US\$100 million, or 30 per cent of total concessional loans to Cambodia for the year.³²

Structural power

Economic security. The main threat Chinese structural power poses to Cambodia's economic security is through contingent liability.³³ The United Nations' Intersecretariat Working Group on National Accounts defines contingent liability as "a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."³⁴ Contingent liability occurs when one party commits to a certain outcome regardless of its future circumstances.

Contingent liability stemming from Chinese investment in Cambodia develops through three interrelated occurrences. First, Chinese investment in Cambodia is marred with uncertainty stemming from lack of transparency.³⁵ The Cambodian government (Phnom Penh) does not publicly disclose the business deals it strikes with Chinese firms or the business plans around specific projects. This opacity increases the likelihood of those involved seeking to benefit in the short term without giving thought to medium and long-term outcomes.

footnote continued

December, http://news.xinhuanet.com/english2010/china/2011-11/24/c_131267916.htm. Accessed 19 November 2012.

28 Council for the Development of Cambodia. 2012. "Investment trend: FDI trend," April, <http://www.cambodiainvestment.gov.kh/investment-environment/investment-trend.html>. Accessed 19 November 2012.

29 Cambodia Development Research Institute 2012, 7

30 Alliance 2012, 6.

31 Sotharith 2010, 19.

32 NGO Forum on Cambodia 2010, 5.

33 Interview at the Asian Development Bank, Phnom Penh, April 2012.

34 United Nations Statistics Division. 2004. "Provisions," <http://unstats.un.org/unsd/nationalaccount/rissue.asp?rID=9>. Accessed 19 November 2012.

35 Interview at Cambodia Development Resource Institute, Phnom Penh, April 2012.

Second, Chinese investment in Cambodia is focused on big infrastructure projects, such as building dams. These projects are welcomed by Phnom Penh which views them as essential for Cambodia's future development. At issue, however, is that many of these projects take place in remote rural areas without the infrastructure to support their utilization. For example, Chinese companies might undertake a large-scale hydropower project hundreds of kilometres away from the nearest power grid.

Third, in order to secure Chinese funding for such projects, Phnom Penh must agree to purchase a set amount of goods or services. In the case of a hydropower plant, for example, it must agree to purchase a set amount of energy for a fixed term at a fixed price. Phnom Penh regularly agrees to such terms even though it lacks the present capacity to incorporate the energy into a national grid.

The lack of transparency around Chinese investment, the Cambodian government's willingness to accept long-term liability for short-term gain, and fears that the state is taking on unreasonable risk to secure funding all suggest that Chinese investment in Cambodia contains the potential to harm Cambodia's economic security. Contingent liability presents a national security issue if Phnom Penh is forced to honour contracts from which it cannot benefit, such as buying energy from a hydropower plant it cannot use.

Political security. More corrosive are the effects Chinese structural power has on Cambodia's political security. This structural power manifests itself in two ways. First, Chinese entities such as the Chinese Chamber of Commerce and the Hong Kong and Macau Business Association have gained significant influence over Cambodia's domestic politics and foreign relations. These Chinese government-backed groups have shaped domestic politics by leveraging the collective influence of Chinese businesses, providing training and international travel opportunities for Cambodian officials, and arranging high-profile contracts between Chinese-based businesses and the businesses of Cambodian politicians.³⁶ They have influenced Cambodia's foreign relations by organizing protests in Cambodia against foreign interests, particularly the United States, and pressuring the Cambodian government to support China's position vis-à-vis other ASEAN member states.³⁷

Second, Chinese concessional loans and aid also have a negative effect on Cambodian governance in terms of foreign relations, corruption and transparency.³⁸ While Chinese loans and aid are unconditional in terms of aid effectiveness, aid management and project sustainability, they are conditional on Cambodia adopting some of China's foreign policy goals as its own. For example, China insists on Cambodia adopting a "one China" approach towards

36 Marks 2000, 8.

37 "Authorities condemned for removing anti-Chinese protestors," *The Cambodian Herald*, 31 March 2012.

