



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## EAST ASIA EXPLORER JANUARY 2024

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Volume II, Issue 1



Delhi Policy Group

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*The views expressed in this publication are those of the authors and should not be attributed to the Delhi Policy Group as an Institution.*

### Cover Image:

*Taiwan President-elect Lai Ching-te along with Vice President Bi-khim Hsiao celebrate their victory in Taipei, Taiwan, on January 13, 2024. (Source: [Democratic Progressive party/Official X Account](#))*

*The heads of delegations at the Third Belt and Road Forum for International Cooperation in Beijing, China on October 18, 2023. (Source: [President of Russia/Official Website](#))*

*Prime Minister of Cambodia, Hun Sen, shakes hands with Dr. Thongloun Sisoulith, President of the Lao People's Democratic Republic, prior to their bilateral summit meeting at the Peace Palace in Phnom Penh on May 4, 2023.*

*(Source: [Ministry of Information of Cambodia/Official Website](#))*

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## East Asia responds cautiously to the election of William Lai as Taiwan's President

by

Pradeep Taneja

The unprecedented third consecutive victory of an independence-minded Democratic Progressive Party candidate in Taiwan's presidential election on 13 January has elicited mixed reactions from the East Asian countries that have traditionally maintained friendly relations with the island republic. Despite China trying its best to influence the outcome in favour of the opposition Kuomintang candidate, the DPP's William Lai Ching-te beat his two pro-China opponents for the presidency, although the DPP failed to win an outright majority in the parliamentary elections which were held simultaneously.

While many foreign governments would have been privately pleased with the election results in Taiwan, few were effusive in their praise, many choosing instead to congratulate Taiwan for holding democratic elections and Mr Lai for his win.

Taiwan's neighbours in East Asia like Japan, South Korea and Singapore which have traditionally maintained warm unofficial relations with the island, did send their congratulations while remaining cautious of the reactions from China.

Japan, where Taiwan has many friends and supporters among the right-wing of the country's ruling Liberal Democratic Party legislators, congratulated Taiwan and Mr Lai using largely the same language it used when the outgoing President Tsai Ing-wen was re-elected in 2020. But there were a couple of subtle yet significant differences, as noted by the [Foreign Policy](#) magazine.

Instead of describing Taiwan as an "important partner", this year's congratulatory statement from the Japanese foreign minister, Kamikawa Yoko, called it an "extremely crucial partner". The statement also did not use the phrase "by the concerned parties" when calling for a peaceful resolution of the Taiwan question through dialogue, thus leaving open the remote possibility of a role for Japan and other third parties in the resolution of the Taiwan question.

Japanese politicians and bureaucrats responsible for foreign policy know well that China would never allow Japan to participate in any such talks with Taiwan, but they are also increasingly aware that Japan will not escape getting entangled in the conflict if China were to use force to take control of the island.

When the then Deputy Prime Minister, Taro Aso, acknowledged this possibility publicly in July 2021, he was widely condemned for his incendiary remarks.

A lot has changed since then. The United States' policy of "strategic ambiguity" on its involvement in a potential future conflict over Taiwan is not as ambiguous as it might have been once. While other US presidents have said it before, President Biden was unambiguous in his [interview](#) with CBS 60 Minutes programme in September 2022, saying that the US will defend Taiwan if there was an "unprecedented attack" from China. If such a scenario were to eventuate, Japan will inevitably be dragged into the conflict. Both Japan and China have been preparing for this possibility.

Having said that, Japan is not looking for a conflict with China. It has a lucrative and complementary economic relationship with its largest trading partner. There is also a powerful pro-China lobby in Japan, which enjoys the support of a sizeable segment of the ruling LDP and many large Japanese corporations. This lobby would not want the Taiwan issue to come in the way of business and diplomatic stability in relations with China.

Singapore, another country in the region that has maintained close ties with Taiwan despite not having diplomatic relations, also congratulated William Lai. In a statement, the Singapore foreign ministry said, "We welcome the successful conclusion of the elections and congratulate Dr William Lai and his party on their victory. Singapore shares a close and longstanding friendship with Taiwan and the Taiwanese people, and will continue to grow this relationship based on our "One China" policy."