38 Interview at Centre for Advanced Studies, Phnom Penh, April 2012.

Taiwan, a political entity with which Cambodia has close economic relations. While Cambodia still maintains ties with Taiwan through its embassy in Ho Chi Min City, its interactions are now severely limited.³⁹

China has also provided monetary incentives to gain Cambodia's support for its position on the South China Sea, most recently by pledging tens of millions of dollars to Cambodia (ASEAN's acting chair in 2012) for assurances that it would keep the South China Sea issue off ASEAN's agenda during the annual 2012 ASEAN Summit in Phnom Penh.⁴⁰ China's influence over Cambodia's relations with other ASEAN states was on prominent display when the Cambodian government chose to leave up large posters of Chinese president Hu Jintao 胡锦涛 across Phnom Penh throughout the 2012 ASEAN Summit. Hu had visited the Cambodian capital a week before the summit in what many viewed as a shameless attempt to direct Cambodia's foreign policy.

China hands over its loans directly to Phnom Penh, which manages them through the Council of Ministers rather than through implementing agencies.⁴¹ This method of disbursement, coupled with China's hands-off approach to measuring aid use and effectiveness, provides opportunities for corruption at the highest levels of the Cambodian government.⁴² It is evident that Phnom Penh views Chinese loans as preferable to other sources as it continues to embrace them enthusiastically despite the fact that their interest rates are five times higher than those of other Asian donors such as Japan, South Korea, and the Asian Development Bank.⁴³

Environmental security. Chinese negative structural power extends to Cambodia's environment and is evident in Chinese demand for Cambodian timber, Chinese dam building, and Chinese mining activity. While Chinese companies are not the only foreign companies involved in activities in Cambodia's environmental sector, their actions are regularly singled out as being the most environmentally damaging.⁴⁴

Wood is Cambodia's largest export to China, accounting for 47 per cent of all exports in 2008.⁴⁵ While there is an impressive percentage of legal trade, the illegal timber trade between the two countries accounts for ten times the annual amount of legally harvested wood, or 90 per cent of all wood harvested in Cambodia each year.⁴⁶ China is the main recipient of timber from Cambodia

39 Ibid.

40 *The Cambodian Herald*, 31 March 2012.

41 Radio Free Asia 2012.

42 Alliance 2012, 6.

43 NGO Forum on Cambodia 2010, 5.

44 Turner and Wu 2009.

45 Cambodian Development Resource Institute. 2008. "Environmental impact of the ASEAN Free Trade Agreement on the Greater Mekong Sub-region," at 33, http://www.iisd.org/tnk/pdf/tnk_enviro_impacts_china.pdf. Accessed 19 November 2012.

46 Telapak. 2001. "Illegal timber trade in the ASEAN region," 3 April, http://telapak.gekkovoices.com/publikasi/download/Br_Illegal_TTT_ASEAN.pdf. Accessed 19 November 2012.

and does not distinguish between legally and illegally logged wood.⁴⁷ Cambodia now has the world's third highest deforestation rate, which contributes to deteriorating air and water quality, and soil erosion.⁴⁸ Illegal logging in Cambodia has also been linked to violent conflict and loss of economic opportunity.

Chinese dam building in Cambodia also carries heavy environmental costs. Chinese dam building in the Cardamom mountain range, for example, will negatively affect the lowland evergreen forests which are home to at least 40 endangered species. Reservoirs from the proposed Stung Chay Areng Dam on the Chay Areng River will flood nine villages housing more than 1,500 Cambodians.⁴⁹ Chinese dam building on the Mekong River also negatively affects Cambodia's riparian populations by reducing water for rice irrigation and destroying fisheries in Cambodia. Both outcomes have huge food safety implications for Cambodia.⁵⁰

Cambodia's environment is also negatively impacted by the engagement of Chinese companies in Cambodia's mineral sector.⁵¹ In particular, Chinese mineral exploration and extraction contributes to water safety issues such as pollution, water shortages and poor water quality. While other foreign and domestic firms are involved in Cambodia's mineral sector, Chinese firms in particular ignore international best practices.

Societal security and securitization. Cambodian society is involved in securitization processes aimed at China's structural power over Cambodia's economic, political, environmental and societal sectors. Land grabs, environmental degradation and political corruption in response to Chinese economic incentives have all sparked public protests against China in Phnom Penh and places such as Botum Sakor and Koh Kong, where Chinese companies are undertaking large, illegal and environmentally damaging projects with direct Cambodian government support.⁵² Anti-Chinese sentiment in Cambodia is also growing in response to what many believe is the corrosive effect of Chinese involvement on Cambodia's traditional society. Rural residents especially are concerned about Chinese-initiated (and Cambodian government sanctioned) land grabs. In many instances, villagers have historical, familial and legal claims to land Chinese firms summarily expropriate and raze.⁵³

Fear that Chinese structural power has a corrosive effect on Cambodia's political system has led scholars such as Dr Lao Mong Hay of the Cambodian Centre for Human Rights and Dr Sokhom Hean of the Center for Advanced

47 Illegal Logging Portal. 2006. "Illegal logging costing nations billions – World Bank," 16 September, http://www.illegal-logging.info/item_single.php?it_id=1674&it=news. Accessed 19 November 2012.

48 Pepy. 2010. "Logging' quick facts about logging and deforestation," <http://pepyride.org/resources/development-issues/logging-pepymenu-312>. Accessed 19 November 2012.

49 Turner and Wu 2009.

50 Goh 2004, 6.

51 Interview with Lay Khim, United Nations Development Program, Phnom Penh, April 2012.

52 Marshall and Thul 2012; Thul 2011.

53 "Chinese influence runs deep in Cambodia," *The Cambodia Herald*, 30 March 2012; Thul 2011.

Studies in Phnom Penh to voice their concerns about Chinese–Cambodian relations being beneficial in the short term, but damaging in the long term.⁵⁴ Prominent Cambodian scholars and activists have noted that China’s political and business ethics set a bad example for the Cambodian government and undermine development towards a more democratic system.

Anti-Chinese sentiment has also increased against ethnic Chinese in Cambodia and the perceived special treatment they receive in business dealings with the Cambodian government.⁵⁵ Many Cambodians already resent the Chinese for their support of the Khmer Rouge, and this resentment is intensified by China’s disproportionate influence over Cambodian politics.⁵⁶

Nepal

Economic relations

Nepal is a different case from Cambodia and Mongolia in that its economic relations with China are nominal compared to its economic relations with India. India remains Nepal’s largest trading partner, accounting for an average of 67 per cent of Nepal’s total exports and 59 per cent of total imports since 2006.⁵⁷ Conversely, China received an average of 3.25 per cent of Nepal’s total exports and provided 11 per cent of its total imports over the same period. While China has made a slight gain over India in total imports since 2006 (growing from 9 per cent in 2006 to 12 per cent in 2010, while Indian imports fell from 60 per cent in 2006 to 57 per cent in 2010), there is no real movement to suggest a shift in economic alignment by Nepal.

Neither is China a major contributor of FDI to Nepal, which is low even among the least developed countries (LDCs). From 2001 to 2011, Nepal received just US\$ 109.6 million in FDI, while total FDI to the country decreased by 48 per cent from 2010 to 2011.⁵⁸ China is the third largest provider of FDI to Nepal, following India and the United States. There are 179 Chinese firms operating in Nepal, compared to 393 from India.

However, China is attempting to expand its economic relations with Nepal through greater FDI.⁵⁹ In April 2012, for example, the Chinese firm, Three Gorges International Corp., received permission from the Nepali government (Kathmandu) to begin construction of a US\$1.6 billion 750-megawatt hydro-electric plant on the Seti River in north-west Nepal. The project is a major

54 Radio Free Asia 2012; Interview, Centre for Advanced Studies.

55 Husain and Swann 2008, 143.

56 Ibid.

57 See Ministry of Commerce and Supplies. 2011. “Major trading partner of Nepal – exports,” <http://www.tepc.gov.np/tradestatistics/gl-14-major-trading-partner-exports.php>; and “Major trading partners of Nepal – imports,” <http://www.tepc.gov.np/tradestatistics/gl-15-major-trading-partner-imports.php>. Both accessed 19 November 2012.

58 United Nations Conference on Trade and Development 2011, 39; “Nepal ranks 134th on FDI inflow index,” *The Kathmandu Post*, 28 July 2011.