Singapore is unique, in that for years it has managed to maintain good relations with the People's Republic, while also cultivating friendly ties with Taiwan. Singapore hosted the first-ever meeting between the leaders of Taiwan and the PRC when China's President Xi Jinping and Taiwanese President Ma Ying-jeou met there in November 2015, though they agreed to address each other as "Mr" and not "President". At the time, Singapore was [described](#) by one US scholar as the "perfect venue" for this unprecedented meeting.

Unusually, for years, the Singapore military used to train in Taiwan under an agreement reached secretly between the founder of Singapore as a modern state, Lee Kuan Yew, and the former Taiwanese leader, Chiang Ching-kuo, in 1975. Thousands of Singapore Armed Forces (SAF) soldiers would train in Taiwan to simulate wartime conditions.

This continued even after Singapore established diplomatic relations with China in 1990, despite China's objections and [the offer](#) to provide training

facilities for SAF troops on China's Hainan island. But, in 2016, the Hong Kong authorities, presumably under instructions from Beijing, temporarily seized nine Singaporean armoured vehicles as they were returning from exercises in Taiwan. This forced Singapore to suspend military training in Taiwan, but it [appears](#) that a scaled-down version of the training has resumed under a new agreement between Singapore and Taiwan.

The Republic of Korea, a key US ally in the region, was much more [restrained](#) in its reaction to the Lai win. Only a few known China hawks from the ruling People Power Party praised the election result as a "model of brilliant democracy" in a statement.

Nevertheless, China was unimpressed by the congratulatory messages issued by some of its East Asian neighbours. It "immediately made solemn démarches" to Singapore and summoned the ambassador of the Philippines, whose President Ferdinand Marcos Jr had congratulated Dr Lai, saying that he was looking "forward to close collaboration" and "strengthening mutual interests" between the Philippines and Taiwan.

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## Competing Connectivity Visions in the Indo-Pacific

by

Biren Nanda

### What is the Geopolitics of Connectivity?

The geopolitics of connectivity is all about competing visions for shaping the neighborhood. Connectivity visions reflect national values – are they solely for the benefit of one or for the benefit of all? Competitive connectivity initiatives are indeed the “new arms race” of the 21<sup>st</sup> century.

### What is the Chinese Approach to Connectivity?

The BRI is a grand strategy, unparalleled in scope and ambition and far exceeding anything the world has seen before. It is also a masterly blueprint to integrate China’s markets, gain access to resources, utilize excess domestic capacity, strengthen China’s periphery, gain strategic military access in the maritime domain beyond the Eurasian heartland, and enlist “all-weather friends,” as China prefers to call its allies. Its origins may lie in pressures on the CPC to develop China’s western provinces and counter the impact of China’s economic slowdown and lagging exports, but the BRI has evolved into a predominantly strategic mega project.

It also reflects China’s revisionist pursuit of preferential, non-competitive and exclusionary arrangements that propel its ambitions to create economic dependencies, gain political influence and eventually impose hegemonic power. It matters little to China whether the recipients of its favors can neither afford nor derive long-term benefits from China-financed and imposed BRI projects, however generous these may seem at a time when the US and the West have largely retreated from the developmental space. In any event, gains from BRI are front-loaded and overwhelmingly tilted towards China.

Sri Lanka’s descent into a BRI induced debt trap offers a cautionary tale. In 2010 China gave Sri Lanka a US \$ 1.5 billion loan to develop the Hambantota port. Other airport and rail projects followed and by 2015, Sri Lanka owed China US\$8 billion in debt. In order to reduce its debts, by 2017 Sri Lanka had to sell an 85% share of the port project to the China Merchant Port Holdings for US\$ 1.12 billion. As a consequence China obtained a 99-year lease on a piece of prime strategic real estate sitting astride major SLOCs connecting the Indian and Pacific Oceans. BRI lending was also a significant factor in Sri Lanka’s descent into an economic crisis in 2019.

## What is Japan's Connectivity Vision?

Japan has set out a new paradigm of connectivity and cooperation in the Indo-Pacific region. The Japanese approach draws upon the strength of shared values, convergent interests, and complementary skills and resources to promote economic and social development, capacity building, connectivity, and infrastructure development in the Indo-Pacific region.