59 Lan 2009.

investment for Nepal and would generate much needed energy for the country. The project is reportedly just one of a suite of infrastructure projects China is undertaking in Nepal, including a US\$100 million road connecting Lhasa to Kathmandu and a 100 km-long optic fibre cable between Zhangmu in China and Kathmandu.⁶⁰

China has also pledged US\$19 million in military aid to Nepal in 2011, an investment that moves China into the upper ranks of Nepal's military partners. While a seemingly small amount, the Chinese aid represents 7 per cent of Nepal's total budgeted military expenditure for 2011, which was US\$247 million.⁶¹ In contrast, India suspended aid in 2005 following the dismissal of the Nepalese government by King Gyanendra and has only recently agreed to resume military support.

China also directs aid to Nepal's armed police. In 2010, the Chinese government provided them with US\$10 million for the express purpose of updating their riot gear with batons and shields made in China.⁶²

Structural power

Economic security. As in Cambodia, contingent liability resulting from Chinese investment is a major concern for Nepal. One prominent example of this potentiality is the Melamchi Water Supply Project, which the Nepalese government awarded to the Joint Venture of China Railway 15 Bureau Group Corporation and China CMIIC Engineering Corporation (CRCC-CMIIC JV) of the People's Republic of China. The Chinese companies underbid the lowest cost projections by more than US\$80 million.⁶³ Their bid came with a condition that the Nepalese government would bear the cost of any delays. Kathmandu agreed despite the voiced concerns of Nepalese companies, the media and research institutions that the project could not be completed for the accepted bid and that Nepal would end up incurring a great deal of cost.⁶⁴

Over time, it became apparent that the Chinese companies could not finish the project within the proposed budget. Prominent Nepalese reporters argued that the Chinese companies had had no intention of finishing the project and only sought profit from the construction phase.⁶⁵ As work on the project stalled, the Chinese companies found every excuse to delay. In one instance, the Chinese companies suspended work for a month after a driver hit and killed a cow.⁶⁶

60 "Meiguo 'zhongbang' chongfan Yazhou de sige zhanlue kaoliang" (Four things to consider about the US' "serious" return to Asia), *Xinhua*, 28 October 2010.

61 Jane's. 2011. "Defence budget (Nepal), defence budget," 15 August, <http://articles.janes.com/articles/Janes-Sentinel-Security-Assessment-South-Asia/Defence-budget-Nepal.html>. Accessed 19 November 2012.

62 Interview with South Asia Watch on Trade, Economics and Environment, Kathmandu, May 2012.

63 *Ibid.*

64 *Ibid.*

65 Interview with Agence France-Presse, Kathmandu, May 2012; Interview with *República*, Kathmandu, May 2012.

66 Interview, South Asia Watch on Trade, Economics and Environment.

This example raises concerns over Chinese investment in Nepal and its resulting structural power over the state's economy. In particular, Chinese investment in hydropower projects in Nepal has raised concerns that Kathmandu might find itself liable to purchase more energy than it can use. While Nepal suffers from constant power shortages and desperately needs renewable energy sources, it is questionable whether the government can develop a national grid capable of absorbing and distributing power generated at geographically isolated locations. As Chinese investment in dam building in Nepal is driven by profit, and the specific agreements around the projects publically unavailable, such concerns are well founded.⁶⁷

Political security. Chinese structural power affects Nepal's political security in two ways.⁶⁸ First, China attempts to leverage economic ties to influence Nepal's political process. In 2007, the Chinese embassy advised the Nepalese Supreme Court that Nepal–Chinese relations would deteriorate should it rule leniently against two Tibetan activists on trial.⁶⁹ Representatives from a well-known Chinese telecommunications company in Nepal attempted to bribe the Tibetans' defence lawyer with a permanent position and a monthly salary of 30,000 rupee if he threw the case.⁷⁰ While these incidents are not widely known in Nepalese society, a recording of a Chinese agent and a senior official in Nepal's Maoist party, Krishna Mahara, made front-page headlines when it emerged in 2010. On the recording, the two men engaged in a conversation over how best to use US \$6.75 million to bribe members of parliament.⁷¹

China has also leveraged its structural power to shape economic development in the country. An example of this is the West Seti dam project where China threatened to pull funding if the Nepalese government allowed a competitive bidding process. Kathmandu acquiesced and allowed the project to move forward without competitive bidding.⁷² The lack of a formal tendering process has raised concerns in Nepal that the country will not fully benefit from its hydro-electric potential as China manipulates the sector for its own benefit.⁷³

China uses its structural power over Nepal's political system in more direct ways to pressure the state to act against ethnic Tibetans in Nepal. Nepal is home to an estimated 18,000 ethnic Tibetans, many of whom Beijing believes are engaged in "separatist" activities aimed at China.⁷⁴ Beijing has successfully secured ongoing political support against "anti-Chinese" activities in Nepal

67 Ibid.

68 South Asian Democratic Form and Gallup 2011, 21.

69 Interview, *República*.

70 Ibid.

71 *The Nepali Times*. 2012. "Tipping point," 26 January, http://himalaya.socanth.cam.ac.uk/collections/journals/nepalitimes/pdf/Nepali_Times_588.pdf. Accessed 19 November 2012.

72 Ibid.

73 Centre for Inclusive Growth. 2012. "Big power deal gives Chinese a foothold in Nepal," 12 March, <http://cignepal.org.np/news/big-power-deal-gives-chinese-foothold-nepal>. Accessed 19 November 2012.

74 Qiu 2013.

from successive governments while simultaneously establishing an extensive network of Chinese security agents in Nepal.⁷⁵ The Chinese embassy directs the Nepalese police with tactics and the number of officers it should deploy when dealing with ethnic Tibetan activities in Nepal.⁷⁶

Military security. While China's structural power over Nepal's military security is negligible compared with India's, several developments suggest that China enjoys a growing degree of influence over Nepal's strategic position. First, Chinese aid to Nepal's military is progressively undermining traditional Nepalese–Indian relations, which have been the foundation of Nepalese military security for decades. While a decoupling of Nepalese–Indian military relations could benefit Nepalese military autonomy in the long term, it is unclear how this could play out within Nepal's armed forces. The Nepalese military is already attempting a major realignment in its absorption of former Maoist rebels into its ranks. The smallest disruptions to continuity could lead to larger, negative outcomes.

Second, China's increased role in Nepal could trigger a “great game” in the country that would complicate Kathmandu's security environment, a potentiality some Nepalese believe is the greatest security challenge the state faces.⁷⁷ Smartly played, Nepal could benefit from such rivalry. However, the unstable nature of Nepal's government suggests that such adroit diplomacy will be challenging to institutionalize.

Third, Chinese and Nepalese military concerns do not necessarily coincide. While China is intent on including Nepal in a security ring aimed at containing unrest in Tibet, an entirely aggressive stance against Tibet is not in Nepal's best interests. As China leverages its structural power over Nepal's security environment, such distinctions will become clearer and more difficult to mitigate.

Societal security and securitization. Chinese structural power over societal security in Nepal stems from China's involvement in Nepalese Tibetan activities and the negative effect such power has on the Nepalese government's sovereignty. While many Nepalese do not sympathize with ethnic Tibetans in Nepal, a growing number are concerned about the effect China has on the country's democracy and social cohesion.⁷⁸ These individuals argue that Kathmandu is not representing Nepal's best interests in rushing to quell any activity aimed at China in its Tibetan community, but rather selling internal stability for the sake of preserving “good” relations with China.

Public opinion polls suggest that while Nepalese people generally hold a positive view of China, China's structural power in Nepal is creating tension within the state. Himalmedia, a Kathmandu-based media organization that conducts annual public polls in Nepal, reported that Nepalese have turned against the

75 *The Economist*. 2012. “Callings the shots: Chinese influence in Nepal grows,” 17 March, <http://www.economist.com/node/21550315>. Accessed 19 November 2012.

76 *Ibid.*

77 South Asian Democratic Form and Gallup 2011, 21.

78 Maharjan 2011.

government's politicization of ethnicity and have started to push back against attempts to define Tibetans as an "other" against which the state must act.⁷⁹ The South Asia Democratic Forum and Gallup also released a poll in 2011 noting that negative impressions of China in Nepal are highest among young (15–29 age group), educated (high school or higher), middle-class individuals.⁸⁰ Some Nepalese scholars and journalists have expressed concern over China's growing influence and have emphasized the need for Nepal to engage in triangular diplomacy with India, China and the United States to ensure its freedom for manoeuvre.⁸¹ Inherent in this sentiment is concern over China's growing structural power.