Japan's Free and Open Indo-Pacific (FOIP) initiative guides its vision for the region. Japan has played a key role in regional infrastructure. Connectivity is a bold economic pillar of Japan's Indo-Pacific vision and one that is shared with numerous other countries and regions that have announced related strategies, including the United States, Australia, India, the Association of Southeast Asian Nations (ASEAN), and the European Union (EU).

While connectivity strategies entail not only physical infrastructure development but also other areas such as customs, digital linkages, and people-to-people exchanges, physical infrastructure is a high priority in Asia due to the high demand. These connectivity strategies also serve as an interface with competing projects such as China's Belt and Road Initiative (BRI).

Japan has played a key role in regional infrastructure investment and connectivity through the establishment of its "quality infrastructure investment" (QII) principles. The Japanese vision lays down four important pillars of connectivity and cooperation. These are: (1) Development and Cooperation Projects (2) Quality infrastructure and Institutional connectivity (3) Enhancing capacities and skills and (4) People to People partnership. Quality infrastructure seeks to address five important aspects: mobilization of financial resources, aligning with the development strategies of the recipient countries, applying quality standards, providing economic efficiency and sustainability, and contributing to local society and economy.

## What is India's Connectivity Vision?

India's Connectivity vision focuses on 'Development Partnerships' spanning the littoral and island states from the Indian to the Pacific Oceans. It encompasses culture, commerce, technology, investments, IT, services, and people-to-people interaction. It focuses on physical connectivity and also on peace and stability, economic prosperity, curbing radicalism and combatting terror. India believes that connectivity must be based upon universally recognized international norms, good governance, rule of law, openness, transparency, equality, financial responsibility, avoidance of unsustainable debt, and respect for ecological and environmental protection. Most



importantly connectivity projects must respect the sovereignty and territorial integrity of other countries.

### **What to make of diverse approaches to Connectivity?**

According to Miles Law, where you stand depends upon where you sit. The security and economic perceptions of any connectivity vision depends upon the historical experience and specific interests of each country. Some nations in the West, appear to embrace BRI for its economic potential. So do many countries in the Asia-Pacific who are heavily dependent on China's trade and finances. Other nations, which are seeking a balance of interests, seek to reinforce the trend towards multi-polarity and the preservation of a rules-based liberal order and are far less sanguine about the BRI.

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## Small States in a Great Power Game: A Case Study of Laos and Cambodia

by  
Anshita Shukla

The discourses on the ongoing great power competition between the United States and China often overlook the role and realities of small states, like Cambodia and Laos. The characterisation of the two countries as 'vassal states' of Beijing, has long been the reason for their neglect by great powers and middle powers allowing China to strengthen its foothold in the Mekong Region. As Laos assumes the chairmanship of ASEAN for 2024 and Cambodia witnesses the rise of a new leadership under Hun Manet, it is critical to understand the motivations behind the foreign policy calculations of the two countries.

Unlike Cambodia which has a 443 Km long coastline in the Gulf of Thailand, Laos is a land locked state, situated in the Mekong Delta. Both countries have communist governments. The two countries share a complex history of relations with their neighbours, Vietnam and Thailand. Phnom Penh remains apprehensive of Vietnam, as memories of the 1978 Vietnamese "invasion" of Kampuchea and the decade-long occupation of Cambodia linger on. With Thailand, Cambodia shares a cultural and religious identity. However, disputes regarding the status of the land surrounding the Preah Vihear temple have led the two countries to repeatedly clash on their borders. For Laos, the history of the nation is marred by several invasions and occupations by both Thailand and Vietnam. Laos also shares a border with Myanmar, a country embroiled in political and domestic upheaval. China is of course a common neighbour of both countries.

The bilateral relations between China and Cambodia gained momentum only after the two countries established party-to-party ties when Hun Sen became the Prime Minister of Cambodia in 1985 - this despite the establishment of diplomatic relations way back in 1958. The two countries upgraded their bilateral relations to a comprehensive strategic partnership in 2010 and Cambodia endorsed China's Belt and Road Initiative in 2013. The initiative has aided the construction of more than 10 bridges and 30 national roads totalling over 3,000 kilometres in length in ten years<sup>1</sup>. China has approved nearly 3 billion USD in airport projects, 2 billion USD for the Phnom Penh-Sihanoukville

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<sup>1</sup> Cambodia-China ties cemented in BRI, [The State Council Information Office The People's Republic of China](#), August 16, 2023.