While it is premature to suggest a surge of anti-Chinese sentiments in Nepal stemming from China's growing influence, the recent findings can be read as a harbinger of challenges China must overcome if it wishes to maintain good relations with the people of Nepal.

Mongolia

Economic relations

Mongolia is one of the most economically dependent states on China's periphery. Whether through trade, FDI or aid, Mongolia is intricately tied to China. It is no surprise that Chinese structural power is clearer in Mongolia than in the other small states on China's borders.

China is Mongolia's largest trading partner, both in terms of imports and exports. In 2011, China surpassed Russia as the largest supplier of imports, providing 32 per cent of Mongolia's total imports. Concurrently, China receives 91 per cent of Mongolia's exports, 70 per cent of which are commodities.⁸²

China is also the largest provider of FDI to Mongolia, accounting for 51 per cent (US\$596.7 million) of the US\$1.76 billion in FDI Mongolia received in 2010.⁸³ To put China's dominant position over FDI into Mongolia into perspective, Canada and the Netherlands, the second and third largest providers of FDI respectively, accounted for just 8 and 6 per cent in 2010.

Chinese companies account for more than 50 per cent of all foreign companies operating in Mongolia. As with overall FDI, China far outpaces the second largest country, South Korea, which accounts for only 18 per cent of Mongolia's foreign-owned enterprises.⁸⁴

79 *The Nepali Times*, 26 January 2012.

80 South Asian Democratic Form and Gallup 2011, 48.

81 Interview, *República*.

82 National Statistics Office of Mongolia. 2011. "Monthly bulletin of statistics, November 2011," November, http://www.nso.mn/v3/index2.php?page=menu&m_id=266&s_id=0. Accessed 19 November 2012.

83 World Bank 2012.

84 Foreign Investment and Foreign Trade Agency. 2012. "Registered foreign investment companies in Mongolia by country," 3 February, <http://www.investmongolia.com/fifta/env.php?eid=4>. Accessed 19 November 2012.

Structural power

Economic security. Close Sino-Mongolian economic relations have resulted in very developed Chinese structural power over Mongolia's economy. The linkages between the two became shockingly clear in 2009 when a drop in Chinese demand for commodities led to a near financial collapse in Mongolia.⁸⁵ Mongolia's industry sector experienced a -4.1 per cent decline and its overall economy contracted by 1.9 per cent in 2009. Wages in both the formal and informal sectors collapsed by as much as 16 per cent, and unemployment rose from 10.5 to 12.8 per cent in a single year.⁸⁶ The country's fourth largest bank failed and the Mongolian currency collapsed.

While the Mongolian government (Ulan Bator) ultimately bears responsibility for the country's economic management, Chinese structural power clearly contributes to Mongolia's economic health and limits policy options.

Environmental security. The structural power China has developed over Mongolia's domestic institutions through Sino-Mongolian economic relations extends to Mongolia's environmental sector. The demand for animal parts for traditional Chinese medicine has led to a thriving illegal wildlife trade with Mongolia. As a result of Chinese demand for game meat, horns, musk glands and fur, a number of Mongolian indigenous species have reached near-extinction levels.⁸⁷

Chinese demand for cashmere also contributes to desertification in Mongolia, a process that is affecting as much as 90 per cent of Mongolia's total territory.⁸⁸ Beijing has limited the number of goats herders in the Inner Mongolian Autonomous Region (IMAR) can raise so as to arrest desertification.⁸⁹ Mongolian herders have responded by increasing the number of goats in Mongolian herds. Goats cause desertification by eating grass by the roots and breaking top soil with their sharp hooves. In this instance, China has exported its environmentally damaging economic activity to Mongolia.⁹⁰

As with Cambodia, Chinese demand for timber has led to illegal logging in Mongolia. Conservative estimates of illegally felled trees in Mongolia suggest 5.51 million cubic metres are harvested each year. This accounts for more than five times the legal, sustainable allocation of timber production.⁹¹

Political security. Chinese structural power contributes to conflicts of interests among Mongolian politicians at the highest level. The Mongolian prime minister (PM), Sukhbaataryn Batbold, is perhaps the most relevant example of the interplay between Mongolian politics and Chinese business interests: he is not only

85 Barnett and Bersch 2010.

86 World Bank 2010, 1.

87 Wingard and Zahler 2006, 1.

88 Interview with Swiss Agency for Development and Cooperation, Ulan Bator, 2008.

89 Waldron and Longworth 2007, 67.

90 Songwe 2003, 41.

91 Erdenechuluun 2006, 7.

Mongolia's premier politician, but also one of the country's wealthiest businessmen. PM Batbold has extensive holdings in mining sites such as the Boroo Gold Mine and Tavang Tolgoi, both of which export the majority of their commodities to China.⁹² The conflict of interest brought about by the PM's political position and his ownership of mining licences became apparent in relation to China when the Mongolian National Security Council rejected the tendering process through which China's Shenhua Energy Co. won the majority right to develop Tavang Tolgoi in 2011. The National Security Council declared that the tendering process was not compliant with Mongolian laws and regulations and that the Chinese firm had an unfair advantage over South Korean and Japanese firms.⁹³

Societal security and securitization. Mongolia's economic dependency on China means that shocks from China translate into economic outcomes that affect social development through issues related to poverty and unemployment. In 2009, for example, infant mortality, maternal deaths and under-five mortality all rose in Mongolia as unemployment spiked. Modern and extreme poverty grew by 1 per cent over the year while secondary school enrolment fell by 2.4 per cent.⁹⁴ That Mongolia's economic downturn resulted from Chinese structural power over the country's economic health, attributing China's influence with agency over Mongolia's social development, is not far-fetched.

More than Cambodian or Nepalese society, Mongolian society has securitized Chinese structural power. Mongolian opinion polls increasingly rate China as the least desirable partner for Mongolia.⁹⁵ A 2009 Asian Barometer poll also recorded that Mongolian perceptions of Chinese influence are overwhelming negative.⁹⁶ Moreover, a 2011 survey conducted by the Mongolian-based NGO, the Press Institute of Mongolia, noted that Mongolian attitudes towards China as represented in Mongolia's media have steadily worsened over the past decade.⁹⁷ Mongolian opinions towards China have deteriorated in line with China's growing influence.

Securitization of Chinese involvement in Mongolia has moved on from rhetoric to the formation of overtly anti-Chinese groups such as Dayar Mongol and Xox Mongol. These two groups, having started as hooligan groups operating on society's fringe, have now gained legitimacy within Mongolia. Their simple

92 See World Bank 2011, 5; AME Group. 2012. "Boroo, Mongolia (gold mine)," 21 March, <http://www.ame.com.au/Mines/Au/Boroo.htm>. Accessed 19 November 2012.

93 Mongolian Economic and Finance. 2011. "Mongolia National Security Council rejected Tavan Tolgoi plan – source," 16 September, <http://mongoliaeconomy.blogspot.com/2011/09/mongolia-national-security-council.html>. Accessed 19 November 2012.

94 National Statistics Office of Mongolia. 2009. "Mongolian statistical bulletin 2009," at 10, http://web.nso.mn/download_data.php?type=bulletin&year=2009&file=bulletin&_2009_jan.pdf. Accessed 19 November 2012; World Bank. 2011. 'The impact of the financial crisis on poverty and income distribution in Mongolia,' 7 March, <http://documents.worldbank.org/curated/en/2011/03/15424023/impact-financial-crisis-poverty-income-distribution-mongolia>. Accessed 19 November 2012.

95 Sant Maral Foundation 2011.

96 Mendee 2011.

97 Press Institute 2012, 19.

message of Mongolian nationalism mixed with fear of China has found resonance in mainstream Mongolian discourse.⁹⁸

The securitization of Chinese structural power at the societal level has put pressure on Ulan Bator to address unwanted Chinese influence. While Ulan Bator's policies remain largely pro-Chinese, revisions to the state's National Security Concept in 2010 and Foreign Policy Concept in 2011 suggest that the Mongolian government is increasingly concerned about China's structural power. Key revisions to the two documents include limiting the percentage of FDI any one state can provide to one-third, protecting the Mongolian gene pool, and increasing cooperation with "third neighbour" states such as the United States and Japan.⁹⁹

Conclusion

The three case studies clearly demonstrate that China's economic relations with states on its periphery translate into structural power over their domestic institutions. All three case studies also show that, to varying degrees, structural power can manifest in ways that result in securitization across a wide range of security sectors.