Expressway Project, more than 7.5 billion USD in hydropower plants, and about 4 billion USD in coal power plants<sup>2</sup>. Cambodia is thus, one of the countries with the largest growth of BRI engagement from 2021 to 2022<sup>3</sup>.

In recent years, as Cambodia's economic relations flourished with China, Cambodia's bilateral relations with the United States began deteriorating. This primarily emanated from a historical fear in Cambodia of 'colour revolutions' that threatened to overthrow the established regime in Phnom Penh. The US has exacerbated these concerns by consistent criticism of Cambodian politics, with USA terming the 2023 national elections as "neither free nor fair"<sup>4</sup>. In addition to harsh criticisms, the United States has also imposed sanctions on corrupt business elites, an arms embargo, and restrictions on trade preferences on Cambodia<sup>5</sup>. Foreign interference in domestic politics has long been termed as a clear red line by Cambodia, a sentiment shared by many Southeast Asian countries. The former Prime Minister Hun Sen retaliated to criticisms of the US by stating "let us use domestic rules to solve the problem of democracy in Cambodia"<sup>6</sup>.

The USA's policies of sanctions pushed Cambodia further into the orbit of Chinese influence. Phnom Penh ceased all military exercises with the USA in 2017 and launched "Dragon Gold", annual joint military exercises with China. Cambodia also demolished the USA's Ream Naval Base in the country for expansion and relocation<sup>7</sup>. Relocation and expansion activities have been funded through Beijing's investments. The first ships to dock on the recently completed Ream Naval Base were two Chinese naval vessels on December 3, 2023. The naval base was characterised as "the PRC's first overseas base in the Indo-Pacific", according to the U.S. Department of Defence Report on "Military and Security Developments Involving the People's Republic of China 2022"<sup>8</sup>.

Despite the limitations of a small state and China's overt economic influence in the region, Cambodia has showcased independence in its foreign policy on certain occasions. In 2017, Cambodia was the first ASEAN country to support Japan's vision of a 'free and open Indo-Pacific'. Cambodia was also one of the 142 countries that co-sponsored a UN General Assembly resolution in October

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<sup>2</sup> Cambodia-China Relations in The New Decade, [Konrad Adenauer Foundation](#), May 2020.

<sup>3</sup> China Belt and Road Initiative (BRI) Investment Report 2022, [Green Finance and Development Centre](#), February 3, 2023.

<sup>4</sup> National Elections in Cambodia, [U.S. Department of State](#), July 23, 2023.

<sup>5</sup> Pariah or Partner? Clarifying the U.S. Approach to Cambodia, [CSIS](#), January 14, 2022.

<sup>6</sup> Cambodia's Hun Sen Accuses Western Diplomats of Supporting Opposition, [The Diplomat](#), May 23, 2023.

<sup>7</sup> Cambodia says it razed U.S.-built naval facility to move it, [Reuters](#), October 4, 2023.

<sup>8</sup> Military and Security Developments Involving the People's Republic of China, [U.S. Department of Defence](#), 2022.

2022 condemning Russia's invasion of Ukrainian territories, despite the country's close relationship with Russia<sup>9</sup>. The newly appointed Prime Minister Hun Manet recently concluded a trip to France where he signed development agreements worth \$235 million with France<sup>10</sup>. The new leader is speculated to be more welcoming towards diversifying Cambodia's relationship, especially with the West, given Hun Manet's education in the West. Even in the economic realm, China's share in Cambodia's public debt is declining from 47.48% at the end of 2019 to 40.13% at the end of 2022 and 38.72% by the end of the first quarter of 2023<sup>11</sup>. While China continues to be the top investor in the country, the United States and the E.U. are Cambodia's largest export markets today.