For Cambodia, Chinese structural power is clearly present in the state's political security. Chinese entities such as the Chamber of Commerce have leveraged China's increasingly dominant economic position in the country to exert control over individual politicians and the overall political process. Chinese loans and aid negatively impact Cambodian governance by encouraging opaqueness in policy-making and corruption. Structural power has extended into Cambodia's environmental security through government-supported illegal land grabs and the awarding of controversial dam-building contracts to Chinese firms. Cambodian society has securitized Chinese structural power primarily through protests and media.

Chinese structural power is weakest in Nepal, suggesting that China's structural power develops in tandem with its bilateral economic relations. Chinese structural power in Nepal is, however, growing in areas where the Chinese government has focused on developing influence. This is particularly the case with Nepal's societal security where China pressures Kathmandu to control its Tibetan population. Chinese structural power in Nepal is growing and there are signs of a burgeoning move to securitize Chinese influence in Nepal.

Mongolia provides the clearest evidence of Chinese structural power as its economic, political, environmental and societal securities are all negatively affected. As with Nepal, the Mongolian case highlights the importance of economic ties as a driving force for Chinese structural power, conversely demonstrating the corrosive nature of economic dependence on a state's security.

The use of structural power and the Copenhagen School approach provide a means of measuring how China's influence (structural power) negatively affects

98 Ibid 25.

99 Reeves 2013.

small states on its periphery (widened accounts of security; securitization; regional security complex). It is then possible to attribute China's relations with its small neighbouring states with at least partial agency in generating threats to its own security.

Threats to Chinese security manifest in different ways across the case study countries. First, Chinese structural power has, to varying degrees, undermined its soft power in all three countries. This is most clear in Mongolia and Cambodia, less so in Nepal. Second, Chinese structural power puts stress on aspects of state-society relations in all three states that have the potential to develop into state weakness, a more aggressive, anti-Chinese foreign policy, or both. State weakness in Nepal or Mongolia would greatly complicate China's domestic security in the Tibet Autonomous Region or the IMAR. A more aggressive foreign policy towards China in Cambodia, for instance, could undermine key support for China's policies in South-East Asia. Third, Chinese structural power in each state could result in the state seeking a balance to its relations with China. This is apparent in Mongolia's call for closer cooperation with its "third neighbours" and Nepal's sense that it needs India and the US to counterbalance China's influence.

The structural power/Copenhagen school approach contributes to the ongoing debate about China's security in three ways. First, it draws into question the validity of the power transition school's focus on the United States as China's key security challenge. While Sino-US competition is unquestionably a major strategic concern for China, dwelling exclusively on the US role in Asia as China's main security driver is a case of "not seeing the forest for the trees."

Second, it challenges the assumptions of the great power penetration school of thought. The three case studies clearly demonstrate how regional tensions exist exclusive of US involvement and that while the US may exacerbate some regional security concerns for China, for some states in Asia its role is more akin to a counterweight.

Third, the structural power/Copenhagen School approach improves on the "maybe China contributes" theory by conceptualizing the means and processes of China's engendering its own insecurity. The approach traces Chinese involvement within the small state across sectors, provides the means to measure whether its actions are considered a threat, and then allows for consideration of how such threats negatively affect China's own security. This mechanism has been absent within the "maybe China contributes" approach.

In tandem with existing realist perceptions, the structural power/Copenhagen School approach forms a holistic account of China's security drivers and threats. Such an understanding is not only useful in theorizing about the challenges to China's strategic position, but also in formulating policy to address potential threats. Through an understanding of the sub-state security concerns and actors, the ways in which small states perceive China and the ways China's influence undermines both small state security and its own stability, it is possible to address some of China's – and Asia's – most pressing and overlooked security drivers.

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