The story of Laos bears a resemblance to Cambodia's. The country established diplomatic relations with China in 1961. However, the China-Vietnam war of 1979 pitted Laos against China, leading to a turbulent period in bilateral relations. Two decades later, in the 1990s, Laos pursued normalisation of ties with China. Laos benefitted tremendously from China's BRI investments. Since 1989, China has directly or indirectly invested in around 815 projects totalling over US\$16 billion, making it the largest source of infrastructure financing to the country<sup>12</sup>. The Lao PDR–China Railway (LCR), the first BRI infrastructure project, is an approximately \$6 billion project, 70 percent of which was financed by a Chinese state-owned contractor. Another critical investment by China in the country is in the development of hydropower with an intent to transform Laos into the "battery of Southeast Asia". China's investment accounts for about 70 percent of Laos's hydropower capacity<sup>13</sup>. The China Southern Power Grid Company is a joint shareholder of the national electricity company, Électricité du Laos Transmission Company Ltd. The 25-year concession agreement between the two allows the Chinese-owned company to build and manage their power grid, including electricity exports to neighbouring countries<sup>14</sup>.

In contrast, the US engagement with Laos reached its peak under the Obama administration and has since waned. In 2016, President Obama made a state visit to Laos out of a "moral obligation" to address the US bombings of Laos during the Vietnam War. During Obama's tenure, three visits were made to Laos by the secretary of state and the US - Laos relationship was upgraded to a

<sup>9</sup> Ukraine war nudging Cambodia toward the West, [Asia Times](#), February 27, 2023.

<sup>10</sup> Cambodia's Hun Manet given wary welcome by West despite rights record, [NIKKIE Asia](#), January 26, 2024.

<sup>11</sup> Cambodia Public Debt Statistics Bulletin, [Ministry of Economy and Finance of Cambodia](#), March 25, 2020.

<sup>12</sup> 2023 Foreign Investment Opportunities in Laos, [ASEAN Briefing](#), June 26, 2022.

<sup>13</sup> China helps Laos tap hydropower potential, boosts electricity export, [Global Times](#), November 29, 2022.

<sup>14</sup> Laos Grants 25-Year Concession to Chinese Company to Manage Power Grid, [VOA](#), March 18, 2021.

comprehensive partnership. However, subsequent administrations have been unable to maintain the momentum of engagement. The current Biden administration has still not sent a senior-level official to the country. The two countries continue to work closely in areas of economic promotion, legal aid, human trafficking prevention, English language education, and unexploded ordnance removal<sup>15</sup>.

In recent years, Laos has attempted to diversify sources of development assistance and its economic relations. Along with China, South Korea and Japan are the largest bilateral donors and creditors to Lao PDR<sup>16</sup>. In 2021-22, the Australian Government provided an estimated \$20.6 million in Official Development Assistance (ODA) to Laos<sup>17</sup>. The Asian Development Bank (ADB) has provided approximately \$89 million to Laos in 2020-2021<sup>18</sup>. Many multilateral organisations like the World Bank, International Finance Corporation (IFC), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), and Japan International Cooperation Agency (JICA) have also undertaken infrastructure-building activities in the country. In addition, according to the Lowy Institute Asia Power Index 2023, 49.6% of Laos's total trade is with Thailand at \$6.36 billion as opposed to the \$3.65 billion trade between China and Laos<sup>19</sup>.

Despite attempts to diversify their relations, the reality of the two countries is that Laos's total debt to China is about 65 percent of gross domestic product at \$12.2 billion<sup>20</sup> and in the case of Cambodia, whose foreign debt now stands at almost \$10 billion, 41% is owed to China<sup>21</sup>. In addition to China's economic clout, geographical proximity and political affinity allow Beijing's influence to overshadow the engagement of other powers in the region. The United States' overemphasis on shared values rather than on shared interests restricts its outreach to Laos and Cambodia. As underdeveloped countries, the practical constraints of these small states leave them with limited agency to hedge in this great power game.

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<sup>15</sup> Laos-US Comprehensive Partnership -- a foundation to grow ties, cooperation, [The Star](#), December 28, 2021.

<sup>16</sup> Top Ten Donors of Gross ODA for Lao People's Democratic Republic, [OECD -DAC](#)

<sup>17</sup> Development Cooperation, [Australian Embassy Lao People's Democratic Republic](#).

<sup>18</sup> Top Ten Donors of Gross ODA for Lao People's Democratic Republic, [OECD -DAC](#).

<sup>19</sup> Laos, [Lowy Institute Asia Power Index 2023 Edition](#).

<sup>20</sup> China's promise of prosperity brought Laos debt – and distress, [Washington Post](#), October 12, 2023.

<sup>21</sup> Cambodia Seeks New Financing from Beijing Amid Fears of 'Debt Trap', [VOA](#), February 1, 2023.

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